



Universal Electronics Reports Third Quarter 2005 Financial Results; Net Income Increased 44% Compared to Third Quarter 2004

November 2, 2005

CYPRESS, Calif.--(BUSINESS WIRE)--Nov. 2, 2005--Leading wireless technology developer Universal Electronics Inc. (UEI)(NASDAQ:UEIC) today announced financial results for the quarter and nine-month period ended September 30, 2005.

Third Quarter 2005 Financial Highlights

- Net sales for the third quarter of 2005 were \$46.2 million, an increase of 15 percent compared to \$40.0 million for the same quarter last year.
- Business Category contributed 68 percent of the total revenue and Consumer Category contributed 32 percent, compared to the third quarter 2004 when Business Category contributed 67 percent of total revenue and Consumer Category contributed 33 percent.
- Gross margins were 36.8 percent, compared to 39.4 percent in last year's third quarter, reflecting the shift toward the company's highest volume customers.
- Net income for the 2005 third quarter was \$2.8 million, or \$0.20 per diluted share, compared to \$1.9 million, or \$0.14 per diluted share, for the third quarter of 2004.

Net sales for the nine-month period ended September 30, 2005 were \$132.0 million, up 24 percent compared to \$106.7 million for the first nine months of 2004. Net income for the first nine months of 2005 was \$6.2 million, or \$0.44 per diluted share. This compares to \$5.4 million, or \$0.39 per diluted share, for the same period last year.

"Over the past several years, UEI has focused resources on simplifying the increasingly complex home control environment," stated Paul Arling, the company's chairman and chief executive officer. "Over the past three years UEI recorded compound annual sales growth of 20 percent and compound annual earnings growth of approximately 25 percent. Looking ahead, we see even greater opportunity in the markets we serve - retail, core remote control and digital media including automotive, cell phone and home networking control - as they are all demonstrating substantial growth opportunities."

Market Opportunities Expanding

UEI is targeting markets with strong growth opportunities. The Consumer Electronics Association estimates the U.S. consumer electronic (CE) accessories market currently exceeds \$2 billion in annual sales and is expected to grow at an estimated 10 percent annually. The company estimates the global CE accessories market to range between \$4 and \$5 billion. Regarding the digital media control, according to The Diffusion Group, there are approximately 25 million networked homes in the U.S., which is expected to rise to over 47 million by 2010, as consumers are continually searching for better solutions to share digital media. UEI's solutions are meeting these needs, as well as those in the automobile and cellular handheld environments.

Rob Lilleness, UEI's president and chief operating officer, added, "Over the past three years, we have developed an industry leading patent portfolio, technology platform, and array of wireless control solutions. As a result, UEI has attracted subscription broadcasting leaders including Comcast, SKY, and DirecTV who have new digital video recorder set-top box deployments, as well as CE giants such as Pioneer, Panasonic and Denon who have new digital devices like plasma televisions and home theater systems. In addition, with the quarter's launch of Nevo(SL) we have opened a whole new segment to UEI's business in home networking device control and digital media control."

UEI's Recent Highlights:

- Pioneer Corporation and UEI entered into an agreement to extend the current license of proprietary connectivity software for use in several of Pioneer's Pure Vision plasma television products. Announced in mid-July, the extension details that Pioneer will utilize UEI's extensive database of infrared (IR) codes to ensure traditional home devices can be controlled by consumer plasma televisions.
- In July, UEI commercially launched Nevo(SL) to a distribution network that has now grown to 17 countries around the world. In September, UEI won the Residential Systems coveted RESI award for "Best Product of the Year" at CEDIA 2005 adding to a total of 7 prestigious awards for the product.
- At the IFA trade show in Berlin in August and September, the largest consumer electronics trade show in the world, UEI launched universal remotes for new segments of the market, digital-antennas for Europe's expanding free-to-air high-definition broadcasting, and new packaging for the Kameleon(TM) line of remotes; in addition to previewing new digital media and home automation products.
- In October, Denon selected UEI's Kameleon "digital ink"- like technology to supply advanced remote controls for certain models of its high-end amplifiers and tuners to be distributed in the United States, Europe and Asia. The relationship marks a further integration of UEI's technology with high-end consumer electronics partners based in Asia.
- Received media coverage in multiple publications including the front covers of Business Week and Residential Systems, as well as mentions in O: The Oprah Magazine, Electronic House, PC Magazine, American Express' Departures, T3, and many more publications with a total circulation reaching over 6 million readers. T3, the pre-eminent British gadget and electronics magazine said, "Nevo(SL) may be the best thing for the home since television."

UEI will participate in the Electronic House (EH) Expo November 9-11 in the Anaheim Convention Center and the International Consumer Electronics Show (CES) in January 2006 in the Las Vegas Convention Center.

Conference Call Information

UEI's management team will hold a conference call today at 1:30 p.m. Pacific Time to review financial results and hold a question and answer session for callers. To access the call in the U.S. please dial 800-622-9917 and for international calls dial 706-645-0366, approximately 10 minutes prior to the start of the conference. The conference call will also be broadcast live over the Internet and available for replay for a year at www.uei.com. In addition, a replay of the call will be available via telephone for 2 business days, beginning two hours after the call. To listen to the replay, in the U.S., please dial 800-642-1687 and international the number is 706-645-9291. Enter access code 1441176.

About Universal Electronics

Universal Electronics Inc., based in Southern California, develops firmware and turnkey solutions as well as software designed to enable consumers to wirelessly connect, control and interact with an increasingly complex home environment. The company's primary markets include original equipment manufacturers (OEMs) in consumer electronics and personal computing, as well as multiple system operators in the cable and satellite subscription broadcasting markets. For nearly 20 years, the company has developed a broad portfolio of patented technologies and the industry's leading database of home connectivity software that it licenses to its customers, including many leading Fortune 500 companies. In addition, UEI sells its universal wireless control products and other audio/visual accessories through its European headquarters in The Netherlands, and to distributors and retailers in Europe, Asia, Latin America, South Africa and Australia/New Zealand under the One For All(R) brand name. More information about UEI can be obtained at <http://www.uei.com>.

