UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(mark one)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period ended June 30, 2003

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ________________________ to _________________________.

Commission File Number: 0-21044

UNIVERSAL ELECTRONICS INC.

(Exact name of Registrant as specified in its charter)

Delaware **(State or other jurisdiction of incorporation or organization)**	**33-0204817** **(I.R.S. Employer Identification No.)**
6101 Gateway Drive **Cypress, California** **(Address of principal executive offices)**	**90630** **(Zip Code)**

Registrant's telephone number, including area code: (714) 820-1000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days.

Yes x No o

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Securities Exchange Act of 1934).

Yes x No o

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date – 13,626,571 shares of Common Stock, par value $.01 per share, of the registrant were outstanding at June 30, 2003.

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UNIVERSAL ELECTRONICS INC.

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Item 1. Consolidated Financial Statements

UNIVERSAL ELECTRONICS INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except share-related data)
(Unaudited)

	June 30, 2003	December 31, 2002
ASSETS		
Current assets:		
Cash and cash equivalents	$ 45,263	$ 18,064
Short-term investments	—	22,500
Accounts receivable, net	25,052	26,307
Inventories	20,446	16,046
Prepaid expenses and other current assets	1,459	1,123
Deferred income taxes	1,920	1,920
Income tax receivable	1,634	2,234
Total current assets	95,774	88,194
Equipment, furniture and fixtures, net	3,123	3,383
Goodwill	2,961	2,961
Intangible assets, net	3,399	3,682
Other assets	781	739
Deferred income taxes	1,057	1,057
Total assets	$107,095	$ 100,016
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 9,956	$ 7,795
Accrued income taxes	3,052	2,407
Accrued compensation	1,570	1,253
Other accrued expenses	5,577	5,324
Total current liabilities	20,155	16,779
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $.01 par value, 5,000,000 shares authorized; none issued or outstanding	—	—
Common stock, $.01 par value, 50,000,000 shares authorized; 16,183,753 and 16,001,206 shares issued at June 30,2003 and December 31, 2002, respectively	162	160
Paid-in capital	72,754	71,322
Accumulated other comprehensive loss	(1,282)	(1,740)
Retained earnings	32,053	29,912
Deferred stock-based compensation	(105)	(147)
Less cost of common stock in treasury, 2,557,182 and 2,521,313 shares at June 30, 2003 and December 31, 2002, respectively	(16,642)	(16,270)
Total stockholders' equity	86,940	83,237
Total liabilities and stockholders' equity	$107,095	$ 100,016

The accompanying notes are an integral part of these consolidated financial statements.

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UNIVERSAL ELECTRONICS INC.
CONSOLIDATED INCOME STATEMENTS
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
Net sales	$27,712	$24,590	$54,631	$48,001
Cost of sales	16,882	13,733	33,644	27,728
Gross profit	10,830	10,857	20,987	20,273
Research and development expenses	1,177	1,089	2,340	2,159
Selling, general and administrative expenses	8,076	7,957	15,764	15,412
Operating income	1,577	1,811	2,883	2,702
Interest income	193	155	295	272
Other income, net	51	192	66	223
Income before income taxes	1,821	2,158	3,244	3,197
Provision for income taxes	619	755	1,103	1,119
Net income	$ 1,202	$ 1,403	$ 2,141	$ 2,078
Earnings per share:				
Basic	$ 0.09	$ 0.10	$ 0.16	$ 0.15
Diluted	$ 0.09	$ 0.10	$ 0.15	$ 0.14
Shares used in computing earnings per share:				
Basic	13,612	13,959	13,596	13,879
Diluted	13,881	14,515	13,832	14,443

The accompanying notes are an integral part of these consolidated financial statements.

UNIVERSAL ELECTRONICS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Six Months Ended June 30,	
	2003	2002
Cash provided by operating activities:		
Net income	$ 2,141	$ 2,078
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for doubtful accounts	213	8
Depreciation and amortization	1,859	1,799
Shares issued under employee benefit plan	150	160
Stock-based compensation	42	56
Changes in operating assets and liabilities:		
Accounts receivable	2,375	6,563
Inventories	(4,399)	(1,946)
Prepaid expenses and other assets	(350)	(990)
Accounts payable and accrued expenses	2,382	(734)
Accrued income and other taxes	1,201	(1,092)
Net cash provided by operating activities	5,614	5,902
Cash used for investing activities:		
Purchase of short-term investments	(22,000)	(10,700)
Sale of short-term investments	44,500	1,700
Acquisition of equipment, furniture and fixtures	(1,009)	(1,264)
Payments for businesses acquired	—	(88)
Acquisition of intangible assets	—	(705)
Payments for patents	(307)	(745)
Net cash provided (used) for investing activities	21,184	(11,802)
Cash provided by financing activities:		
Treasury stock purchase	(372)	—
Proceeds from stock options exercised	1,284	1,245
Payment on note payable	(37)	(39)
Net cash provided by financing activities	875	1,206
Effect of exchange rate changes on cash	(474)	(1,589)
Net increase (decrease) in cash and cash equivalents	27,199	(6,283)
Cash and cash equivalents at beginning of period	18,064	14,170
Cash and cash equivalents at end of period	$ 45,263	$ 7,887

The accompanying notes are an integral part of these consolidated financial statements.

UNIVERSAL ELECTRONICS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Basis of Presentation

The accompanying consolidated financial statements include the accounts of the Company and all subsidiaries after elimination of all material intercompany accounts and transactions. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission. These financial statements should be read in conjunction with the consolidated financial statements and related notes contained in the Company's 2002 Annual Report on Form 10-K. The financial information presented in the accompanying statements reflects all adjustments that are, in the opinion of management, necessary for a fair presentation of the periods indicated. All such adjustments are of a normal recurring nature.

Stock-Based Compensation

The Company applies the provisions of Accounting Principles Board Opinion No. 25 in accounting for stock-based employee compensation; therefore, no compensation expense has been recognized for its fixed stock option plans as options are granted at fair market value on the date of the grant. In accordance with SFAS No. 123, "Accounting for Stock-Based Compensation", as amended by SFAS No. 148, "Accounting for Stock-Based Compensation – Transition and Disclosure," the Company adopted the disclosure requirements of this Statement.

