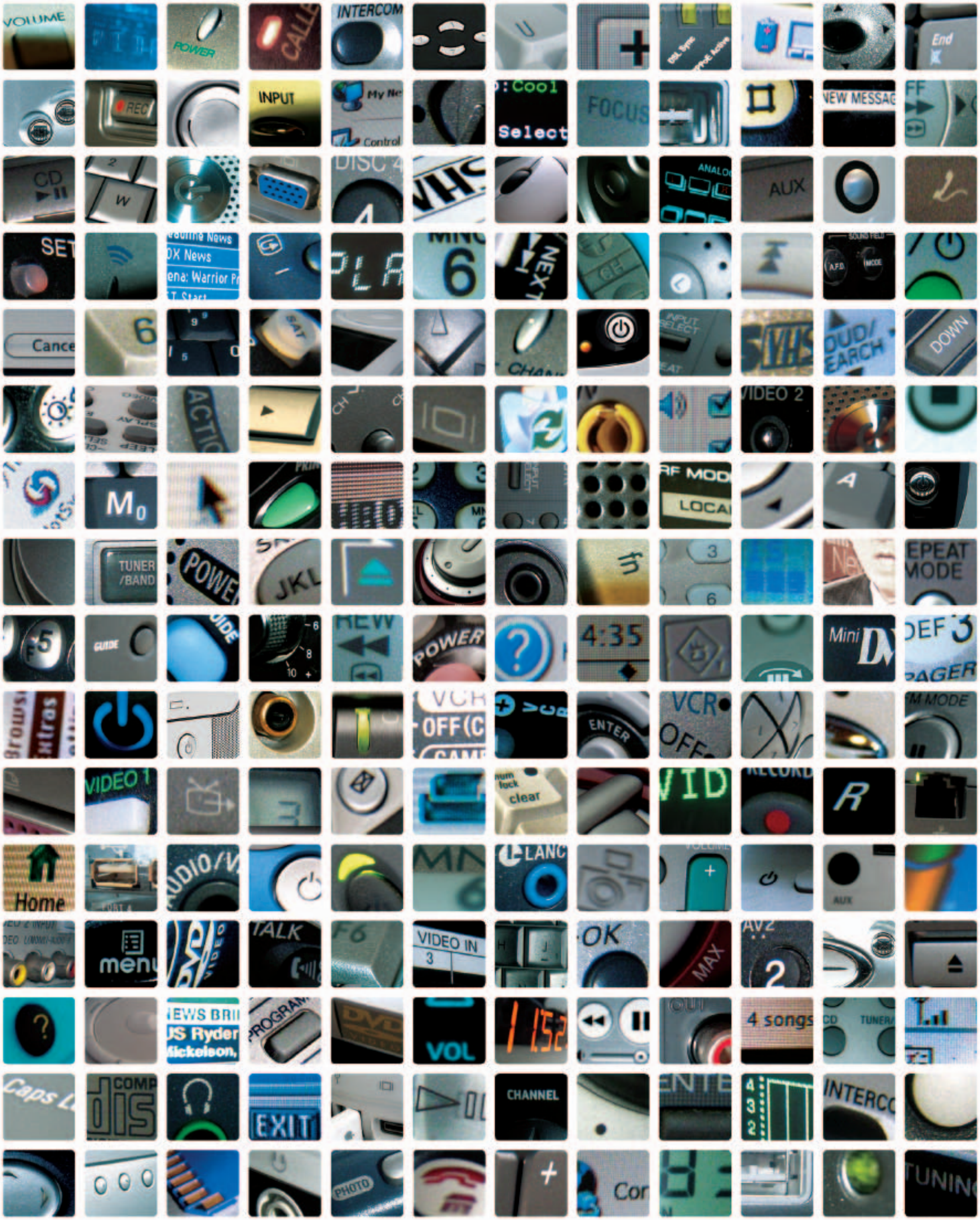


Universal Electronics Inc. 2003 Annual Report

Simplify.

The home environment is becoming more and more complex, with new home entertainment devices being introduced all the time. So what are companies doing about it? Many are making lots of bold claims and promises, touting all kinds of qualities.

AFFORDABLE
FLEXIBLE
UBIQUITOUS
ALL-PURPOSE
DIVERSE
CAPABLE
DEDICATED
NETWORKED
VALUABLE
EMPOWERING
FOCUSED
FLAWLESS
PERSONAL
INTELLIGENT
MASTERFUL
DETERMINED

At Universal Electronics, we believe in making things simple.

And that's just what we're doing — with qualities that allow you to connect to any device and interact with any content, anywhere in your home.

What, exactly, are those qualities? Let us give you a hint.

AFFORDABLE
FLEXIBLE
UBIQUITOUS
ALL-PURPOSE
DIVERSE
CAPABLE
DEDICATED
NETWORKED
VALUABLE
EMPOWERING
FOCUSED
FLAWLESS
PERSONAL
INTELLIGENT
MASTERFUL
DETERMINED

Ubiquitous products with unparalleled features and capabilities. Empowering users by exceeding expectations. Intelligent solutions based on unique and innovative technology. These are the defining qualities that make us the leader in our industry: a company that is making the connected home a reality by making the complex simple. We're UEI.

TO OUR SHAREHOLDERS,

We set high financial goals and non-financial milestones for 2003 and we are very pleased to report we achieved them.

Revenue for the year was $120.5 million up 16 percent compared to 2002, and operating income of $8.6 million grew 23 percent over the previous year. We ended the year with annual net income of $6.3 million or 45 cents per diluted share.

One of our objectives was to maintain conservative financial management principles and strengthen our balance sheet. We did just that, finishing the year with cash and cash equivalents of $58.5 million, generating net cash of $17.9 million.

We believe the keys to our financial success were our concerted efforts to expand our customer base, our technology portfolio and our product line — all to better enable end users to connect, control and interact with their home electronics. As the enthusiastic reception to our new product introductions in 2003 clearly demonstrates, our investment in new product development is paying off.

During 2003, we also added significantly to our client roster worldwide and expanded relationships with key players in the subscription broadcasting, retail, computing and consumer electronics markets we serve, including Circuit City, Comcast, Fry's Electronics, HP, Microsoft, Sharper Image and Wal-Mart, as well as a number of European and Latin American subscription broadcasters.

OVER 171,000 DATABASE CODES AND COUNTING

During 2003, we added over 28 thousand function codes to our database, bringing the total number of codes to more than 171 thousand — an annual increase of 20 percent. During the fourth quarter, our push into the consumer electronics sector also drove demand for our growing Chinese database, as we continue to add local brands to our library to serve a burgeoning market throughout Asia.

Also, in 2003 we issued five new patents and filed for six more, bringing the total number of issued and pending patents to 101. We believe that we have built the broadest patent portfolio for home control in the world. One patent of particular significance covers our automated software development tool that enables UEI to completely build the operating software for a remote control in days instead of weeks. Approximately 20 percent of UEI products built in 2003 were created using this new, patented innovation. By reducing development time substantially, we have gained a significant competitive advantage in serving our customers.

KEY MARKET HIGHLIGHTS

We continue to expand our presence in subscription broadcasting, serving a growing roster of companies globally including Comcast, Time Warner and DIRECTV™ Latin America. With the continued growth of HDTV, video on demand and digital video recorders, we anticipate our subscription broadcasting business to continue to grow robustly.

Consumers all over the world embraced our new Kameleon™ platform, a revolutionary display technology that intelligently illuminates only the set of keys needed to control each entertainment device — delivering unparalleled ease of use and superior home theater control at an affordable price. As a result, retailers clamored to get Kameleon products in their stores. Our Sky product line has also been very well received, as has our One For All™ branded accessories, including our distinct antenna line, designed for the growing market in digital terrestrials or free-to-air television. In 2004, we will continue to leverage these successful platforms in the consumer electronics and retail industries, as well as evaluate new concepts.

In the computing industry, we are in the process of developing the next generation of Nevo™, which will set the standard of control for digital media in the connected home. We completed our beta product for the new Nevo during the first quarter of 2004 and expect to launch the product around mid-year.

THE HOME REMAINS THE NEW TECHNOLOGY FRONTIER

The home technology environment is changing rapidly. Broadband is pouring digital media into the home at an ever-increasing rate. Statistics show that consumers are transacting an estimated five billion digital music files — and taking more than two billion digital photos — per month. As digital media enters the home through multiple platforms, there is a very obvious need to simplify this environment.

That's where UEI comes into play. Our advanced technology group is at the forefront of developing control technology for the broadband and digital home. No company is better positioned to build a bridge between the home devices of today and the networked home devices of tomorrow.

TAKING A LOOK AHEAD

We are truly confident about the future of technology in the home and the opportunity it presents us. Universal Electronics has the technology, the patents and the products to enable consumers to wirelessly connect, control and interact with an increasingly complex home environment. Our growth over the past year underscores how well positioned we are to deliver on our promise of simplifying the connected home.

In closing, I want to thank our board of directors, executive management team, dedicated employees, worldwide partners and shareholders for their continued support helping us realize our vision. Please stay tuned.

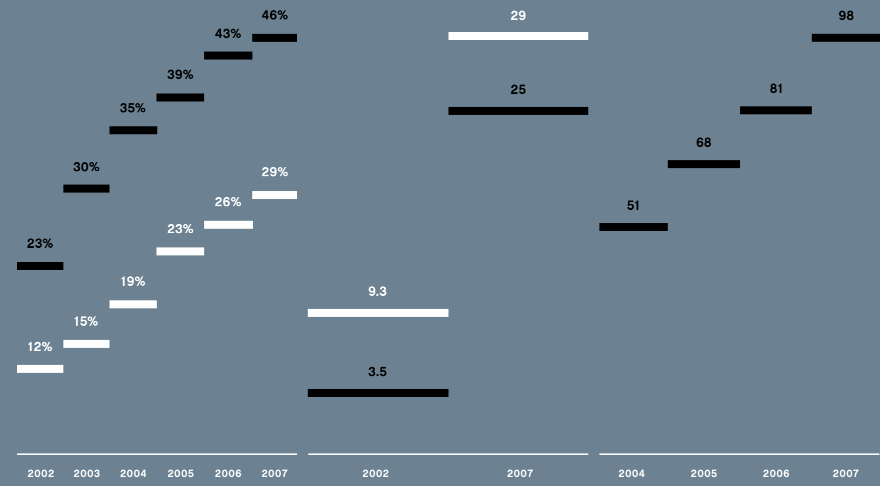
Sincerely,

PAUL ARLING
Chairman & Chief Executive Officer

Broadband Transforming The Home

Growth in Digital Devices and Content

Proliferation of Networked CE Nodes



Penetration of new technologies in US Households

Broadband

Home Networks

Annual shipments in million units (U.S.)

MP3 Players

Digital Cameras

Annual shipments in million units (U.S.)

Network-capable Consumer Electronic Devices

In 2003, wireless networks represented 52% of U.S. home networks.

By 2007, 84% of U.S. home networks will utilize wireless technologies[1]

In 2002, over 25 billion photos were taken growing to over 56 billion by 2007.

Over 5 billion tracks are traded on a monthly basis[2]

By 2007, shipments of networked consumer electronics (CE) nodes to approach 100MM units.[3]

Ubiquitous

OUR TECHNOLOGY TRAVELS THE GLOBE, FINDING ITS WAY INTO HOMES ALL OVER EUROPE, ASIA, LATIN AMERICA, AND AUSTRALIA.