Safe Harbor Statement

Except for the historical information contained herein, the matters discussed in this press release are forward-looking statements that involve a number of risks and uncertainties. Among the factors that could cause actual results to differ materially from those expressed herein are the following: the failure of the company's business lines to grow and expand in the manner anticipated by the company's management, including the consumer electronics, digital media and CEDIA markets; the growth of, acceptance of and the demand for the company's products and technologies, including new products such as Nevo(SL) and the company's home connectivity line of products, in various markets and geographical regions, including the subscription broadcasting cable, satellite, consumer electronics, retail, home automation, automotive, and cellular industries, not materializing as believed by the company's management; the failure of the seasonal increase in retail sales to occur as expected by the company; the effect the Euro and other foreign currencies has on the company's results; compared to the U.S. Dollar; the possible dilutive effect the company's stock option programs may have on the company's EPS and stock price; the inability of the company to deliver the Nevo(SL) and the company's home connectivity line of products at the time and in the quantities anticipated by the company's management; and other factors listed from time to time in the company's press releases and SEC filings. The company undertakes no obligation to revise or update any forward-looking statements in order to reflect events or circumstances that may arise after the date of this release.

UNIVERSAL ELECTRONICS INC.
CONSOLIDATED BALANCE SHEETS
(In thousands)
(Unaudited)

	Sept. 30, 2005	Dec. 31, 2004
ASSETS		
Current assets:		
Cash and cash equivalents	\$42,340	\$42,472
Accounts receivable, net	36,856	38,433
Inventories, net	23,370	23,862
Prepaid expenses and other current assets	3,973	2,237
Income tax receivable	423	1,158
Deferred income taxes	3,467	3,216
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Total current assets	110,429	111,378
Equipment, furniture and fixtures, net	4,348	3,732
Goodwill	10,502	10,655
Intangible assets, net	6,166	6,550
Other assets	371	2,935
Deferred income taxes	4,876	5,035
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Total assets	136,692	\$140,285
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable	\$20,677	\$17,559
Accrued income taxes	5,680	4,267
Accrued compensation	2,566	5,914
Other accrued expenses	8,184	8,557
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Total current liabilities	37,107	36,297
Deferred income taxes	101	107
Deferred Revenue	415	
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Total liabilities	37,623	36,404
Stockholders' equity:		
Common stock	168	166
Paid-in capital	81,644	78,872
Accumulated other comprehensive income	(4,232)	3,571
Retained earnings	51,471	45,293
Deferred stock-based compensation	(244)	(168)
Common stock held in treasury	(29,738)	(23,853)
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Total stockholders' equity	99,069	103,881
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Total liabilities and stockholders' equity	136,692	\$140,285
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UNIVERSAL ELECTRONICS INC.
CONSOLIDATED INCOME STATEMENTS
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended September 30, 2005 2004		Nine Months Ended September 30, 2005 2004	
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Net sales	\$46,206	\$40,047	\$132,030	\$106,669
Cost of sales	29,212	24,254	83,601	65,333
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Gross profit	16,994	15,793	48,429	41,336
Research and development	1,782	1,841	4,952	4,092
Selling, general and administrative expenses	11,541	10,656	37,147	29,451
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Operating expenses	13,323	12,497	42,099	33,543
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Operating income	3,671	3,296	6,330	7,793
Interest income, net	(287)	(261)	(639)	(525)
Other expense (income), net	118	551	(2,131)	57
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Income before income taxes	3,840	3,006	9,100	8,261
Provision for income taxes	(1,063)	(1,078)	(2,922)	(2,867)
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Net income	\$2,777	\$1,928	\$6,178	\$5,394
	=====	=====	=====	=====
Earnings per share:				
Basic	\$0.21	\$0.14	\$0.46	\$0.40
	=====	=====	=====	=====
Diluted	\$0.20	\$0.14	\$0.44	\$0.39
	=====	=====	=====	=====

Shares used in computing earnings

per share:				
Basic	13,391	13,496	13,459	13,566
	=====	=====	=====	=====
Diluted	13,918	14,029	13,995	14,002
	=====	=====	=====	=====

UNIVERSAL ELECTRONICS INC.

Reconciliation of Third Quarter 2005 YTD Pro Forma, GAAP Results
(In thousands, except per share amounts)
(Unaudited)

The following table reconciles UEI's pro forma financial results for the third quarter of 2005 YTD, which excludes the write down of a certain receivable as well as the related tax effect, to its actual financial results in accordance with generally accepted accounting principles.

	Three Months Ended September 30, 2005		Nine Months Ended September 30, 2005	
	2004		2004	
	-----	-----	-----	-----
Net income, as reported according to GAAP	\$2,777	\$1,928	\$6,178	\$5,394
Plus:				
Balance write down				
Less:				
Tax effect of excluding the write down	0	0	1,592	0
	0	0	(201)	0
	-----	-----	-----	-----
Pro forma net income	\$2,777	\$1,928	\$7,569	\$5,394
	=====	=====	=====	=====
GAAP earnings per share Diluted	\$0.20	\$0.14	\$0.44	\$0.39
	=====	=====	=====	=====
Pro forma earnings per share: Diluted	\$0.20	\$0.14	\$0.54	\$0.39
	=====	=====	=====	=====
Shares used in computing earnings per share: Diluted	13,918	14,029	13,995	14,002
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SOURCE: Universal Electronics Inc.