The Company has provided below, the pro forma disclosures of the effect on net income and earnings per share as if SFAS No. 123 had been applied in measuring compensation expense for all periods presented. The following table illustrates, pursuant to SFAS No. 123, as amended by SFAS No. 148, the effect on net income and related earnings per share, had compensation cost for stock based compensation plans been determined based on the fair value method prescribed under SFAS No. 123.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
Net income				
As reported	$1,202	$1,403	$2,141	$ 2,078
Less: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(814)	(805)	(1585)	(1,553)
Pro forma	$ 388	$ 598	$ 556	$ 525
Basic earnings per share:				
As reported	$ 0.09	$ 0.10	$ 0.16	$ 0.15
Pro forma	$ 0.03	$ 0.04	$ 0.04	$ 0.04
Diluted earnings per share				
As reported	$ 0.09	$ 0.10	$ 0.15	$ 0.14
Pro forma	$ 0.03	$ 0.04	$ 0.04	$ 0.04

The fair value of options at date of grant was estimated using the Black-Scholes model. The following assumptions were used for the grants during the three month period ended June 30, 2003 and 2002, respectively: risk-free interest rate of approximately 2.49% and 4.76%, expected volatility of approximately 62.35% and 66.55%, expected life of five years for 2003 and 2002; and the common stock will pay no dividends. The per share weighted average grant date fair values of the options granted during the three month period ended June 30, 2003 and 2002 were $5.95 and $9.78, respectively.

UNIVERSAL ELECTRONICS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The following assumptions were used for the grants during the six month period ended June 30, 2003 and 2002, respectively: risk-free interest rate of approximately 2.89% and 4.40%, expected volatility of approximately 63.89% and 67.82%, expected life of five years for 2003 and 2002; and the common stock will pay no dividends. The per share weighted average grant date fair values of the options granted during the six month period ended June 30, 2003 and 2002 were $5.56 and $9.61, respectively

Inventories

Inventories consisting of wireless control devices, including universal remote controls, wireless keyboards, antennas, and related component parts, are valued at the lower of cost or market. Cost is determined using the first-in, first-out method. The Company writes down its inventory for estimated obsolescence or unmarketable inventory equal to the difference between the cost of inventory and the estimated market value based upon assumptions about the future demand and market conditions. Inventories consist of the following (in thousands):

	June 30, 2003	December 31, 2002
Components	$ 7,794	$ 7,950
Finished goods	12,652	8,096
Total inventories	$20,446	$16,046

Investment

The Company accounts for an investment, which does not have a readily determinable fair value using the cost method, as the Company's investment is less than 20% and the Company is unable to exercise significant influence over the investee. Under the cost method, investments are carried at cost and adjusted only for other-than-temporary declines in fair value, distributions of earnings or additional investments. Included in other assets is a $361,000 cost investment.

Earnings Per Share

Basic earnings per share is computed by dividing net income available to common stockholders by the weighted average number of common shares outstanding. Diluted earnings per share is computed by dividing net income by the weighted average number of common shares outstanding and dilutive potential common shares, which includes the dilutive effect of stock options and restricted stock grants. Dilutive potential common shares for all periods presented are computed utilizing the treasury stock method. In the computation of diluted earnings per common share for the three month period ended June 30, 2003 and 2002, approximately 1,055,000 and 0 stock options, respectively, with exercise prices greater than the average market price of the underlying common stock were excluded because their inclusion would have been antidilutive. In the computation of diluted earnings per common share for the six month period ended June 30, 2003 and 2002, approximately 1,742,000 and 609,000 stock options, respectively, with exercise prices greater than the average market price of the underlying common stock were excluded because their inclusion would have been antidilutive.

UNIVERSAL ELECTRONICS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Earnings per share for the three and six months ended June 30, 2003 and 2002 are calculated as follows:

	Three Months Ended		Six Months Ended	
	June 30, 2003	June 30, 2002	June 30, 2003	June 30, 2002
	(in thousands, except per share data)			
BASIC				
Net income	$ 1,202	$ 1,403	$ 2,141	$ 2,078
Weighted-average common shares outstanding	13,612	13,959	13,596	13,879
Basic earnings per share	$ 0.09	$ 0.10	$ 0.16	$ 0.15
DILUTED				
Net income	$ 1,202	$ 1,403	$ 2,141	$ 2,078
Weighted-average common shares outstanding for basic	13,612	13,959	13,596	13,879
Dilutive effect of stock options and restricted stock	269	556	236	564
Weighted-average common shares outstanding on a diluted basis	13,881	14,515	13,832	14,443
Diluted earnings per share	$ 0.09	$ 0.10	$ 0.15	$ 0.14

Comprehensive Income (Loss)

The components of comprehensive income, net of tax, are listed below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
	(in thousands)			
Net Income	$1,202	$1,403	$2,141	$2,078
Other comprehensive income (loss):				
Foreign currency translations	327	463	458	(357)
Comprehensive income:	$1,529	$1,866	$2,599	$1,721

Treasury Stock

The Company purchased 38,701 shares of its common stock at a cost of $372,000 during the first six months of 2003. The Company holds shares purchased on the open market as treasury stock and they are available for reissue by the Company.

UNIVERSAL ELECTRONICS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

New Accounting Pronouncements

In August 2001, the Financial Accounting Standard Board ("FASB") issued SFAS No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 143 addresses financial accounting and reporting obligations associated with the retirement of tangible long-lived assets and the associated retirement costs. SFAS No. 143 is effective for fiscal years beginning after June 15, 2002. The adoption of SFAS No. 143 did not have a material effect on the Company's financial position, results of operations, or cash flows.

In July 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," which requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. Examples of costs covered by this standard include lease termination costs and certain employee severance costs that are associated with a restructuring, discontinued operation, plant closing, or other exit or disposal activity. This statement replaces EITF Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." SFAS No. 146 is to be applied prospectively to exit or disposal activities initiated after December 31, 2002. The adoption of SFAS No. 146 did not have a material effect on the Company's financial position, results of operations, or cash flows.

In November 2002, the FASB issued Interpretation No. 45 ("FIN No. 45"), "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." FIN No. 45 expands on the accounting guidance of Statements Nos. 5, 57, and 107 and incorporates without change the provisions of FASB Interpretation No. 34, which is being superseded. FIN No. 45 will affect leasing transactions involving residual guarantees, vendor and manufacturer guarantees, and tax and environmental indemnities. All such guarantees will need to be disclosed in the notes to the financial statements starting with the period ending after December 15, 2002. For guarantees issued after December 31, 2002, the fair value of the obligation must be reported on the balance sheet. Existing guarantees will be grandfathered and will not be recognized on the balance sheet. The adoption of FIN No. 45 did not have a material effect on the Company's financial position, results of operations, or cash flows.