The addresses and zip codes of the homes may vary. And the decors may range from traditional to ultra-modern. But whatever the setting — a studio apartment in the city or a stately country mansion — the language of the Connected Home remains universal. That's because consumers everywhere all want to accomplish the same thing when it comes to their home entertainment. They want to be able to connect, control and interact with the variety of entertainment devices in their homes. That way, they can enjoy the content of their choice anytime they want. At Universal Electronics, we understand the need to simplify the Connected Home. And we're delivering innovative solutions to accomplish just that. Which is why you'll find our technology in living rooms, dens and family rooms all over the world.

17 YEARS AGO, WE INTRODUCED THE FIRST PRE-PROGRAMMED UNIVERSAL REMOTE CONTROL.

Today, under the One for All™ brand, UEI is not only the market leader in universal remote controls in Europe, but also the standard for indoor antenna technology in the United Kingdom. Our formula for success remains consistent: industry-leading technology, patented ease-of-use features with unique, attractive designs, a diverse product line, and a strong market presence. And to retain our leadership position, we continue to innovate and build lasting relationships with the best trade partners.

Core Technology

Empowering

TO PAUSE LIVE TV, SKIP COMMERCIALS, AND SHARE DIGITAL IMAGES, ABOUT 25 MILLION U.S. HOUSEHOLDS WILL HAVE DIGITAL VIDEO RECORDERS BY 2008.[4]

Consumer electronics devices are proliferating in the home like never before. Networked DVD players, high definition TVs, digital set-top boxes, digital cameras, MP3 players, digital video recorders, the list goes on and on. At the same time, while consumers are discovering new solutions designed to enhance their lives, they are becoming overwhelmed by the technology involved — preventing them from fully enjoying the benefits of these new devices.[5] That's where UEI comes in. Our innovative technology delivers ease-of-use and universal control to the users' fingertips. So all the birthday girl has to do is decide what cartoon she wants to watch next — or again.

Kameleon

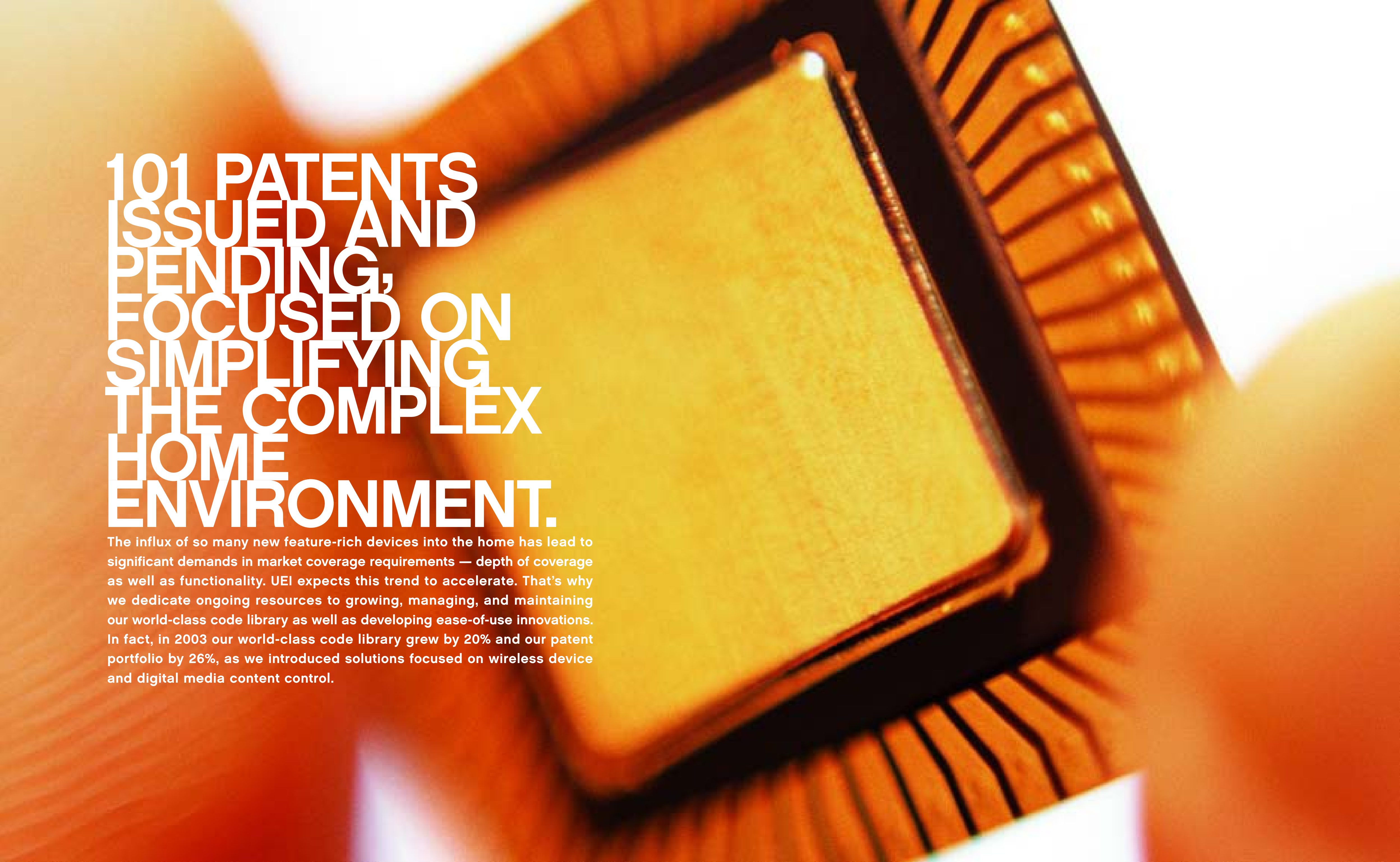
WE'RE CHANGING THE FACE OF HOME CONTROL BY CHANGING THE WAY YOU LOOK AT CONTROL.

Kameleon™ first hit the remote control scene in 2002 and instantly redefined it. Consumers all over the world fell in love with this technology for a number of reasons — its unmistakable style, unmatched value, and intelligent Illumination. Kameleon brings effortless ease-of-control to anywhere the user wants to enjoy home entertainment. So it's no wonder that the Kameleon product line grew three-fold in 2003, enjoying explosive growth in the specialty retail market and expanding into the cable and OEM markets.

WE SUPPORT OVER 2,100 UNIQUE BRANDS SPANNING AUDIO, VIDEO, HOME APPLIANCE, AND MOBILE ELECTRONICS DEVICES, AND WE'RE ADDING MORE ALL THE TIME.

Intelligent

New players enter the consumer electronics market daily. Some become household names. Others disappear as quickly as they entered. Either way, consumers need to easily connect, control, and interact with any new technology or device that they bring into their homes. UEI's world class connectivity software is powering the leading brands of consumer electronics, computers, and wireless control devices — simplifying the user experience worldwide. At UEI, we believe the foundation of the connected home is innovative technology. And we understand, too, that innovation is an ongoing process. Which is why we remain committed to it as the lifeblood of our organization.



101 PATENTS ISSUED AND PENDING, FOCUSED ON SIMPLIFYING THE COMPLEX HOME ENVIRONMENT.

The influx of so many new feature-rich devices into the home has lead to significant demands in market coverage requirements — depth of coverage as well as functionality. UEI expects this trend to accelerate. That's why we dedicate ongoing resources to growing, managing, and maintaining our world-class code library as well as developing ease-of-use innovations. In fact, in 2003 our world-class code library grew by 20% and our patent portfolio by 26%, as we introduced solutions focused on wireless device and digital media content control.

NEVO. THE NEW EVOLUTION IN HOME CONTROL.

It's nothing less than the new Visual Interface for the Connected Home. In fact, in 2003 Nevo proved that it could transform any display into an advanced, yet simple to use home control device. Today, Nevo™ powers over 2 million personal digital assistants (PDAs) and Smart Displays™. More importantly, Nevo has set new standards for simplified home control — intuitive ease of use, breadth of devices, and unique form factors.

However, it's time to look beyond device control. Consumers are downloading music, pictures, movies and storing them on their computers. And they want to enjoy this content through new high-definition, flat panel televisions, or surround sound speakers, in the comfort of their living rooms, or any room, for that matter. Nevo not only provides the most advanced and user-friendly interface to simplify the control of today's newest devices, but it is continuing to evolve with the growing demands of the Connected Home consumer.

CASE STUDIES



CASE STUDIES

At UEI, we're known by the company we keep. That company includes many of the leading names in technology. Leaders in the cable industry. Leaders in consumer electronics. And leaders in the specialty retail marketplace. As leaders in their respective industries, our partners have similar expectations — which is why they rely on Universal Electronics when it comes to delivering innovative, value-driven control solutions to their customers.

GATEWAY


CASE STUDY 1: GATEWAY®

In 2003, Gateway became a leading player in consumer electronics. With a host of accolades including being named one of Cnet.com's Top 100 Products, the company's 42-inch Enhanced Definition plasma TV is now the number-one selling plasma TV in America. ■ Gateway looked to UEI to supply the ideal control solution for its high-end televisions. In a big-ticket item like a plasma TV, consumers expect to seamlessly connect a number of audio/video and computing equipment to the unit. So universal functionality to control devices like the HD cable/satellite box, home theater, DVD, and PVR becomes essential. And that is just what UEI technology has delivered. ■ In anticipation that the TVs would often be enjoyed in low-light home theater environments, UEI's control solution is equipped with electro-luminescent (EL) backlighting capabilities to maximize the user's entertainment experience. As a result, the control solutions we developed are every bit as sophisticated as the Gateway displays they are designed to operate.

TIME WARNER

TIME WARNER CABLE


CASE STUDY 2: TIME WARNER

With over 11 million subscribers, Time Warner Cable (TWC) is one of the country's largest cable television operators. Committed to delivering the highest levels of service, value, and choice, TWC offers customers the latest new products and interactive services including High Definition Television (HDTV), Digital Video Recording (DVR), and Video on Demand (VOD). ▪ But with added features and services comes added complexity-which can also lead to a higher rate of service calls, increased truck rolls, and compromised customer satisfaction. UEI addressed these challenges by consolidating TWC's remote control needs and building an advanced, custom product to provide subscribers with an unmatched out-of-the box experience. ▪ Time Warner reports that after rolling out the UEI solution, its Los Angeles division has enjoyed, to date, a significant reduction in remote control-related support calls. The distinct "iControl" key has enabled subscribers to instantly access VOD services with just one touch-resulting in reduced costs and incremental revenue.

RADIOSHACK

RadioShack®


CASE STUDY 3: RADIOSHACK®

With more than 7,000 stores nationwide, RadioShack is one of the nation's most trusted consumer electronics specialty retailers. Given the company's mission — to demystify technology in every neighborhood in America — it's not surprising that it was the first to introduce UEI's Kameleon technology in 2003. Its launch of the RadioShack 6-in-1 Kameleon™ Remote Control won rave reviews from the trade press, including a feature article in the April 2003 edition of Sound and Vision Magazine. It was also a real hit with customers. UEI's innovative technology featuring Intelligent Illumination provides advanced functionality and touch-screen simplicity without the key clutter. As a result, in 2003 RadioShack enjoyed a significant increase in universal remote control sales over prior years due to UEI's family of Kameleon-based products — with consumers focusing on Kameleon's innovative simplicity.