In November 2002, the FASB issued Emerging Issues Task Force ("EITF") Issue No. 00-21, "Revenue Arrangements with Multiple Deliverables." EITF Issue No. 00-21 addresses certain aspects of the accounting by a company for arrangements under which it will perform multiple revenue-generating activities. EITF Issue No. 00-21 addresses when and how an arrangement involving multiple deliverables should be divided into separate units of accounting. EITF Issue No. 00-21 provides guidance with respect to the effect of certain customer rights due to company nonperformance on the recognition of revenue allocated to delivered units of accounting. EITF Issue No. 00-21 also addresses the impact on the measurement and/or allocation of arrangement consideration of customer cancellation provisions and consideration that varies as a result of future actions of the customer or the company. Finally, EITF Issue No. 00-21 provides guidance with respect to the recognition of the cost of certain deliverables that are excluded from the revenue accounting for an arrangement. The provisions of EITF Issue No. 00-21 will apply to revenue arrangements entered into in fiscal periods beginning after June 15, 2003. We are currently evaluating the effect that the adoption of EITF Issue No. 00-21 will have on the Company's financial position, results of operations, or cash flows.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure - an amendment to FASB Statement No. 123, Accounting for Stock-Based Compensation." SFAS No. 148 provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS No. 148 amends the disclosure requirements of Statement 123 to require more prominent and more frequent disclosures in financial statements about the effects of stock-based compensation. The transition guidance and annual disclosure provisions of SFAS No. 148 are effective for fiscal years ending after December 15, 2002. The interim disclosure provisions are effective for financial reports containing financial statements for interim periods beginning after December 15, 2002. The Company has adopted the disclosure provisions and elected to continue to use the intrinsic method.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity". SFAS 150 establishes new standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. SFAS 150 is effective for financial instruments entered into or modified after May 31, 2003 and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The adoption of SFAS 150 did not have a material effect on the Company's financial position, results of operations, or cash flows.

UNIVERSAL ELECTRONICS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Goodwill and Intangible Assets

The Company operates in a single industry segment. The Company separately monitors the financial performance of its domestic and international operations. Further, each of these operations generally serves a distinct customer base. Based upon these facts, the Company considers the domestic and international operations its reporting units for the assignment of goodwill. Goodwill for the domestic operations was generated from the acquisition of a remote control company in 1998. Goodwill for international operations resulted from the acquisition of remote control distributors in the UK in 1998, Spain in 1999 and France in 2000.

Goodwill information for each reporting unit is as follows (in thousands):

	June 30, 2003	December 31, 2002
United States	$1,191	$1,191
All Other Countries	1,770	1,770
Total Goodwill	$2,961	$2,961

Intangible assets consist principally of distribution rights, patents, trademarks and purchased technologies. Capitalized amounts related to patents represent external legal costs for the application and maintenance of patents. Intangible assets are amortized using the straight-line method over their estimated period of benefit, ranging from five to ten years.

Information regarding the Company’s other intangible assets is as follows (in thousands):

	June 30, 2003	December 31, 2002
Carrying amount:		
Distribution rights	$2,597	$2,597
Patents	2,946	2,636
Trademarks	348	348
Technology	1,282	1,285
Other	1,048	1,048
Total carrying amount	$8,221	$7,914
Accumulated amortization:		
Distribution rights	$2,348	$2,134
Patents	1,084	951
Trademarks	95	77
Technology	293	170
Other	1,002	900
Total accumulated amortization	$4,822	$4,232
Net carrying amount:		
Distribution rights	$ 249	$ 463
Patents	1,862	1,685
Trademarks	253	271
Technology	989	1,115
Other	46	148
Total net carrying amount	$3,399	$3,682

UNIVERSAL ELECTRONICS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Amortization expense for the three and six months ended June 30, 2003 was approximately $0.3 and $0.6 million, respectively. Amortization expense for the three and six months ended June 30, 2002 was approximately $0.2 and $0.4 million, respectively. Estimated amortization expense for existing intangible assets for each of the five succeeding years ending December 31 will be as follows (in thousands):

2003 (remaining 6 months)	$552
2004	757
2005	722
2006	722
2007	722
2008	722

Accounting Policy for Derivatives

The Company enters into foreign currency option-based arrangements, with contract terms normally lasting six months or less, to protect against the adverse effects that exchange-rate fluctuations may have on foreign-currency-denominated trade receivables. These derivatives do not qualify for hedge accounting, in accordance with SFAS 133, because they relate to existing assets denominated in a foreign currency. The gains and losses on both the derivatives and the foreign-currency-denominated trade receivables are recorded as transaction adjustments in current earnings.

The Company's currency exposures are primarily concentrated in the Euro and British Pound Sterling, and to a lesser extent, certain other international currencies. At June 30, 2003, the Company had a number of foreign exchange contracts, which expire on various dates through December 2003, with an aggregate notional value of approximately $6.3 million. The Company does not enter into financial instruments for speculation or trading purposes. These financial exposures are monitored and managed by us as an integral part of the Company's overall risk management program, which recognizes the unpredictability of financial markets and seeks to reduce the potentially adverse effect on the Company's results.

Business Segments and Foreign Operations

The Company operates in a single industry segment and is engaged in the development and marketing of pre-programmed wireless control devices and related products principally for video and audio entertainment equipment. The Company's customers consist primarily of international retailers, distributors, private label customers, original equipment manufacturers, subscription broadcasting operators and companies in the computing industry.

The Company's sales to external customers and identifiable assets by geographic area are presented below (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	**2002**	**2003**	**2002**
Net Sales				
United States	$16,996	$16,759	$33,319	$32,681
Netherlands	3,692	3,004	6,648	5,763
United Kingdom	2,726	1,370	5,526	2,813
France	859	775	1,981	1,764
Germany	1,161	701	2,549	1,485
All Other	2,278	1,981	4,608	3,495
Total Net Sales	$27,712	$24,590	$54,631	$48,001

	June 30, 2003	December 31, 2002
Identifiable Assets		
United States	$ 6,482	$ 6,846
All Other Countries	3,782	3,919
Total Identifiable Assets	$10,264	$10,765

UNIVERSAL ELECTRONICS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Specific identification of customer location was the basis used for attributing revenues from external customers to individual countries. Foreign currency exchange gains of $106,000 and $48,000 for the three months ended June 30, 2003 and 2002, respectively and $126,000 and $51,000 for the six months ended June 30, 2003 and 2002, respectively, were included in other income.