Home
POWER
DISC
JUMP
SLOW
MENU
INFO
TALK
ON
OFF
VIDEO
videos
F5
FUNCTION
Print
mp3
PAUSE
GUIDE
AUDIO
News
9:30
PQRS
7
PAUSE
STAND
TIMER
SELECT
POWER
PAGE
DC IN 9V

AUX
EXIT
VOL
INPUT
6
DISC
REPEAT
MODE
TUNER
/BAND
SET
ENTER
VIDEO 1
menu
NEW MESSA
Home
OK
MAX
4 songs
FOCUS
DOWN
CHANNEL
R

FINANCIAL REVIEW

BUSINESS OF UNIVERSAL ELECTRONICS INC.

Universal Electronics Inc. was incorporated under the laws of Delaware in 1986 and began operations in 1987. The principal executive offices are located at 6101 Gateway Drive, Cypress, California 90630. As used herein, the terms "Universal" and the "Company" refer to Universal Electronics Inc. and its subsidiaries unless the context indicates to the contrary.

Universal Electronics Inc., based in Southern California, develops software, firmware and turnkey solutions 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. Over the past 16 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, the Company 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, Australia, New Zealand, the Middle East, and Mexico under the One For All® brand name. More information about the Company can be obtained at www.uei.com.

GENERAL BUSINESS INFORMATION

Universal has developed a broad line of easy-to-use, pre-programmed universal wireless control products that are marketed principally for home video and audio entertainment equipment through various channels of distribution, including international retail, private label, OEMs, and cable and satellite service providers and to companies in the computing industry. Universal believes that its universal wireless controls can operate virtually all infrared remote ("IR") controlled TVs, VCRs, DVD players, cable converters, CD players, audio components and satellite receivers, as well as most other infrared remote controlled devices worldwide.

Beginning in 1986 and continuing today, Universal has compiled an extensive library of over 171,000 IR codes that cover nearly 141,000 individual device functions and over 2,100 individual consumer electronic equipment brand names. Universal's library is regularly updated with new IR codes used in newly introduced video and audio devices. All such IR codes are captured from the original manufacturer's remote control devices to ensure the accuracy and integrity of the database. Universal's proprietary software and know-how permit IR codes to be compressed before being loaded into its products. This provides significant cost and space efficiencies that enable Universal to include more codes and features in the memory space of the wireless control device than are included in similarly priced products of competitors. Universal has developed a patented technology that provides the capability to easily upgrade the memory of the wireless control device by adding IR codes from its library that were not originally included.

PRODUCTS

Universal introduced its first product, the One For All, in 1987. Universal's family of products includes universal standard and touch screen remote controls, wireless keyboards, game controllers, antennas, and various audio/video accessories, as well as custom and customizable microcontrollers that include Universal's library of IR codes and proprietary software, and licensing of Universal's library of IR codes and proprietary software. These products cover a broad spectrum of suggested prices and performance capabilities. Universal sells its customized products to international retailers and distributors, consumer electronic accessory suppliers, private label customers, OEMs, cable operators and satellite service providers for resale under the One For All® brand name and/or their customers' respective private label brands. Universal's products are capable of controlling a multitude of audio and video devices, including, but not limited to, TVs, VCRs, DVD players, cable converters, CD players, satellite receivers, laser disc players, amplifiers, tuners, turntables, cassette players, digital audio tape players, surround sound systems, and most home automation control modules.

Each of Universal's wireless control devices is designed to simplify the use of video, audio and other devices. To appeal to the mass market, the number of buttons is minimized to include only what Universal believes to be the most popular functions. Universal's remotes are also designed for ease of set-up. For most of Universal's products, the consumer simply inputs a four-digit code for each video or audio device to be controlled. Each remote contains a RAM, a ROM, or a combination of ROM and EEPROM chips. The RAM and the ROM and EEPROM combination products allow the remote to be upgraded with additional codes, one of Universal's patented features. Another patented ease of use feature Universal offers in several of its products is its user programmable macro key. This feature allows the user to program a sequence of commands onto a single key, to be played back each time that key is subsequently pressed.

By providing its wireless control technology in many forms, including finished products and microcontrollers on which Universal's software is embedded, Universal can meet the needs of its customers, enabling those who manufacture or subcontract their manufacturing requirements to use existing sources of supply and more easily incorporate Universal's technology.

During 2003, Universal continued its product innovation by launching several new products based on the two popular new technology platforms developed in 2002; Nevo™, an embedded solution that transforms any electronic display (such as HP's iPaq PocketPCs) into a sophisticated and easy-to-use wireless home control and automation device, and Kameleon™, a revolutionary display technology that provides ease of use by illuminating only active keys needed to control each entertainment device.

ENGINEERING, RESEARCH AND DEVELOPMENT

During 2003, Universal's engineering efforts focused on modifying existing products and technologies to improve features, to lower costs, and to develop measures to protect the Company's proprietary technology and general know-how. Universal continues to regularly update its library of IR codes to include IR codes for new features and devices introduced worldwide. Universal's library contains over 171,000 IR data codes, an increase from just over 143,000 data codes in 2002. Universal also continues to explore ways to improve its software to pre-program more codes into its memory chips and to simplify the upgrading of its wireless control products.

Also during 2003, Universal's product development efforts focused on new and innovative wireless control and interface solutions resulting in the launch of new retail SKUs based on the Kameleon interface technology. Universal also broadened its product portfolio with solutions that address emerging technology sectors like home media distribution and home automation. These advanced technology development efforts focused

on both industry-based standards as well as specific universal extensions that maximize the end user experience utilizing a set of heterogeneous protocols and technologies that exist in the modern home today. This environment is driving the need for simplification of these new protocols and devices, since they were originally engineered and targeted towards the enterprise customer. The Company created the Nevo product offerings to simplify and manage the end user's experience interacting with devices in the home - devices that may span over a decade, including traditional IR based devices, and the more complex TCP/IP consumer electronic devices utilizing both open and proprietary protocols.

Universal also developed technologies aimed at unifying traditional technologies that are encountered within a home, and emerging technologies. This allows consumers to deploy Universal Electronics based solutions ranging from a simple IR based audio-visual stack to a modern digital media management experience allowing access to digital content such as music, pictures and videos.

Company personnel are involved with various industry organizations and bodies, which are in the process of setting standards for infrared, radio frequency, power line, telephone and cable communications and networking in the home. There can be no assurance that any of the Company's research and development projects will be successfully completed.

Universal's engineering, research and development departments, located in Cypress, California, had approximately 82 full-time employees at December 31, 2003. Universal's expenditures on engineering, research and development in 2003, 2002 and 2001 were $6.4 million, $5.9 million and $5.6 million, respectively, of which approximately $4.7 million, $4.5 million and $4.2 million, respectively, were for research and development.

MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Universal's common stock trades on the National Market of The NASDAQ Stock Market under the symbol UEIC.

The following table sets forth, for the periods indicated, the high and low reported sale prices for Universal's common stock, as reported on the National Market of The NASDAQ Stock Market:

	2003		2002	
	High	Low	High	Low
First Quarter	$ 10.7500	$ 9.0100	$ 16.7000	$ 13.9300
Second Quarter	$ 14.2500	$ 9.1500	$ 18.2300	$ 14.1500
Third Quarter	$ 14.0000	$ 11.0000	$ 15.0800	$ 8.8000
Fourth Quarter	$ 13.8400	$ 11.3000	$ 10.4700	$ 6.7300

Stockholders of record on February 27, 2004 numbered approximately 119.

Universal has never paid cash dividends on our common stock, nor do we intend to pay any cash dividends on our common stock in the foreseeable future. We intend to retain our earnings, if any, for the future operation and expansion of our business. In addition, the terms of our revolving credit facility limit our ability to pay cash dividends on our common stock. See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources" and "Notes to Consolidated Financial Statements – Note 7."

SELECTED CONSOLIDATED FINANCIAL DATA

Year Ended December 31, (in thousands, except per share data)	2003	2002	2001	2000	1999
Net sales	$ 120,468	$ 103,891	$ 119,030	$ 124,740	$ 105,091
Operating income	$ 8,573	$ 6,981	$ 16,009	$ 18,242	$ 12,968
Net income	$ 6,267	$ 5,939	$ 11,286	$ 11,601	$ 7,740
Earnings per share:					
Basic	$ 0.46	$ 0.43	$ 0.82	$ 0.84	$ 0.58
Diluted	$ 0.45	$ 0.42	$ 0.78	$ 0.78	$ 0.55
Shares used in calculating earnings per share:					
Basic	13,703	13,790	13,844	13,743	13,312
Diluted	14,007	14,163	14,523	14,941	14,126
Gross margin	38.4%	40.1%	41.2%	41.3%	41.3%
Operating margin	7.1%	6.7%	13.4%	14.6%	12.4%
Selling, general, administrative, research and development expenses as a % of sales	31.3%	33.4%	27.8%	26.7%	28.9%
Net income as a % of sales	5.2%	5.7%	9.5%	9.3%	7.4%
Return on average assets	5.5%	6.1%	12.0%	13.9%	11.5%
Working capital	$ 82,191	$ 71,457	$ 67,422	$ 58,323	$ 45,506
Ratio of current assets to current liabilities	3.7	5.3	5.5	3.5	4.0
Total assets	$ 126,167	$ 100,016	$ 94,705	$ 93,766	$ 73,751
Cash and cash equivalents	$ 58,481	$ 18,064	$ 14,170	$ 9,309	$ 13,286
Short-term investments	—	$ 22,500	$ 20,100	$ 11,500	—
Long-term debt	—	$ 41	$ 104	$ 163	$ 240
Stockholders' equity	$ 95,171	$ 83,237	$ 79,702	$ 70,353	$ 58,511
Book value per share [(a)]	$ 6.89	$ 6.17	$ 5.78	$ 5.10	$ 4.28
Ratio of liabilities to liabilities and stockholders' equity	24.6%	16.8%	15.8%	25.0%	20.7%

(a) Book value per share is defined as stockholders' equity divided by common shares outstanding.

A factor that affected the comparability of information between 2002 and 2001 was our implementation of Statement of Financial Accounting Standards ("SFAS") No. 142 on January 1, 2002, which requires that goodwill no longer be amortized.

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Universal has developed a broad line of easy-to-use, pre-programmed universal wireless control products that are marketed principally for home video and audio entertainment equipment through various channels of distribution, including international retail, private label, OEMs, cable and satellite service providers and companies in the computing industry. Universal believes that its universal wireless controls can operate virtually all infrared remote ("IR") controlled TVs, VCRs, DVD players, cable converters, CD players, audio components and satellite receivers, as well as most other infrared remote controlled devices worldwide.

Beginning in 1986 and continuing today, Universal has compiled an extensive library of over 171,000 IR codes that cover nearly 141,000 individual device functions and over 2,100 individual consumer electronic equipment brand names. Universal's library is regularly updated with new IR codes used in newly introduced video and audio devices. All such IR codes are captured from the original manufacturer's remote control devices to ensure the accuracy and integrity of the database. Universal's proprietary software and know-how permit IR codes to be compressed before being loaded into its products. This provides significant cost and space efficiencies that enable Universal to include more codes and features in the memory space of the wireless control device than are included in similarly priced products of competitors. Universal has developed a patented technology that provides the capability to easily upgrade the memory of the wireless control device by adding IR codes from its library that were not originally included.

The matters discussed in this Annual Report should be read in conjunction with the consolidated financial statements provided in this Annual Report. Certain statements contained herein may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements involve a number of risks, uncertainties and other factors that could cause actual results to differ materially, as discussed more fully herein.