Reclassifications

Certain prior period amounts have been reclassified to conform to the current presentation.

Guarantees and Product Warranties

The Company indemnifies its directors and officers to the maximum extent permitted under the laws of the State of Delaware. The Company has purchased directors and officers insurance coverage to cover claims made against the directors and officers during the applicable policy periods. The amounts and types of coverage have varied from period to period as dictated by market conditions.

The Company provides for estimated product warranty expenses when we sell the related products. Because warranty estimates are forecasts that are based on the best available information, mostly historical claims experience, claims costs may differ from amounts provided. An analysis of changes in the liability for product warranties follows:

Description	Balance at December 31, 2002	Accruals for Warranties Issued During the Period	Settlements (in Cash or in Kind) During the Period	Balance at June 30, 2003
Six Months Ended June 30, 2003	$524,700	$35,335	$(88,644)	$471,391

Commitments and Contingent Liabilities

The Company is a party to lawsuits and claims arising in the normal course of its business. At the present time, there are two lawsuits pending brought by the Company against third parties. In these actions, the Company is seeking money damages and injunctive relief. In one of these actions, the third party has filed suit against the Company seeking a declaration that certain of its patents are invalid and unenforceable. It is the opinion of management that such patents are valid and enforceable and the Company intends to defend against such suit vigorously. While it is the opinion of management that the Company’s products do not infringe any third party’s patent or other intellectual property rights, the costs associated with defending or pursuing any such claims or litigation could be substantial and amounts awarded as final judgments, if any, in any such potential or pending litigation, could have a significant and material adverse effect on the Company’s financial condition, results of operations, or cash flows.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

Second Quarter 2003 versus Second Quarter 2002

Net sales for the 2003 second quarter were $27.7 million, an increase of 12.7% compared to $24.6 million for the same quarter last year. Net income for the second quarter of 2003 was $1,202,000 or $0.09 per share (basic and diluted) compared to $1,403,000 or $0.10 per share (basic and diluted) for the second quarter of 2002.

Net sales in our technology lines (subscription broadcasting, OEM, private label and computing companies) were approximately 72.5% of net sales for the second quarter of 2003 compared to 79.2% for the second quarter of 2002. Net sales in our technology lines for the second quarter of 2003 increased by 3.1% to $20.1 million from $19.5 million for the same period last year. The increase in technology sales was principally due to increased sales in the private label line with the launch of the new Kameleon products and also increased shipments to OEM customers in Europe.

Net sales in our retail lines (*One For All*® international and direct import) accounted for approximately 27.5% of total second quarter 2003 net sales compared to 20.8% for the corresponding period in 2002. Our net sales for the 2003 second quarter from our retail customers were $7.6 million, an increase of 49.3% from net sales of $5.1 million for the same quarter last year. The increase in retail sales was primarily attributable to stronger demand in the United Kingdom and Germany and also the effect of an increase in the Euro against the United States dollar.

In March 2003, our largest customer, Comcast Cable Communications, Inc., notified us that as a result of a merger, it would conduct all of its consumer service and support activities internally and cease using our services. Consequently, revenue for consumer service and support from this customer ceased in second quarter of 2003. In light of this, we are reviewing our domestic consumer service and support group to determine how we may best utilize this service to support our existing customers and to attract new customers.

Gross profit for the second quarter of 2003 was $10.8 million compared to $10.9 million for the second quarter of 2002. Our gross margin for the second quarter of 2003 was 39.1% compared to a gross margin of 44.2% for the same period last year. The lower gross margin during the quarter was primarily due to lower margins on new product in the introductory phase of the product cycle, competitive pressures, which result in lower sales prices and additional provision for inventory obsolescence of approximately $.6 million for the second quarter of 2003 compared to the same period last year.

Research and development expenses increased 8.1% from $1.1 million in the second quarter of 2002 to $1.2 million for the same period in 2003. The increase was primarily due to continuing development of our Nevo and Kameleon technology.

Selling, general and administrative expenses increased 1.5% from $8.0 million in the second quarter of 2002 to $8.1 million for the same period in 2003. The increase was primarily attributable to the effect of an increase in the strength of the Euro against the United States dollar on our European expenses paid in Euros.

In the second quarter of 2003, we recorded $193,000 of interest income compared to $155,000 for the same period last year. This $38,000 increase is primarily due to higher interest earned on a higher cash balances in 2003.

Other income consists primarily of net gain on realized foreign exchange transactions. For the second quarter of 2003, other income amounted to $51,000 as compared to $192,000 for the same period last year. The decrease is attributable to the settlement of a patent infringement suit resulting in royalties of $115,000 in 2002 and no similar settlements during the 2003 period.

We recorded income tax expense of $0.6 million for the second quarter of 2003 compared to approximately $0.8 million for the same period last year. Our estimated annual effective tax rate decreased from the 35% estimated annual rate in the second quarter of 2002 to 34% during the same period in 2003. This decrease was the result of the use of a higher expected annual pre-tax income projected for 2002 and a higher corresponding federal statutory tax rate during the second quarter of 2002.

Six Months 2003 versus Six Months 2002

Net sales for the six months ended June 30, 2003 were $54.6 million, an increase of 13.8% over the net sales of $48.0 million for the same period last year. Net income for the first six months of 2003 was $2.1 million or $0.16 per share (basic) and $0.15 per share (diluted), compared to $2.1 million or $0.15 per share (basic) and $0.14 per share (diluted) for the same period last year.

Net sales in the Company's technology lines (subscription broadcasting, OEM and private label) for the first six months of 2003 increased 3.1% to $39.2 million from $38.0 million for the same period last year. The increase in technology sales was principally due to sales in the private label line increasing for the introduction of our Kameleon products and increased shipments to OEM customers in Europe.

Net sales from the Company's retail lines (*One For All*® international, Eversafe and direct import) for the first six months of 2003 increased 54.6% to $15.4 million from $10.0 million for the same period last year primarily due to increased sales volume to customers in Germany and the UK and also the effect of an increase in the Euro against the United States dollar.

Gross margins for the first six months of 2003 were 38.4% compared to 42.2% for the same period last year. The lower gross margin during the first six months of 2003 was primarily due to lower margins on new product in the introductory phase of the product cycle, competitive pressures that resulted in lower sales prices and additional provision for inventory obsolescence of approximately $.8 million for the six months ended June 30, 2003 compared to the same period last year.

Selling, general and administrative expenses increased to $15.8 million in the first six months of 2003, compared to $15.4 million in the first six months of 2002. The increase was primarily attributable to the effect of an increase in the Euro against the United States dollar on our European expenses compared to the second quarter of 2002.

Interest income increased by $23,000 to $295,000 for the first six months of 2003 from $272,000 for the same period in 2002 due to higher interest earned on higher cash balances in 2003.

Other income consists primarily of net gain on realized foreign exchange transactions. For the six-month period ended June 30, 2003, other income amounted to $66,000 as compared to $223,000 for the same period last year. The decrease is attributable to the settlement of a patent infringement suit resulting in royalties of $115,000 in 2002 and no similar settlements during the 2003 period.

The Company recorded income tax expense of $1.1 million for the first six months of 2003 and 2002. Our effective tax rate has been reduced from 35% for the first six months of 2002 to 34% during the same period in 2003. This decrease was the result of the use of a higher expected annual pre-tax income projected for 2002 period and a higher corresponding federal statutory tax rate during the six months ended June 30, 2002.

Liquidity and Capital Resources

Our principal sources of funds are from our operations and bank credit facilities. Cash provided by operating activities for the first six months of 2003 was $5.6 million as compared to $5.9 million in the corresponding period in 2002. The decrease in cash flow is primarily due to increased inventory purchases in the first six months of 2003 due primarily to anticipated increased sales and slightly higher safety stock levels to more effectively meet anticipated demand.

On April 1, 2002, we entered into a $15 million unsecured revolving credit agreement (the “Agreement”) with Bank of America National Trust and Savings Association (“B of A”). Under the Agreement with B of A, we can choose from several interest rate options at our discretion. The interest rate in effect as of June 30, 2003 using the IBOR Rate option plus a fixed margin of 1.25% was 2.36%. We pay a commitment fee of a maximum rate of 1/8 of 1% per year on the unused portion of the credit line. Under the terms of this Agreement, our ability to pay cash dividends on our common stock is restricted and we are subject to certain financial covenants and other restrictions that are standard for these types of agreements. However, we have authority under this credit facility to acquire up to 1,000,000 shares of our common stock in market purchases and, since the date of this Agreement, 623,546 shares of our common stock have been purchased at a total cost of $5,623,000. Amounts available for borrowing under this credit facility are reduced by the outstanding balance of import letters of credit. As of June 30, 2003, we had no amounts outstanding under this credit facility and no outstanding import letters of credit.

We purchased 38,701 shares of our common stock at a cost of $372,000 in the first six months of 2003. We hold these shares as treasury stock, and they are available for reissue by us. Presently, except for using a small number of these treasury shares to compensate our outside board members, we have no plans to distribute these shares, although we may change these plans if necessary to fulfill our on-going business objectives. In addition, during the six months ended June 30, 2003, we received proceeds of approximately $1,284,000 from the exercise of stock options granted to our current and former employees, as compared to approximately $1,245,000 during the same period in 2002.

Capital expenditures in the first six months of 2003 and 2002 were approximately $1,009,000 and $1,264,000, respectively. These expenditures related primarily to the acquisition of product tooling.

During the second quarter of 2002, we completed an acquisition of certain multimedia protocol technologies from a software development company for $780,000. These technologies enable custom wireless control solutions for home entertainment hardware and software applications.

On August 25, 2000, we completed an acquisition of a remote control distributor in France for approximately $1.8 million, of which $1.5 million was paid during 2000, $143,000 was paid during 2001, $88,000 was paid in the first six months of 2002 and the remaining amount was paid during the remainder of 2002.

It is our policy to carefully monitor the state of our business, cash requirements and capital structure. We believe that funds generated from our operations and available from our borrowing facility will be sufficient to fund current business operations as well as anticipated growth at least through the end of 2003; however, there can be no assurance that this will occur.

Risk Factors

Forward Looking Statements

We caution that the following important factors, among others (including but not limited to factors discussed below or in the "Management's Discussion and Analysis of Financial Condition and Results of Operations," as well as those factors discussed elsewhere in this Quarterly Report on Form 10-Q, or in our other reports filed from time to time with the Securities and Exchange Commission), could affect our actual results and could contribute to or cause our actual consolidated results to differ materially from those expressed in any of our forward-looking statements. The factors included here are not exhaustive. Further, any forward-looking statement speaks only as of the date on which such statement is made, and we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for management to predict all such factors, nor can we assess the impact of each such factor on the business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Therefore, forward-looking statements should not be relied upon as a prediction of actual future results.

While we believe that the forward looking statements made in this report are based on reasonable assumptions, the actual outcome of such statements is subject to a number of risks and uncertainties, including the failure of our markets to continue growing and expanding in the manner we anticipated; the failure of our customers to grow and expand as we anticipated; the effects of natural or other events beyond our control, including the effect a war or terrorist activities may have on the Company or the economy; the economic environment's effect on us and our customers; the growth of, acceptance of and demand for our products and technologies in various markets and geographical regions, including cable, satellite, consumer electronics, retail and interactive TV and home automation, not materializing as we believed; our inability to add profitable complementary products which are accepted by the marketplace; our inability to continue to maintain our operating costs at acceptable levels through our cost containment efforts; our realization of tax benefits from various tax projects initiated from time to time, the continued strength of our balance sheet; our inability to continue selling our products or licensing our technologies at higher or profitable margins; the failure of the various markets and industries to grow or emerge as rapidly or as successfully as we believed; the continued growth of the digital market; our inability to obtain orders or maintain our order volume with new and existing customers; the possible dilutive effect our stock option program may have on our earnings per share and stock price; our inability to continue to obtain adequate quantities of component parts or secure adequate factory production capacity on a timely basis; and other factors listed from time to time in our press releases and filings with the Securities and Exchange Commission.

Dependence Upon Key Suppliers

Most of the components used in our products are available from multiple sources; however, we have elected to purchase integrated circuit components used in our products, principally our wireless control products, and certain other components used in our products, from two main sources, each of which provides in excess of ten percent (10%) of our microprocessors for use in our products. We have developed alternative sources of supply for these integrated circuit components. However, there can be no assurance that we will be able to continue to obtain these components on a timely basis. We generally maintain inventories of our integrated chips, which could be used in part to mitigate, but not eliminate, delays resulting from supply interruptions. An extended interruption, shortage or termination in the supply of any of the components used in our products, or a reduction in their quality or reliability, or a significant increase in prices of components, would have an adverse effect on our business, results of operations, or cash flows.