Among the factors that could cause actual results to differ materially from those anticipated in these forward-looking statements are the following: the failure of our markets to continue growing and expanding in the manner we anticipate; the failure of our customers to grow and expand as we anticipate; 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 the 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 believe; 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 throughout 2004 and beyond; 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.

In addition, more information about risk factors that could affect our business and financial results is included in the section entitled "Factors That May Affect Financial Condition and Future Results" in this Annual Report.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The discussion and analysis of our financial condition and results of operations are based on our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates and judgments, including those related to revenue recognition, allowance for sales returns and doubtful accounts, inventories, valuation of long-lived assets, intangible assets and goodwill, and income taxes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our consolidated financial statements.

Revenue Recognition. We recognize revenue on the sale of products when title and risk of loss have passed to the customer, there is pervasive evidence of an arrangement, delivery has occurred or services have been rendered, the sales price is fixed or determinable, and collectibility is reasonably assured. For the majority of our sales, recognition occurs when products are shipped. We also license our intellectual property (including our patented technologies) trade secrets, trademarks, and database of infrared codes. We record license revenue when our customers ship products incorporating our intellectual property, provided collection of such revenue is reasonably assured. In addition, we generate service revenues as a result of providing consumer support programs, through our call centers, to some of our customers. These service revenues are recognized when earned. We record a provision for estimated sales returns and allowances on product sales in the same period as the related revenues are recorded. These estimates are based on historical sales returns, analysis of credit memo data and other known factors. If the data we use to calculate these estimates do not properly estimate returns and sales allowances, revenue could be misstated.

Accounts Receivable. We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. We specifically analyze accounts receivables and historical bad debts, customer credit, current economic trends and changes in customer payment trends when evaluating the adequacy of the allowance for doubtful accounts. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Inventories. Inventories consist of wireless control devices, including universal remote controls, wireless keyboards, antennas, and related component parts (including integrated circuits) and are valued at the lower of cost or market. Cost is determined using the first-in, first-out method. We write down our 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 future demand and market conditions. If actual market conditions are less favorable than those projected by management, additional inventory write-downs may be required.

Valuation of long-lived assets and other intangible assets. We assess the impairment of long-lived assets and other intangible assets whenever events or changes in circumstances indicate that their carrying value may not be recoverable. Factors considered important which could trigger an impairment review include the following: (1) significant underperformance relative to historical or projected future operating results; (2) significant changes in the manner of our use of the assets or strategy for our overall business; (3) significant negative industry or economic trends; (4) significant decline in our stock price for a sustained period; and (5) a significant variance between our market capitalization relative to net book value. When we determine that the carrying value may not be recoverable based upon the existence of one or more of the above indicators of impairment, and based on the carrying value of the asset being less than the undiscounted cash flows, we measure an impairment based on the projected discounted cash flow method using a discount rate determined by our management to be commensurate with the risk inherent in our current business model. In assessing the recoverability, we must make assumptions regarding estimated future cash flows and other factors to determine the fair value of the respective assets. If these estimates or their related assumptions change in the future, we may be required to record impairment charges not previously recorded.

Goodwill. In accordance with SFAS No. 142, we ceased amortization on approximately $3.0 million of net unamortized goodwill beginning January 1, 2002. We recorded approximately $565,000 of amortization during 2001 and would have recorded approximately $565,000 of amortization during both 2003 and 2002. We performed an initial impairment review of our goodwill on January 1, 2002; conducted annual impairment reviews as of December 31, 2003 and 2002 and will perform an annual review in subsequent years. In performing the initial impairment review, we identified our reporting units and determined the carrying value of each reporting unit by assigning assets and liabilities, including the existing goodwill, to those reporting units as of January 1, 2002. We then determined the fair value of each reporting unit using the present value of expected future cash flows and compared it to the reporting unit's carrying amount. Based on this analysis, we determined that each reporting unit's fair value exceeded its carrying amount, and therefore concluded that there was no indication of a transitional impairment loss.

Income Taxes. As part of the process of preparing our consolidated financial statements, we estimate our income taxes in each of the taxing jurisdictions in which we operate. This process involves estimating our actual current tax expense together with assessing any temporary differences resulting from the different treatment of certain items, such as the timing for recognizing expenses, for tax and financial reporting purposes. These differences may result in deferred tax assets and liabilities, which are included in our consolidated balance sheet. We are required to assess the likelihood that our deferred tax assets, which include net operating loss carryforwards and temporary differences that are expected to be deductible in future years, will be recoverable from future taxable income or other tax planning strategies. If recovery is not likely, we must provide a valuation allowance based on our estimates of future taxable income in the various taxing jurisdictions, and the amount of deferred taxes that are ultimately realizable. The provision for tax liabilities involves evaluations and judgments of uncertainties in the interpretation of complex tax regulations by various taxing authorities. In situations involving tax related uncertainties, we provide for deferred tax liabilities when we believe such liabilities are reasonably expected to occur. Actual results could differ from our estimates.

RESULTS OF OPERATIONS

The following table sets forth the statement of operations data of Universal expressed as a percentage of net sales for the periods indicated.

Year Ended December 31,	2003	2002	2001
Net sales	100.0%	100.0%	100.0%
Cost of sales	61.6	59.9	58.8
Gross profit	38.4	40.1	41.2
Research and development expenses	3.9	4.3	3.5
Selling, general and administrative expenses	27.4	29.1	24.2
Operating income	7.1	6.7	13.4
Interest income	(0.5)	(0.6)	(0.8)
Other income, net	(0.3)	(0.2)	(0.2)
Income before income taxes	7.9	7.5	14.4
Provision for income taxes	2.7	1.8	4.9
Net income	5.2%	5.7%	9.5%

YEAR ENDED DECEMBER 31, 2003 COMPARED TO YEAR ENDED DECEMBER 31, 2002

Net sales for the twelve months ended December 31, 2003 were $120.5 million, an increase of 16% over the net sales of $103.9 million for the same period last year. Net income for 2003 was $6.3 million or $0.46 per share (basic) and $0.45 per share (diluted) compared to $5.9 million or $0.43 per share (basic) and $0.42 per share (diluted) for 2002.

Net sales in our technology lines (subscription broadcasting, OEM and private label) increased by $3.8 million, or 5.1%, to $79.0 million in 2003 from $75.2 million in 2002. Net sales to subscription broadcasting service providers and OEMs increased by $3.6 million, or 5.6%, to $68.0 million in 2003 from $64.4 million in 2002. Direct and OEM sales to subscription broadcasting service providers in the United States and in Europe, where additional geographic penetration was achieved, accounted for a significant portion of the increase. Private label sales increased by $2.1 million, or 29.9%, to $9.3 million in 2003 from $7.2 million in 2002 due to the success of the Kameleon product line which was introduced in late 2002. Net sales in the technology lines were approximately 65.6% of net sales in 2003 compared to 72.4% in 2002.

Net sales from the retail lines (One For All® international retail and direct import) increased $12.8 million, or 44.5%, to $41.5 million in 2003 from $28.6 million in 2002. Of this increase, the One For All® international retail sales increased $9.3 million, or 34.2%, to $36.6 million in 2003 from $27.3 million in 2002. Reasons for the increase included Sky branded retail products sold in the U.K., Kameleon sales (particularly in Germany and Spain) and appreciation of the Euro relative to the U.S. dollar. United States direct import licensing and product revenues increased by $3.4 million or 248.8% to $4.8 million in 2003 from $1.4 million in 2002 due to the success of the Kameleon product line which was introduced into this channel in early 2003. Net sales in the retail lines accounted for approximately 34.4% of total 2003 net sales compared to 27.6% in 2002.

Gross profit was $46.3 million or 38.4% of net sales in 2003 as compared to $41.7 million or 40.1% of net sales in 2002. Gross profit as a percent of sales in 2003 was lower primarily due to price pressure in the subscription broadcasting service line, which resulted from consolidation within the industry. Other factors contributing to the decline in the gross profit percentage included changes in mix and inventory write-downs which included $0.4 million related to the Mosaic product line in the fourth quarter of 2003.

Research and development expenses increased to $4.7 million in 2003 from $4.5 million in 2002, primarily due to general cost increases. Resources have been realigned from core technology to advanced technology products, thus allowing a greater investment in future products while holding overall expenses relatively constant. Total research and development expenditures are expected to increase more significantly in 2004.

Selling, general and administrative expenses increased to $33.0 million in 2003 from $30.2 million in 2002. Of this increase, $1.3 million was attributable to increased employee bonuses. Other increases were related to the appreciation of the Euro relative to the U.S. dollar and costs associated with changes in staffing such as, severance, recruiting, and relocation. Selling, general and administrative expenses are expected to increase in 2004 as a result of the cost of compliance with the Sarbanes-Oxley requirements.

Other income, net increased to $0.3 million in 2003 from $0.2 million in 2002. The increase was attributable to an increase in the gain on foreign currency transactions of $0.3 million offset by a patent settlement of $0.2 million that occurred in 2002.

Income tax expense increased to $3.2 million in 2003 from $1.9 million in 2002. The increase in the effective tax rate to 34% in 2003 from 24% in 2002 is primarily related to a decrease in research and development credits in 2003 as compared to 2002.

YEAR ENDED DECEMBER 31, 2002 COMPARED TO YEAR ENDED DECEMBER 31, 2001

Net sales for the twelve months ended December 31, 2002 were $103.9 million, a decrease of 12.7% over the net sales of $119.0 million for the same period last year. Net income for 2002 was $5.9 million or $0.43 per share (basic) and $0.42 per share (diluted) compared to $11.3 million or $0.82 per share (basic) and $0.78 per share (diluted) for 2001.

Net sales in our technology lines (subscription broadcasting, OEM and private label) in 2002 decreased by $16.6 million, or 18.1%, to $75.2 million from $91.8 million in 2001. Sales to subscription broadcasting service providers and OEMs decreased by $17.2 million, or 21.0%, from $81.6 million in 2001 to $64.4 million in 2002. Reductions in capital expenditures by our major subscription broadcasting and cable set top box OEM customers resulted in reduced digital set top box deployment during 2002 and consequently, reduced orders from these customers. Private label sales decreased by $0.5 million, or 7.1%, from $7.7 million in 2001 to $7.2 million in 2002 due to decreased consumer demand for these products in 2002. Net sales in our technology lines were approximately 72.4% of net sales in 2002 compared to 77.1% in 2001.

Net sales from the retail lines (One For All® international retail and direct import) increased $1.4 million, or 5.3%, from $27.2 million in 2001 to $28.6 million in 2002. Of this increase, the One For All® international retail sales increased $2.1 million, or 8.2%, from $25.2 million in 2001 to $27.3 million in 2002 (due primarily to increased demand from retailers in the UK, Germany and Spain) while our domestic direct import licensing and product revenues decreased by $0.6 million or 31.6% from $2.0 million in 2001 to $1.4 million in 2002 due to less demand. Net sales from the retail lines accounted for approximately 27.6% of total 2002 net sales compared to 22.9% in 2001.

Gross profit was $41.7 million or 40.1% of net sales in 2002 as compared to $49.1 million or 41.2% of net sales in 2001. Gross margins in 2002 were lower due primarily to increased use of air freight-in to meet customer demands and higher provisions for inventory obsolescence.

Research and development expenses increased from $4.2 million in 2001 to $4.5 million in 2002, primarily due to the development of our Nevo and Kameleon technology.