Dependence on Foreign Manufacturing

Third-party manufacturers located in foreign countries manufacture a majority of our products. Our arrangements with our foreign manufacturers are subject to the risks of doing business abroad, such as import duties, trade restrictions, work stoppages, political instability and other factors, which could have a material adverse effect on our business, results of operations or cash flows. We believe that the loss of any one or more of our manufacturers would not have a long-term material adverse effect on our business, results of operations and cash flows because numerous other manufacturers are available to fulfill our requirements; however, the loss of any of our major manufacturers could adversely affect our business until alternative manufacturing arrangements are secured.

Potential Fluctuations in Quarterly Results

Our quarterly financial results may vary significantly depending primarily upon factors such as the timing of significant orders, the timing of our new product offerings and those of our competitors and the loss or acquisition of any significant customers. Historically, our business has been influenced by the retail sales cycle, with increased sales in the last half of the year and the largest proportion of sales occurring in the last quarter. Factors such as quarterly variations in financial results could adversely affect the market price of our common stock and cause it to fluctuate substantially. In addition, we (i) may from time to time increase our operating expenses to fund greater levels of research and development, increase our sales and marketing activities, develop new distribution channels, improve our operational and financial systems and broaden our customer support capabilities and (ii) may incur significant operating expenses associated with any new acquisitions. To the extent that such expenses precede or are not subsequently followed by increased revenues, our business, operating results, financial condition or cash flows will be materially adversely affected.

We may experience significant fluctuations in future quarterly operating results that may be caused by many factors, including demand for products, introduction or enhancement of products by us and our competitors, the loss or acquisition of any significant customers, market acceptance of new products, price reductions by us or our competitors, mix of distribution channels through which products are sold, level of product returns, fluctuations in freight and delivery costs, mix of customers and products sold, component pricing, mix of international and domestic revenues, and general economic conditions. In addition, as a strategic response to changes in the competitive environment, we may from time to time make certain pricing or marketing decisions or acquisitions that could have a material adverse effect on our business, results of operations or financial condition. As a result, we believe that period-to-period comparisons of our results of operations are not necessarily meaningful and should not be relied upon as any indication of future performance.

Due to all of the foregoing factors, it is likely that in some future quarters our operating results will be below the expectations of public market analysts and investors. In such event, the price of our common stock would likely be materially adversely affected.

Dependence on Consumer Preference

We are susceptible to fluctuations in our business based upon consumer demand for our products. We believe that our success depends in substantial part on our ability to anticipate, gauge and respond to such fluctuations in consumer demand. However, it is impossible to predict with complete accuracy the occurrence and effect of any such event that will cause such fluctuations in consumer demand for our products. Moreover, we caution that any increases in sales or growth in revenue that we achieve may be transitory and should by no means be construed to mean that such increases or growth will continue.

Demand for Consumer Service and Support

We have continually provided domestic and international consumer service and support to our customers to add overall value and to help differentiate us from our competitors. In March 2003, our largest customer notified us that as a result of a merger, it would conduct all of its consumer service and support activities internally and cease using our services commencing the second quarter of 2003. Consequently, revenue for consumer service and support from this customer ceased. In light of this, we are reviewing our domestic service and support group and determine how to best utilize this service to support our existing customers and to attract new customers. There can be no assurance that we will be able to attract new customers to use this service. In addition, in the event other customers decide to cease using this service, we would be unable to offset costs associated with providing this service resulting in an adverse affect to our financial position, results of operations or cash flows.

Dependence Upon Timely Product Introduction

Our ability to remain competitive in the wireless control products market will depend in part upon our ability to successfully identify new product opportunities and to develop and introduce new products and enhancements on a timely and cost effective basis. There can be no assurance that we will be successful in developing and marketing new products or in enhancing our existing products, or that such new or enhanced products will achieve consumer acceptance, and, if achieved, will sustain that acceptance, that products developed by others will not render our products non-competitive or obsolete or that we will be able to obtain or maintain the rights to use proprietary technologies developed by others which are incorporated in our products. Any failure to anticipate or respond adequately to technological developments and customer requirements, or any significant delays in product development or introduction, could have a material adverse effect on our financial position, results of operations or cash flows.

In addition, the introduction of new products in the future may require the expenditure of significant amounts of funds for research and development, tooling, manufacturing processes, inventory and marketing. In order to achieve high volume production of any new product, we may have to make substantial investments in inventory and expand our production capabilities, costs of which may not be recouped by subsequent sales of new products.

Dependence on Major Customers

The economic strength and weakness of our worldwide customers affect our performance. We sell our wireless control products and proprietary technologies to private label customers, original equipment manufacturers, subscription broadcasting operators, and companies in the computing industry. We also supply our products to our wholly owned, non-U.S. subsidiaries and to independent foreign distributors, who in turn distribute our products worldwide, with Europe, Australia, New Zealand, Mexico and selected countries in Asia and Latin America currently representing our principal foreign markets. During the first six months of 2003 and 2002, we had sales to two customers, Comcast Cable Communications, Inc. and Radio Shack, which amounted to more than ten percent of our net sales for period. The future loss of either of these customers or any other key customer, either in the United States or abroad or our inability to obtain orders or maintain our order volume with our major customers may have an adverse effect on our financial position, results of operations or cash flows.

Competition

The wireless control industry is characterized by intense competition based primarily on product availability, price, speed of delivery, ability to tailor specific solutions to customer needs, quality and depth of product lines. Our competition is fragmented across our product lines, and accordingly, we do not compete with any one company across all product lines. We compete with a variety of entities, some of which have greater financial and other resources. Our ability to remain competitive in this industry depends in part on our ability to successfully identify new product opportunities and develop and introduce new products and enhancements on a timely and cost effective basis, as well as our ability to identify and enter into strategic alliances with entities doing business within the industries we serve. There can be no assurance that we and our product offerings will be and/or remain competitive or that any strategic alliances, if any, which we enter into will achieve the type, extent and amount of success or business that we expect or hope.