Selling, general and administrative expenses increased to $34.7 million in 2002, compared to $33.1 million in 2001. This increase was attributable to increased delivery and freight expenses as well as higher professional service fees for tax planning projects.

Delivery and freight expenses increased $1.1 million, from $2.2 million in 2001 to $3.3 million in 2002, as a result of increased air shipments as well as increased fees and surcharges as a result of the port shutdowns in the western United States. Professional service fees increased from $1.0 million in 2001 to $1.5 million in 2002 due to an increase in fees for various tax planning projects. As a percentage of net sales, selling, general and administrative expense was 33.3% in 2002 compared to 27.8% in 2001.

Interest income decreased by $392,000 in 2002 to $595,000 as compared to $987,000 in 2001 due to a decrease in interest earned on cash balances and short-term investments in 2002.

Other income increased by $92,000 to $239,000 in 2002 compared to $147,000 in 2001 primarily due to the settlement of patent infringement suits totaling $163,000.

We recorded income tax expense of $1.9 million for 2002 compared to $5.9 million for 2001. The decrease is a result of lower pretax income and a reduction in tax expense of approximately $0.5 million due to the benefit recorded for research and development credits. Our effective tax rate was reduced from 34% in 2001 to 24% in 2002.

LIQUIDITY AND CAPITAL RESOURCES

Our principal sources of funds are from operations and bank credit facilities. Cash provided by operating activities for 2003 was $19.2 million as compared to $16.2 million in 2002. The increase in cash flow is primarily due to an increase in accounts payable.

In September, 2003, we terminated our $15,000,000 unsecured revolving credit agreement with Bank of America National Trust and Savings Association. On September 15, 2003, we entered into a three-year $15,000,000 unsecured revolving credit agreement (the "Agreement") with Comerica Bank ("Comerica"). Under the Agreement with Comerica, the interest payable is variable and is based on either the bank's cost of funds or the LIBOR rate plus a fixed margin of 1.25%. The interest rate in effect as of December 31, 2003 using the LIBOR Rate option plus a fixed margin of 1.25% was 2.37%. We pay a commitment fee ranging from zero to a maximum rate of 1/4 of 1% per year on the unused portion of the credit line depending on the amount of cash investment retained with Comerica during each quarter. Under the terms of this Agreement, dividend payments are allowed up to 100% of net income of the prior fiscal year period to be paid within 90 days of such prior year, and we are subject to certain financial covenants related to the Company's net worth, quick ratio, and net income. We have authority under this credit facility to acquire up to 1,500,000 shares of our common stock in market purchases. Between the date of execution of the credit agreement and December 31, 2003, 45,736 shares of our common stock have been purchased. Amounts available for borrowing under this credit facility are reduced by the outstanding balance of import letters of credit. As of December 31, 2003, we had no amounts outstanding under this credit facility and no outstanding import letters of credit. Furthermore, as of December 31, 2003, we are in compliance with all financial covenants required by the agreement.

In addition to the 84,437 shares of our common stock purchased during 2003 at a cost of $963,168, we purchased 584,845 and 301,600 shares of common stock in open market purchases in 2002 and 2001, respectively, at a cost of $5,273,611 and $4,428,771. We hold shares purchased on the open market as treasury stock, and they are available for reissue. 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.

During 2003, we received proceeds of approximately $3,343,000 from the exercise of stock options granted to our employees, as compared to approximately $1,334,000 and $1,750,000 during 2002 and 2001, respectively.

Capital expenditures in 2003, 2002, and 2001 were $2.5 million, $2.6 million and $2.1 million, respectively. Annual capital expenditures relate primarily to acquiring product tooling each year.

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.

Historically, our working capital needs have typically been greatest during the third and fourth quarters when accounts receivable and inventories increase in connection with the fourth quarter holiday selling season. At December 31, 2003, we had $82.2 million of working capital as compared to $71.5 at December 31, 2002. The increase in working capital during these periods is principally due to increases in cash.

The following summarizes our obligations at December 31, 2003 and the effect such obligations are expected to have on our liquidity and cash flow in future periods.

	December 31, 2003				
	Payments Due by Period				
Contractual Obligations (In thousands)	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Operating Lease Obligations	$ 3,357	$ 1,408	$ 1,552	$ 367	$ 29
Total	$ 3,357	$ 1,408	$ 1,552	$ 367	$ 29

The Company has bank guarantees totaling approximately $510,000 that provide for payment by the bank to the Company's suppliers in the event of non-payment for transactions in the ordinary course of business.

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 2004; however, there can be no assurance that this will occur.

NEW ACCOUNTING PRONOUNCEMENTS

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 affects leasing transactions involving residual guarantees, vendor and manufacturer guarantees, and tax and environmental indemnities. All such guarantees must 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 our 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 apply to revenue arrangements entered into in fiscal periods beginning after June 15, 2003. The adoption of EITF Issue No. 00-21 did not have a material effect on our financial position, results of operations, or cash flows.

In January 2003, the FASB issued FIN 46, "Consolidation of Variable Interest Entities," an Interpretation of Accounting Research Bulletin No. 51. FIN 46 requires certain variable interest entities to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. FIN 46 is effective immediately for all new variable interest entities created or acquired after January 31, 2003. The adoption of FIN 46 did not have a material impact on the Company's consolidated financial position, results of operations or cash flows.

In December 2003, the FASB issued FIN 46R with respect to variable interest entities created before January 31, 2003, which among other things, revised the implementation date to the first fiscal year or interim period ending after March 15, 2004, with the exception of Special Purpose Entities ("SPE"). The consolidation requirements apply to all SPE's in the first fiscal year or interim period ending after December 15, 2003. The adoption of FIN 46R with respect to SPEs did not have a material effect on our financial position or results of operations, and we do not expect the adoption of the provisions for non-SPEs to have a material impact on the Company's financial position, results of operations or cash flows.

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, except for certain mandatorily redeemable non-controlling interests. The adoption of SFAS 150 did not have a material effect on the Company's financial position, results of operations, or cash flows.

In December 2003, the Securities and Exchange Commission issued Staff Accounting Bulletin (SAB) No. 104, "Revenue Recognition," which revises or rescinds portions of its previously existing revenue recognition guidance in order to make it consistent with current authoritative accounting and auditing guidance and Securities and Exchange Commission rules and regulations. The adoption of SAB No. 104 did not have a material effect on the Company's financial position, results of operations or cash flows.

FACTORS THAT MAY AFFECT FINANCIAL CONDITION AND FUTURE RESULTS

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 Annual Report, 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 the 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 and cash flows.

DEPENDENCE ON FOREIGN MANUFACTURING

Third-party manufacturers located in foreign countries manufacture a majority of our wireless controls. 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 and 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 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. However, the growth in our subscription broadcasting and OEM products may outpace the growth in our retail products and consequently, retail seasonality may have less of an effect on our revenue. 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 and 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, 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 its 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 will cease. In light of this, we will review 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. 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 a significant adverse affect to our financial condition, results of operations and 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 Company's financial condition, results of operations and cash flows.

In addition, the introduction of new products that we may introduce in the future may require the expenditure of a significant amount 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.

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, and companies involved in the subscription broadcasting 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 2003, we had sales to one customer that amounted to more than ten percent of our net sales for the year. The future loss of that customer or any other key customer, either in the United States or abroad due to the financial weakness or bankruptcy of any such customer or our inability to obtain orders or maintain our order volume with our major customers, may have an adverse effect on our financial condition, results of operations and 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 to achieve.

PATENTS, TRADEMARKS, AND COPYRIGHTS

The procedures by which Universal identifies, documents, and files for patent, trademark, and copyright protection are based solely on engineering and management judgment, with no assurance that a specific filing will issue, or if issued, will deliver any lasting value to Universal. There is no assurance that the rights granted under any patent will provide competitive advantages to Universal, or will be adequate to safeguard and maintain Universal's proprietary rights. Moreover, the laws of certain countries in which Universal's products are or may be manufactured or sold may not protect such products and intellectual property rights to the same extent as the U.S. legal system.

In Universal's opinion, the engineering, production, and marketing skills and experience of its personnel are of equal importance to its market positions as are its intellectual property holdings. Universal further believes that none of its business is dependent to any material extent upon any single patent, copyright, trademark, or trade secret.

Some of Universal's products include or use technology and/or components of third-parties. While it may be necessary in the future to seek or renew licenses relating to various aspects of such products, Universal believes that based upon past experience and industry practice, such licenses generally could be obtained on commercially reasonable terms; however, there is no guarantee that such licenses could be obtained at all. Because of technological changes in the wireless and home control industry, current extensive patent coverage, and the rapid rate of issuance of new patents, it is possible certain components of Universal's products and business methods may unknowingly infringe patents of others.

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 assessed against us or in our favor. At the present time, we have filed two lawsuits against third parties. In these actions, we are seeking money damages and injunctive relief for infringement of certain of our intellectual property. In one of these actions, the third party has filed a counterclaim against us seeking a declaration that certain of our patents are invalid and unenforceable. It is our opinion that our patents are valid and enforceable and we intend to defend against such counterclaim vigorously. In addition, there is one action pending against us in which a trustee for the bankruptcy estate of a former service provider has alleged that we received preferential treatment in connection with certain payments made on our behalf by the service provider.

We disagree with these allegations and intend to vigorously defend ourselves against these allegations. While it is our opinion that our products do not infringe any third party's patent or other intellectual property rights or that we received preferential treatment, the costs associated with defending or pursuing any such claims or litigation, including the matters discussed in this Annual Report, 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 and 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 sales, operations, earnings, and cash flows due to a variety of factors, including:

- changes in a country's or region's economic or political conditions, including inflation, recession, interest rate fluctuations and actual or anticipated military conflicts;
- currency fluctuations affecting sales, particularly in the British Pound and the Euro, which contribute to variations in sales of products and services in impacted jurisdictions and also affect our reported results expressed in U.S. dollars;
- currency fluctuations affecting costs, particularly the Euro and the Chinese Yuan, which contribute to variances in costs in impacted jurisdictions and also affect our reported results expressed in U.S. dollars
- longer accounts receivable cycles and financial instability among customers;
- trade regulations and procedures and actions affecting production, pricing and marketing of products;
- local labor conditions and regulations;
- changes in the regulatory or legal environment;
- differing technology standards or customer requirements;
- import, export or other business licensing requirements or requirements relating to making foreign direct investments, which could affect our ability to obtain favorable terms for components or lead to penalties or restrictions;
- difficulties associated with repatriating cash generated or held abroad in a tax-efficient manner and changes in tax laws;
- fluctuations in freight costs and disruptions at important geographic points of exit and entry; and;
- natural and medical disasters.

GENERAL ECONOMIC CONDITIONS

General economic conditions, both domestic and foreign, have an impact on our business and financial results. The global economy remains uncertain. As a result, individuals and companies may delay or reduce expenditures. Weak global economic conditions and/or softness in the consumer and telecommunications sector could result in lower demand for our products, resulting in lower sales, earnings, and cash flows.

Terrorist acts of war (wherever located around the world) may cause damage or disruption to the Company, our employees, facilities, partners, suppliers, distributors, resellers or customers, which could significantly impact our revenue, costs, and expenses and financial condition. The terrorist attacks that took place in the United States on September 11, 2001 and subsequent terrorist attacks in Iraq and other countries have created many economic and political uncertainties, some of which may materially harm our business and results of operations. The potential for future terrorist attacks, the national and international responses to terrorist attacks or perceived threats to national security, and other actual or potential conflicts or acts of war, including the ongoing military operations in Iraq, have created many economic and political uncertainties that could adversely affect our business, results of operations and stock price in ways that we cannot presently predict. In addition, as a multi-national company, actions against or by the United States may impact our business. We are predominately uninsured for losses and interruptions caused by terrorist acts and acts of war.