Potential for Litigation

As is typical in our industry and the nature and kind of business in which we are engaged, from time to time, various claims, charges and litigation are asserted or commenced by third parties against us or by us against third parties, arising from or related to product liability, infringement of patent or other intellectual property rights, breach of warranty, contractual relations, or employee relations. The amounts claimed may be substantial but may not bear any reasonable relationship to the merits of the claims or the extent of any real risk of court awards. At the present time, there are two lawsuits pending brought by the Company against third parties. In these actions, we are seeking money damages and injunctive relief. In one of these actions, the third party has filed suit against us seeking a declaration that certain of our patents are invalid and unenforceable. It is the opinion of management that such patents are valid and enforceable, and we intend to defend against such suit vigorously. While it is the opinion of management that our products do not infringe any third party's patent or other intellectual property rights, the costs associated with defending or pursuing any such claims or litigation could be substantial, and amounts awarded as final judgments, if any, in any such potential or pending litigation, could have a significant and material adverse effect on our financial condition, results of operations, or cash flows.

Effects on Universal Due to International Operations

The risks of doing business in developing countries and economically volatile areas could adversely affect our operations, earnings and cash flows. Our expansion of sales into economically volatile areas, such as Asia-Pacific, Latin America and other emerging markets, subject us to a number of economic and other risks. Such risks include financial instability among customers in these regions, the volatility of economic conditions in countries dependent on exports from the United States and European markets, and political instability and potential conflicts among developing nations. We generally have experienced longer accounts receivable cycles in some established European markets, as well as emerging international markets, in particular Latin America, when compared with the United States. We are also subject to other factors associated with doing business in such other countries, including inflation, recession, trade protection measures, local labor conditions, and unexpected changes in regulatory requirements, currency devaluation, interest rate fluctuations, fluctuations in foreign currency exchange rates, exchange ratios, nationalization or expropriation of assets, import/export controls, political instability, variations in the protection of intellectual property rights, limitations on foreign investments, and restrictions on the ability to convert currency. These risks are inherent in conducting operations in geographically distant locations, with customers speaking different languages and having different cultural approaches to the conduct of business, any one of which alone or collectively may have an adverse effect on our international operations, and consequently on our business, operating results, financial condition and cash flows. While we will continue to work toward minimizing any adverse effects of conducting our business abroad, no assurance can be made that we will be successful in minimizing any such effects.

In 2000, we established a wholly owned subsidiary, *One For All* Argentina S.R.L., in Argentina for the support of our retail sales activities in Latin America, specifically in Argentina and Brazil. In early 2002, the United States dollar was eliminated as Argentina's monetary benchmark, resulting in significant currency devaluation. As the functional currency in Argentina is the Argentinean peso and we anticipate that funds generated from collection of sales in Argentina will be maintained in Argentina, we do not anticipate that the elimination of the U.S. dollar as a monetary benchmark will result in a material adverse effect on our business. However, there can be no guarantee that economic circumstances in Argentina or elsewhere will not worsen, which could result in future effects on earnings should such events occur. Our failure to successfully manage economic, political and other risks relating to doing business in developing countries and economically and politically volatile areas could adversely affect our business.

General Economic Conditions

General economic conditions, both domestic and foreign, have an impact on our business and financial results. The global economy has weakened and market conditions continue to be challenging. As a result, individuals and companies are delaying or reducing expenditures. Continued weak global economic conditions and continued softness, particularly in the consumer and telecommunications sector, and purchasers' uncertainty about the extent of the global economic downturn could result in lower demand for our products.

We have observed the effects of the global economic downturn in some areas of our business. The downturn has contributed to net revenue declines during fiscal 2002. During the current downturn, we also have experienced gross margin declines in certain businesses, reflecting the effect of competitive pressures as well as inventory write-downs. While worsening economic conditions have had a slightly negative impact on revenues to date, revenues, gross margins and earnings could deteriorate significantly or our growth rate could be adversely impacted in the future as a result of economic conditions. In addition, if our customers experience financial difficulties, we could suffer losses associated with the outstanding portion of accounts receivable.

The terrorist attacks that took place in the United States on September 11, 2001 were unprecedented events that have created many economic and political uncertainties. The potential for future terrorist attacks, the national and international responses to terrorist attacks, and other acts of war or hostility have created many economic and political uncertainties, which could adversely affect our business, financial position, results of operations and cash flows in the short or long-term in ways that cannot presently be predicted.

Outlook

Throughout 2003, our focus has been and will continue to be the enhancement of our leadership position by developing custom products for our customers, growing our capture expertise in existing infrared technology and emerging radio frequency standards, adding to our portfolio of patented or patent pending technologies, and developing new platform products. We are also developing new ways to enhance remote controls and exploring methods to control digital media in the home to enhance the offerings of industries we serve.

In 2002, we launched our Nevo technology, an embedded solution that transforms an electronic display (such as Compaq's iPaq Pocket PC) into a sophisticated and easy-to-use wireless home control and automation device. We have initially targeted Nevo sales to customers in the computing industry, a new channel for us. We also launched our Kameleon interface technology, a revolutionary display technology that provides ease of use by illuminating only active keys needed to control each entertainment device. During 2003, we will continue to seek ways to integrate our Nevo technology and Kameleon display technology into other forms and devices.

We will continue to invest in our database of device codes by analyzing products for inclusion into our library as we keep our commitment to maintaining a worldwide IR code library. In addition to our device code database, we will continue to invest in novel intellectual property to fortify our position in the market.

We will seek ways to increase our customer base worldwide. We will continue to work on building stronger existing customer relationships by working with customers through joint surveys and product trials that will enable us to understand their needs and the needs of their customers. We intend to invest in new products and technology to meet our customer needs now and into the future.

In March 2003, our largest customer, Comcast Cable Communications, Inc., notified us that as a result of a merger, it would conduct all of its consumer service and support activities internally and cease using our services. Consequently, revenue for consumer service and support from this customer ceased in second quarter of 2003. In light of this we are reviewing our domestic consumer service and support group to determine how we may best utilize this service to support our existing customers and to attract new customers. There can be no assurance that we will be able to attract new customers to use this service. In addition, in the event other customers decide to cease using this service, we would be unable to offset costs associated with providing this service resulting in an adverse affect to our financial position, results of operations, or cash flows.

We will also continue in 2003 to attempt to control our overall cost of doing business. We believe that through product design changes and our purchasing efforts, improvements in our gross margins and efficiencies in our selling, general and administrative expenses can be accomplished, although there can be no assurance that there will be any improvements to our gross margins or that we will achieve any cost savings through these efforts and if accomplished, that any such improvements or savings will be significant or maintained.

Also during 2003, we will continue to pursue our overall strategy of seeking ways to operate all aspects of our business more profitably. This strategy will include looking at acceptable acquisition targets and strategic partnership opportunities. We caution, however, that no assurance can be made that any suitable acquisition target or partnership opportunity will be identified and, if identified, that a transaction can be consummated. Moreover, if consummated, no assurance can be made that any such acquisition or partnership will profitably add to our operations.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to various market risks, including interest rate and foreign currency exchange rate fluctuations. We have established policies, procedures and internal processes governing our management of market risks and the use of financial instruments to manage our exposure to such risks. The interest payable under our revolving credit agreement with our bank is variable and is generally based on either the bank's cost of funds, or the IBOR rate, and is affected by changes in market interest rates. At June 30, 2003, we had no borrowings on our credit line. The interest rate in effect on the credit as of June 30, 2003 using the IBOR Rate option plus a fixed margin of 1.25% was 2.36%.

At June 30, 2003 we had wholly owned subsidiaries in The Netherlands, United Kingdom, Germany, France, Argentina, Spain and Mexico. Sales from these operations are typically denominated in local currencies including Euros, British Pounds, and Argentine Pesos thereby creating exposures to changes in exchange rates. Changes in the local currencies/U.S. Dollars exchange rate may positively or negatively affect our sales, gross margins and net income. From time to time, we enter into foreign currency exchange agreements to manage our exposure arising from fluctuating exchange rates that affect cash flows. At June 30, 2003, the Company had a number of foreign exchange contracts, which expire on various dates through December 2003, with an aggregate notional value of approximately $6.3 million. We do not enter into any derivative transactions for speculative purposes. The sensitivity of earnings and cash flows to variability in exchange rates is assessed by applying an approximate range of potential rate fluctuations to our assets, obligations and projected results of operations denominated in foreign currencies. Because of the foregoing factors, as well as other variables that affect our operating results, past financial performance should not be considered a reliable indicator of future performance and investors should not use historical trends to anticipate results or trends in future periods.

ITEM 4. CONTROLS AND PROCEDURES

Management, including the Company's Chief Executive Officer and Chief Financial Officer, has made an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Exchange Act Rule 13a-15.

During the period covered by the report, there was no change in internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Based upon the evaluation, the Chief Executive Officer and Chief Financial Officer have concluded, as of the end of the period covered by this report, that the Company's disclosure controls and procedures are effective to ensure that all material information required to be filed in this report has been made known to them, as appropriate to allow timely decisions regarding required disclosure.

PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

No legal proceeding first became a reportable event, nor was there any material development or termination with respect to any previously reported legal proceeding, during the period covered by this report. Reference is made to the description of the legal proceedings in Note 19 contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2002 for information regarding reportable legal proceedings pending as of that date.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITIES HOLDERS

The Company's Annual Meeting of Stockholders was held on June 18, 2003. In connection with the Annual Meeting of Stockholders, the following are the results of the vote taken on the various matters presented to the Company's stockholders.

Proposal One: *The election of the Company's Class I and II directors to serve on the Board of Directors until the next Annual Meeting of Stockholders to be held in 2004 or until election and qualification of their successors*

Nominee - Directors	In Favor	Withheld
Paul D. Arling (Class I Nominee)	12,520,988	564,359
Satjiv S. Chahill(Class II Nominee)	12,554,833	530,514

The Company currently has five directors. Mr. Arling is the sole Class I Director. Each of the three remaining Class II Directors, Bruce A. Henderson, William C. Mulligan and J. C. Sparkman, continues to serve as a director with a term expiring at the Annual Meeting in 2004.

Proposal Two: *The ratification of the appointment of PricewaterhouseCoopers LLP, a firm of independent accountants, as the Company's auditors for the year ending December 31, 2003*

In Favor	Opposed	Abstained
12,327,491	747,407	10,450

Proposal Three: *The approval of the Universal Electronics Inc. 2003 Stock Incentive Plan.*

In Favor	Opposed	Abstained
6,877,050	2,693,936	33,390

CERTIFICATION PURSUANT TO
SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

Item 6. EXHIBITS AND REPORTS ON FORM 8 K

(A) Exhibits pursuant to Item 601 of Regulation S-K

31.1	Rule 13a-14(a)/Section 302 Certifications of Paul D. Arling, Chief Executive Officer of Universal Electronics Inc.
31.2	Rule 13a-14(a)/Section 302 Certifications of Mark Z. Belzowski, Chief Financial Officer of Universal Electronics Inc.
32	Rule 13a-14(b)/Section 906 Certifications of Paul D. Arling, Chief Executive Officer of Universal Electronics Inc. and Mark Z. Belzowski, Chief Financial Officer of Universal Electronics Inc. pursuant to 18 U.S.C. Section 1350

(B) Reports on Form 8-K

On April 29, 2003, the Company filed a report on Form 8-K under Item 12, Results of Operations and Financial Condition, concerning the Company's announcement of its financial results for the quarter ended March 31, 2003. The report also included a copy of the Company's press release announcing these financial results attached as Exhibit 99.1 thereto, as well as consolidated financial information under Item 9, Regulation FD Disclosure.

On July 29, 2003, the Company filed a report on Form 8-K under Item 12, Results of Operations and Financial Condition, concerning the Company's announcement of its financial results for the quarter ended June 30, 2003. The report also included a copy of the Company's press release announcing these financial results attached as Exhibit 99.1 thereto, as well as consolidated financial information under Item 9, Regulation FD Disclosure.

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CERTIFICATION PURSUANT TO
SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

(Registrant) Universal Electronics Inc.

Date: August 14, 2003 /s/ Mark Z. Belzowski

Mark Z. Belzowski
Vice President, Chief Financial Officer and Treasurer

Exhibit 31.1

CERTIFICATIONS

I, Paul D. Arling, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Universal Electronics Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: August 14, 2003

By: /s/ Paul D. Arling
Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Mark Z. Belzowski, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Universal Electronics Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 14, 2003

By: /s/ Mark Z. Belzowski
Chief Financial Officer

Exhibit 32

SECTION 1350 CERTIFICATIONS

Pursuant to 18 U.S.C. Section 1350, each of the undersigned officers of Universal Electronics Inc. (the "Company"), hereby certifies that the Company's Form 10-Q for the fiscal quarter ended June 30, 2003 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company. The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

Dated: August 14, 2003

By: /s/ Paul D. Arling
Chief Executive Officer

By: /s/ Mark Z. Belzowski
Chief Financial Officer

A signed original of this written statement has been provided to Universal Electronics Inc. and will be retained by it and furnished to the Securities and Exchange Commission or its staff upon request.