INCREASED REGULATION

Increased regulation, such as Sarbanes-Oxley, may require significant expenditures to ensure compliance with documentation and verification requirements.

OUTLOOK

Our focus is to build the technology and products that make the consumer's interaction with devices and content within their home easier and more enjoyable. The pace of change in the home is increasing. The growth of new devices, such as DVD players, PVR/DVR technologies and home theater solutions, to name a few, has transformed the entertainment center of the home into an increasingly complex challenge for the consumer. The more recent introduction, and projected growth, of digital media technologies in consumers' lives will increase this complexity further. We have set out to build the interface for the connected home, building a bridge between the home devices of today to the networked home of the future. We intend to invest in new products and technology, particularly in the connected home space, which will expand our business beyond control of devices to the control of and access to content, such as digital media, to enrich the entertainment experience.

We will continue to enhance our leadership position in our core business by developing custom products for our subscription broadcast and OEM 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 other accessory products.

During 2003, we continued to introduce new products featuring our Kameleon interface technology, a revolutionary display technology that provides ease of use by illuminating only active keys needed to control each entertainment device. We also continued development of our Nevo technology, an embedded solution that transforms an electronic display (such as HP's iPaq Pocket PC) into a sophisticated and easy-to-use wireless home control and automation device. During 2004, we will continue to seek ways to integrate these platform technologies into other forms and devices.

We will seek ways to increase our customer base worldwide, particularly in the areas of subscription broadcasting, OEM, and One For All international retail. We will continue to work on building stronger existing relationships by working with customers to understand how to make the consumers interaction with products and services within the home easier and more enjoyable We intend to invest in new products and technology to meet our customer needs now and into the future.

In 2004, we will evaluate acceptable acquisition targets and strategic partnership opportunities in our core business lines as well as in the networked home marketplace. 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.

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 generally based on either the bank's cost of funds, or the LIBOR rate, and is affected by changes in market interest rates. At December 31, 2003, we had no borrowings on our credit line. The interest rate in effect on the credit line using the bank's cost of funds rate as the base as of December 31, 2003 was 2.37%. At December 31, 2003 we had wholly owned subsidiaries in The Netherlands, United Kingdom, Germany, France, Argentina and Spain. 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 local currencies exchange rates relative to the U.S. Dollar may positively or negatively affect our sales, gross margins and retained earnings. From time to time, we enter into foreign currency exchange agreements to manage our exposure arising from fluctuating exchange rates that affect cash flows. We entered into no foreign currency forward exchange contracts during the year ended December 31, 2003. However, we did purchase foreign currency exchange contracts with option-based arrangements and contract terms normally lasting less than 6 months, to protect against the adverse effects that exchange-rate fluctuations may have on foreign-currency-denominated trade receivables. 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. Based on our overall foreign currency rate exposure at December 31, 2003, we believe that movements in foreign currency rates should not materially affect our financial position, although no assurance can be made that any such foreign currency rate movements in the future will not have a material effect. Because of the foregoing factors (Factors That May Affect Financial Condition and Future Results and Quantitative and Qualitative Disclosures About Market Risk), 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.

CONSOLIDATED BALANCE SHEETS

December 31,	2003	2002
ASSETS		
Current assets:		
Cash and cash equivalents	$ 58,481,227	$ 18,064,195
Short-term investments	—	22,500,000
Accounts receivable, net	30,500,441	25,876,938
Inventories, net	19,386,277	16,476,206
Prepaid expenses and other current assets	1,108,331	1,122,673
Deferred income taxes	2,543,965	1,919,971
Income tax receivable	1,166,577	2,234,358
Total current assets	113,186,818	88,194,341
Equipment, furniture and fixtures, net	3,474,590	3,382,969
Intangible assets, net	3,431,040	3,681,868
Goodwill	3,347,968	2,961,327
Other assets	1,444,541	738,491
Deferred income taxes	1,282,035	1,056,639
Total assets	$ 126,166,992	$ 100,015,635
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 13,753,888	$ 7,795,220
Accrued income taxes	4,503,926	2,406,893
Accrued compensation	2,923,137	1,253,039
Other accrued expenses	9,815,353	5,282,229
Total current liabilities	30,996,304	16,737,381
Note payable	—	41,414
Total liabilities	30,996,304	16,778,795
Commitments and contingencies (Notes 12 and 19)		
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; 16,404,485 and 16,001,206 shares issued at December 31, 2003 and 2002, respectively	164,067	160,012
Paid-in capital	75,804,997	71,322,177
Accumulated other comprehensive income (loss)	298,212	(1,740,082)
Retained earnings	36,179,238	29,912,423
Deferred stock-based compensation	(42,012)	(147,044)
	112,404,502	99,507,486
Less cost of common stock in treasury, 2,598,670 and 2,521,313 shares at December 31, 2003 and 2002, respectively	(17,233,814)	(16,270,646)
Total stockholders' equity	95,170,688	83,236,840
Total liabilities and stockholders' equity	$ 126,166,992	$ 100,015,635

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

CONSOLIDATED INCOME STATEMENTS

Year Ended December 31,	2003	2002	2001
Net sales	$ 120,467,786	$ 103,890,728	$ 119,029,715
Cost of sales	74,168,285	62,235,709	69,956,570
Gross profit	46,299,501	41,655,019	49,073,145
Research and development expenses	4,699,626	4,450,626	4,200,006
Selling, general and administrative expenses	33,026,393	30,223,709	28,864,598
Operating income	8,573,482	6,980,684	16,008,541
Interest income	583,533	594,879	987,114
Other income, net	338,159	239,243	147,309
Income before income taxes	9,495,174	7,814,806	17,142,964
Provision for income taxes	(3,228,359)	(1,875,553)	(5,857,186)
Net income	$ 6,266,815	$ 5,939,253	$ 11,285,778
Earnings per share:			
Basic	$ 0.46	$ 0.43	$ 0.82
Diluted	$ 0.45	$ 0.42	$ 0.78
Shares used in computing earnings per share:			
Basic	13,702,504	13,789,716	13,844,391
Diluted	14,007,094	14,162,887	14,523,140

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

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock Issued		Common Stock In Treasury			Accumulated Other		Deferred	
	Shares	Amount	Shares	Amount	Paid-in Capital	Comprehensive Income (Loss)	Retained Earnings	Stock-Based Compensation	Totals
Balance at December 31, 2000	15,429,584	154,296	(1,647,892)	(6,690,207)	64,937,078	(705,957)	12,687,392	(29,260)	70,353,342
Comprehensive income:									
Net income							11,285,778		11,285,778
Currency translation adjustment						(1,098,713)			(1,098,713)
Total comprehensive income									10,187,065
Shares issued for employee retirement plan	17,617	176			314,558				314,734
Purchase of treasury shares			(301,600)	(4,428,771)					(4,428,771)
Stock options exercised	284,497	2,845			1,746,707				1,749,552
Shares issued to Directors			6,188	27,779	82,239				110,018
Restricted stock grants	(1,770)	(18)	118,378		165,034			(278,833)	4,561
Income tax benefit related to the exercise of non-qualified stock options					1,411,730				1,411,730
Balance at December 31, 2001	15,729,928	157,299	(1,943,304)	(10,972,821)	68,657,346	(1,804,670)	23,973,170	(308,093)	79,702,231
Comprehensive income:									
Net income							5,939,253		5,939,253
Currency translation adjustment						64,588			64,588
Total comprehensive income									6,003,841
Shares issued for employee retirement plan	28,139	281			362,637				362,918
Purchase of treasury shares			(584,845)	(5,273,611)					(5,273,611)
Stock options exercised	243,139	2,432			1,331,818				1,334,250
Shares issued to Directors			6,836					98,030	98,030
Forfeited Restricted stock grants				(24,214)	(38,805)			63,019	—
Income tax benefit related to the exercise of non-qualified stock options					1,009,181				1,009,181
Balance at December 31, 2002	16,001,206	160,012	(2,521,313)	(16,270,646)	71,322,177	(1,740,082)	29,912,423	(147,044)	83,236,840
Comprehensive income:									
Net income							6,266,815		6,266,815
Currency translation adjustment						2,038,294			2,038,294
Total comprehensive income									8,305,109
Shares issued for employee retirement plan	32,807	328			359,858				360,186
Purchase of treasury shares			(84,437)	(963,168)					(963,168)
Stock options exercised	370,472	3,727			3,339,021				3,342,748
Shares issued to Directors			7,080					105,032	105,032
Stock-based compensation					341,282				341,282
Income tax benefit related to the exercise of non-qualified stock options					442,659				442,659
Balance at December 31, 2003	16,404,485	$ 164,067	(2,598,670)	$ (17,233,814)	$ 75,804,997	$ 298,212	$ 36,179,238	$ (42,012)	$ 95,170,688

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year Ended December 31,	2003	2002	2001
Cash provided by operating activities:			
Net income	$ 6,266,815	$ 5,939,253	$ 11,285,778
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	3,357,748	3,702,248	4,100,190
Provision for doubtful accounts	76,420	886,332	178,460
Deferred income taxes	(849,390)	698,726	(193,786)
Tax benefit from exercise of stock options	442,659	1,009,181	1,411,730
Employee benefit plan	360,186	362,918	314,734
Non-cash stock-based compensation	341,282	—	—
Directors compensation	105,032	98,030	110,018
Other	(3,214)	(10,831)	4,561
Changes in operating assets and liabilities:			
Accounts receivable	(828,914)	4,059,104	8,530,328
Inventory	(3,339,765)	223,288	2,150,243
Prepaid expenses and other assets	(657,544)	(249,792)	(119,347)
Accounts payable and accrued expenses	11,006,067	(257,007)	(5,507,720)
Accrued income and other taxes	2,967,405	(292,604)	(2,546,057)
Net cash provided by operating activities	19,244,787	16,168,846	19,719,132
Cash provided by (used for) investing activities:			
Acquisition of equipment, furniture and fixtures	(2,470,170)	(2,124,474)	(2,565,420)
Payments for businesses acquired	—	(132,000)	(143,000)
Acquisition of intangible assets	(847,623)	(1,102,868)	(173,061)
Payments for patents	—	(580,026)	(458,780)
Purchases of short-term investments	(22,000,000)	(14,700,000)	(15,600,000)
Sale of short-term investments	44,500,000	12,300,000	7,000,000
Net cash provided by (used for) investing activities	19,182,207	(6,339,368)	(11,940,261)
Cash provided by (used for) financing activities:			
Payments on note payable	(41,414)	(62,700)	(50,421)
Proceeds from stock options exercised	3,342,748	1,334,250	1,749,552
Treasury stock purchased	(963,168)	(5,273,611)	(4,428,771)
Net cash provided by (used for) financing activities	2,338,166	(4,002,061)	(2,729,640)
Effect of exchange rate changes on cash	(348,128)	(1,933,625)	(187,544)
Net increase in cash and cash equivalents	40,417,032	3,893,792	4,861,687
Cash and cash equivalents at beginning of year	18,064,195	14,170,403	9,308,716
Cash and cash equivalents at end of year	$ 58,481,227	$ 18,064,195	$ 14,170,403

Supplemental Cash Flow Information – Income taxes paid were $1,145,973, $1,492,108 and $7,801,643 in 2003, 2002 and 2001, respectively.
The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 DESCRIPTION OF BUSINESS

Universal Electronics Inc. (the "Company") builds and markets pre-programmed, easy-to-use wireless control devices and chips principally for home entertainment equipment and the subscription broadcasting market. The Company also develops wireless control interface software for electronic display devices. The Company's product lines include wireless interface technologies, such as combination keyboard/remotes and touch-screen remotes. The Company licenses its patented technologies and database of infrared ("IR") codes to companies selling into the cable and satellite industries and to original equipment manufacturers ("OEMs"). The Company also sells its universal wireless control products to distributors and retailers in Europe, Asia, Latin America, South Africa, Australia, New Zealand, the Middle East, and Mexico under the One For All® brand name. Call center support services are also offered to Universal's customers.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its subsidiaries. All inter-company accounts and significant transactions have been eliminated in the consolidated financial statements.

ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and judgments that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. On an on-going basis, the Company evaluates its estimates and judgments, including those related to revenue recognition, allowance for sales returns and doubtful accounts, inventory valuation, valuation of long-lived assets, intangible assets and goodwill, and income taxes.

REVENUE RECOGNITION

The Company recognizes revenue on the sale of products when title and risk of loss have passed to the customer, there is pervasive evidence of an arrangement, delivery has occurred or services have been rendered, the sales price is fixed or determinable, and collectibility is reasonably assured. The Company also licenses its patented technologies and database of infrared codes. The Company records license revenue when its customers ship products incorporating its technologies and database, provided collection of such revenue is reasonably assured. In addition, the Company generates service revenues as a result of providing consumer support programs, through its call center, to its various universal remote control marketers. These service revenues are recognized when the service is performed. The Company records a provision for estimated sales returns and allowances on product sales in the same period as the related revenues are recorded. These estimates are based on historical sales returns, analysis of credit memo data and other known factors.

The Company maintains allowances for doubtful accounts. The allowance for doubtful accounts includes estimated losses resulting from the inability of its customers to make required payments. Management specifically analyzes accounts receivables and historical bad debts, customer credit, current economic trends and changes in customer payment trends when evaluating the adequacy of the allowance for doubtful accounts.

FOREIGN CURRENCY TRANSLATION AND FOREIGN CURRENCY TRANSACTIONS

Financial statements of foreign subsidiaries, for which the functional currency is the local currency, are translated into U.S. dollars using the exchange rate at each balance sheet date for assets and liabilities and a weighted average exchange rate for each period for statement of income items. Adjustments resulting from translating foreign functional currency financial statements into U.S. dollars are included in the foreign currency translation adjustment, a component of accumulated other comprehensive income (loss) in stockholders' equity. Transaction gains and losses generated by the effect of changes in foreign exchange rates on recorded assets and liabilities denominated in a currency different from the functional currency of the applicable Company entity are recorded currently in other income/expense. The portions of inter-company accounts receivable and accounts payable that are not intended for settlement are translated as described in the preceding paragraph.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash accounts and all investments purchased with initial maturities of three months or less.

INVESTMENTS

The Company accounts for its investments in accordance with Statements of Financial Accounting Standards (SFAS) No. 115, "Accounting for Certain Investments in Debt and Equity Securities." Investments include auction rate notes and bonds with original maturities ranging from 25 to 35 years. The interest rates on the auction rate securities are reset every 28 to 35 days through an auction facilitated by a registered broker-dealer. The interest is credited to the Company's account immediately prior to the reset date; accordingly, unrealized gains or losses are insignificant. The Company's investments are classified as available-for-sale and are recorded at fair value, which approximates their cost. The Company's available-for-sale investments are classified as short-term investments in the consolidated balance sheets as the Company intends to sell these securities as necessary to meet its liquidity requirements. The cost of securities sold is determined based on specific identification. Such investments total $0 and $22,500,000 at December 31, 2003 and 2002, respectively, and are included in short-term investments in the accompanying balance sheets.

The Company accounts for its 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 $360,518 cost investment.

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.

The Company carries inventory in amounts necessary to satisfy certain of its customers' inventory requirements on a timely basis. New product innovations and technological advances may shorten a given product's life cycle. Management continually monitors the inventory status to control inventory levels and dispose of any excess or obsolete inventories on hand. Inventory write-downs in 2003 totaled approximately $1.8 million, with approximately $0.4 million recorded in the fourth quarter.

EQUIPMENT, FURNITURE AND FIXTURES

Equipment, furniture and fixtures are recorded at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. Tooling and equipment are depreciated over two to seven years. Furniture and fixtures are depreciated over five to seven years. Leasehold improvements are amortized over two to five years, which represent the shorter of their useful lives or the terms of the related leases. When assets are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the appropriate accounts and any gain or loss is included in current income.

LONG-LIVED ASSETS AND OTHER INTANGIBLE ASSETS

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. The Company assesses the impairment of long-lived assets and other intangible assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors considered important which could trigger an impairment review include the following: (1) significant underperformance relative to expected historical or projected future operating results; (2) significant changes in the manner of the Company's use of the acquired assets or strategy for the overall business; (3) significant negative industry or economic trends; (4) significant decline in the stock price for a sustained period; and (5) the Company's market capitalization relative to net book value. When the Company determines that the carrying value may not be recoverable based upon the existence of one or more of the above indicators of impairment, and based on the carrying value of the asset being less than the undiscounted cash flows, the Company measures an impairment based on projected discounted cash flows using a discount rate commensurate with the risk inherent in the Company's current business model. In assessing recoverability, the Company must make assumptions regarding estimated future cash flows and other factors to determine the fair value of the respective assets.

GOODWILL

Goodwill represents the excess of the purchase price for business acquisitions over the indentified intangible assets and net assets acquired. In accordance with SFAS No. 142, we ceased amortization on approximately $3.0 million of net unamortized goodwill beginning January 1, 2002. We recorded approximately $565,000 of amortization during 2001 and would have recorded approximately $565,000 of amortization during both 2003 and 2002. We performed an initial impairment review of our goodwill on January 1, 2002; conducted annual impairment reviews as of December 31, 2003 and 2002 and will perform an annual review in subsequent years. In performing the initial impairment review, we identified our reporting units and determined the carrying value of each reporting unit by assigning assets and liabilities, including the existing goodwill, to those reporting units as of January 1, 2002. We then determined the fair value of each reporting unit using the present value of expected future cash flows and compared it to the reporting unit's carrying amount. Based on this analysis, we determined that each reporting unit's fair value exceeded its carrying amount, and therefore concluded that there was no indication of a transitional impairment loss.

For the year ended December 31, 2001, the Company applied the provisions of SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets to Be Disposed of" to evaluate the recoverability of goodwill.

INCOME TAXES

Income tax expense includes U.S. and international income taxes. The Company records on its balance sheet deferred tax assets and liabilities for expected future tax consequences of events that have been recognized in different periods for financial statement purposes versus tax return purposes. The Company provides a valuation allowance for net deferred tax assets when it is more likely than not that a portion of such net deferred tax assets will not be recovered.

RESEARCH AND DEVELOPMENT AND CAPITALIZED SOFTWARE COSTS

The Company accounts for research and development costs in accordance with SFAS No. 2, "Accounting for Research and Development Costs," and SFAS No. 86, "Accounting for the Costs of Computer Software to be Sold, Leased, or Otherwise Marketed." Costs incurred internally in creating a computer software product are expensed when incurred as research and development until technological feasibility has been established for the product. Research and development include costs such as salaries and employee benefits, supplies and materials. The Company has determined that technological feasibility for its products is reached when a working model is completed. Once technological feasibility is established, software costs are capitalized until the product is available for general release to customers and is then amortized using (i) the ratio that current gross revenues for a product bear to the total of current anticipated future gross revenues from that product or (ii) the straight-line method over the remaining estimated economic life of the product, whichever is greater. Capitalized software costs are stated at cost, net of accumulated amortization. The Company capitalized $0 and $321,484 for the years ended December 31, 2003 and 2002, respectively, and amortized $90,000 and $52,500 in the years ended December 31, 2003 and 2002, respectively. The amortization period for capitalized software costs is 5 years.

ADVERTISING

Advertising costs are expensed as incurred. Advertising expense was $1,105,916, $1,319,653 and $1,470,141, for the years ended December 31, 2003, 2002 and 2001, respectively.

SHIPPING AND HANDLING COSTS

The Company records shipping and handling costs in selling, general and administrative expenses. Shipping and handling costs amounted to $3,917,665, $3,525,127 and $2,292,690 for the years ended December 31, 2003, 2002 and 2001, respectively. Amounts charged to customers are included in net revenues.

DERIVATIVES

The Company enters into foreign currency exchange contracts with option-based arrangements and contract terms normally lasting less than six months, 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. 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. The Company does not enter into financial instruments for speculation or trading purposes. The Company had no foreign currency exchange contracts or other derivatives outstanding at December 31, 2003 and 2002.

During 2003 we periodically invested in 30 day Dual Currency Deposits which required us to convert the invested amount to another currency at end of the contract period in the event certain changes occurred in foreign currency exchange rates. No such investments were outstanding as of December 31, 2003.

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 of 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 (Note 10):

Year Ended December 31,	2003	2002	2001
Net income			
As reported	$ 6,266,815	$ 5,939,253	$ 11,285,778
Less: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(2,993,608)	(3,281,112)	(2,370,212)
Pro forma	$ 3,273,207	$ 2,658,141	$ 8,915,566
Basic earnings per share:			
As reported	$ 0.46	$ 0.43	$ 0.82
Pro forma	$ 0.24	$ 0.19	$ 0.64
Diluted earnings per share:			
As reported	$ 0.45	$ 0.42	$ 0.78
Pro forma	$ 0.23	$ 0.19	$ 0.61

The fair value of options at date of grant was estimated using the Black-Scholes model. The following assumptions were used for the grants in 2003, 2002, and 2001, respectively: risk-free interest rate of approximately 3.00%, 3.64%, and 4.85%; expected volatility of approximately 62.95%, 66.34%, and 63.06%; expected life of five years for 2003, 2002 and 2001; and the common stock will pay no dividends. The per share weighted average grant date fair values of the options granted in 2003, 2002 and 2001 were $5.87, $7.14 and $10.43, respectively.

RECLASSIFICATIONS

Certain prior year amounts have been reclassified to conform to the presentation utilized in the year ended December 31, 2003.

NEW ACCOUNTING PRONOUNCEMENTS

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 affects leasing transactions involving residual guarantees, vendor and manufacturer guarantees, and tax and environmental indemnities. All such guarantees must 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 Financial Accounting Standards Board 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 applies to revenue arrangements entered into in fiscal periods beginning after June 15, 2003. The adoption of EITF Issue No, 00-21 did not have a material effect on the Company's financial position, results of operations, or cash flows.

In January 2003, the FASB issued FIN 46, "Consolidation of Variable Interest Entities," an Interpretation of Accounting Research Bulletin No. 51. FIN 46 requires certain variable interest entities to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. FIN 46 is effective immediately for all new variable interest entities created or acquired after January 31, 2003. The adoption of FIN 46 did not have a material impact on the Company's consolidated financial position, results of operations or cash flows.

In December 2003, the FASB issued FIN 46R with respect to variable interest entities created before January 31, 2003, which among other things, revised the implementation date to the first fiscal year or interim period ending after March 15, 2004, with the exception of Special Purpose Entities ("SPE"). The consolidation requirements apply to all SPE's in the first fiscal year or interim period ending after December 15, 2003. The adoption of FIN 46R with respect to SPEs did not have a material effect on our financial position or results of operations, and we do not expect the adoption of the provisions for non-SPEs to have a material impact on the Company's financial position, results of operations or cash flows.

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, except for certain mandatorily redeemable non-controlling interests. The adoption of SFAS 150 did not have a material effect on the Company's financial position, results of operations, or cash flows.

In December 2003, the Securities and Exchange Commission issued Staff Accounting Bulletin (SAB) No. 104, "Revenue Recognition," which revises or rescinds portions of its previously existing revenue recognition guidance in order to make it consistent with current authoritative accounting and auditing guidance and Securities and Exchange Commission rules and regulations. The adoption of SAB No. 104 did not have a material effect on the Company's financial position, results of operations or cash flows.

NOTE 3 GOODWILL AND OTHER INTANGIBLE ASSETS

In July 2001, the FASB issued SFAS No. 141, "Business Combinations" and SFAS No. 142, "Goodwill and Intangible Assets." As discussed in Note 2, the Company adopted SFAS No. 142 effective January 1, 2002.

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 its domestic and international operations as 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):

	Dec. 31, 2003	Dec. 31, 2002
United States	$ 1,191	$ 1,191
International	2,157	1,770
Total Goodwill	$ 3,348	$ 2,961

The increase in international goodwill is due to currency translation adjustments.

The following table shows, on an as adjusted basis, what net income and earnings per share would have been if SFAS No. 142 had been applied beginning January 1, 2001 (in thousands):

Year Ended December 31,	2001
Net income, as reported	$ 11,286
Add back: goodwill amortization, net of tax effect	388
As adjusted, net income	$ 11,674
Basic earnings per share, as reported	$ 0.82
Add back: goodwill amortization, net of tax effect	0.02
As adjusted, basic earnings per share	$ 0.84
Diluted earnings per share, as reported	$ 0.78
Add back: goodwill amortization, net of tax effect	0.02
As adjusted, diluted earnings per share	$ 0.80

Information regarding the Company's other acquired intangible assets and patents are as follows (in thousands):

	Dec. 31, 2003	Dec. 31, 2002
Carrying amount:		
Distribution rights	$ 2,597	$ 2,597
Patents	3,294	2,636
Trademark	538	348
Technology	1,285	1,285
Other	1,048	1,048
Total carrying amount	$ 8,762	$ 7,914
Accumulated amortization:		
Distribution rights	$ 2,562	$ 2,134
Patents	1,228	951
Trademark	100	77
Technology	416	170
Other	1,025	900
Total accumulated amortization	$ 5,331	$ 4,232
Net carrying amount:		
Distribution rights	$ 35	$ 463
Patents	2,066	1,685
Trademark	438	271
Technology	869	1,115
Other	23	148
Total net carrying amount	$ 3,431	$ 3,682

Amortization expense for 2003, 2002 and 2001 amounted to approximately $0.9 million, $1.1 million and $1.4 million, respectively. Estimated amortization expense for existing intangible assets for each of the five succeeding years ended December 31 will be as follows (in thousands):

2004	$ 659
2005	624
2006	624
2007	624
2008	624

NOTE 4 ACCOUNTS RECEIVABLE

Accounts receivable consist of the following:

December 31,	2003	2002
Accounts receivable, gross	$ 34,278,539	$ 28,481,871
Allowances	(3,778,098)	(2,604,933)
Accounts Receivable, net	$ 30,500,441	$ 25,876,938

NOTE 5 INVENTORIES

Inventories consist of the following:

December 31,	2003	2002
Components	$ 7,592,681	$ 7,950,040
Finished goods	11,793,596	8,526,166
Inventory, net	$ 19,386,277	$ 16,476,206

NOTE 6 EQUIPMENT, FURNITURE AND FIXTURES

Equipment, furniture and fixtures consist of the following:

December 31,	2003	2002
Tooling	$ 7,664,091	$ 6,039,332
Equipment	6,298,838	5,697,916
Furniture and fixtures	1,201,868	1,143,719
Leasehold improvements	990,885	1,277,121
	16,155,682	14,158,088
Accumulated depreciation	(12,681,092)	(10,775,119)
Equipment, furniture and fixtures, net	$ 3,474,590	$ 3,382,969

Depreciation expense was $2,378,549, $2,569,033 and $2,663,791, for the years ended December 31, 2003, 2002 and 2001, respectively.

NOTE 7 REVOLVING CREDIT LINE

On September 2, 2003, the Company terminated a $15,000,000 unsecured revolving credit agreement with Bank of America National Trust and Savings Association. On September 15, 2003, the Company entered into a three-year $15,000,000 unsecured revolving credit agreement (the "Agreement") with Comerica Bank ("Comerica"). Under the Agreement with Comerica, the interest payable is variable and is based on either the bank's cost of funds or the LIBOR rate plus a fixed margin of 1.25%. The interest rate in effect as of December 31, 2003 using the LIBOR Rate option plus a fixed margin of 1.25% was 2.37%. The Company pays a commitment fee ranging from zero to a maximum rate of 1/4 of 1% per year on the unused portion of the credit line depending on the amount of cash investment retained with Comerica during each quarter. Under the terms of this Agreement, dividend payments are allowed up to 100% of net income of the prior fiscal year period to be paid within 90 days of such prior year, and the Company is subject to certain financial covenants related to the Company's net worth, quick ratio, and net income. The Company has authority under this credit facility to acquire up to 1,500,000 shares of its common stock in market purchases. As of December 31, 2003, 1,454,264 remained available for purchase. Amounts available for borrowing under this credit facility are reduced by the outstanding balance of import letters of credit. No borrowings under the credit lines occurred during 2002 or 2003. As of December 31, 2003, we had no amounts outstanding under this credit facility and no outstanding import letters of credit. Furthermore, as of December 31, 2003, we are in compliance with all financial covenants required by the Agreement. No interest was paid for the years ended December 31, 2003 or 2002.

NOTE 8 FINANCIAL INSTRUMENTS

The Company's financial instruments consist primarily of investments in cash and cash equivalents, short-term investments, accounts receivable, accounts payable and accrued liabilities. The carrying value of these instruments approximates fair value because of their short maturity.

NOTE 9 STOCKHOLDERS' EQUITY

FAIR PRICE PROVISIONS AND OTHER ANTI-TAKEOVER MEASURES

The Company's Restated Certificate of Incorporation, as amended, contains certain provisions restricting business combinations with interested stockholders under certain circumstances and imposing higher voting requirements for the approval of certain transactions ("fair price" provision). Any of these provisions could delay or prevent a change in control of the Company.

The "fair price" provisions require that holders of at least two-thirds of the outstanding shares of voting stock approve certain business combinations and significant transactions with interested stockholders.

TREASURY STOCK

During 2003, 2002 and 2001, 84,437, 584,845 and 301,600 shares of common stock were purchased by the Company on the open market at a cost of $963,168, $5,273,611 and $4,428,771, respectively. These shares are recorded as shares held in treasury at cost. The shares will generally be held by the Company for future use as management and the Board of Directors deem appropriate. In addition, some of these shares will be used by the Company to compensate the outside directors of the Company. During 2003, 2002 and 2001, 7,080, 6,836 and 6,188 shares, respectively, were issued to the outside directors.

RESTRICTED STOCK AWARDS

On July 11, 2001, as compensation for the outside directors for the three year period commencing July 1, 2001, the Company granted each director restricted shares with a fair market value equivalent to approximately $84,000. These restricted shares have been recorded in a separate component of stockholders' equity and are being amortized over their three-year vesting period. Each calendar quarter, 1/12 of the total stock award will vest and the shares will be distributed provided the director has served the entire calendar quarter term. Amortization expense amounted to $105,032, $98,030 and $110,018 in 2003, 2002 and 2001, respectively.

During the year ended December 31, 1999, a total of 7,950 restricted shares of the Company's common stock were reserved for issuance to certain employees. The restricted shares vest over a two-year period and had a market value of $107,713 at the award date. These awards have been recorded in a separate component of stockholders' equity. The carrying value of the restricted stock grants was amortized over the two-year vesting period and has been fully amortized as of December 31, 2001. Amortization expense amounted to $29,260 in 2001.

NOTE 10 STOCK OPTIONS

1993 STOCK INCENTIVE PLAN

On January 19, 1993, the 1993 Stock Incentive Plan ("1993 Plan") was approved. Under the 1993 Plan, 400,000 shares of common stock are reserved for the granting of incentive and other stock options to officers, key employees and non-affiliated directors. The 1993 Plan provides for the granting of incentive and other stock options through January 19, 2003. All options outstanding at the time of termination of the 1993 Plan shall continue in full force and effect in accordance with their terms. The option price for incentive stock options and non-qualified stock options will not be less than the fair market value at the date of grant. The Compensation Committee shall determine when each option is to expire, but no option shall be exercisable more than ten years after the date the option is granted. The 1993 Plan also provides for the award of stock appreciation rights subject to terms and conditions specified by the Compensation Committee. No stock appreciation rights have been awarded under this 1993 Plan.

1995 STOCK INCENTIVE PLAN

On May 19, 1995, the 1995 Stock Incentive Plan ("1995 Plan") was approved. Under the 1995 Plan, 800,000 shares of common stock are available for distribution to the Company's key officers, employees and non-affiliated directors. The 1995 Plan provides for the issuance of stock options, stock appreciation rights, performance stock units, or any combination thereof through May 19, 2005, unless otherwise terminated by resolution of the Board of Directors. The option price for the stock options will be equal to the fair market value at the date of grant. The Compensation Committee shall determine when each option is to expire, but no option shall be exercisable more than ten years after the date the option is granted. No stock appreciation rights or performance stock units have been awarded under this 1995 Plan.

1996 STOCK INCENTIVE PLAN

On December 1, 1996, the 1996 Stock Incentive Plan ("1996 Plan") was approved. Under the 1996 Plan, 800,000 shares of common stock are available for distribution to the Company's key officers and employees. The 1996 Plan provides for the issuance of stock options, stock appreciation rights, performance stock units, or any combination thereof through November 30, 2007, unless otherwise terminated by the resolution of the Company's Board of Directors. The option price for the stock options will be equal to the fair market value at the date of grant. The Compensation Committee shall determine when each option is to expire, but no option shall be exercisable more than ten years after the date the option is granted. No stock appreciation rights or performance stock units have been awarded under this 1996 Plan.

1998 STOCK INCENTIVE PLAN

On May 27, 1998, the 1998 Stock Incentive Plan ("1998 Plan") was approved. Under the 1998 Plan, 630,000 shares of common stock are available for distribution to the Company's key officers and employees. The 1998 Plan provides for the issuance of stock options, stock appreciation rights, performance stock units, or any combination thereof through May 27, 2008, unless otherwise terminated by resolution of the Company's Board of Directors. The option price for the stock options will not be less than the fair market value at the date of grant. The Compensation Committee shall determine when each option is to expire, but no option shall be exercisable more than ten years after the date the option is granted. No stock appreciation rights or performance stock units have been awarded under this 1998 Plan.

1999 STOCK INCENTIVE PLAN

On January 27, 1999, the 1999 Stock Incentive Plan ("1999 Plan") was approved. Under the 1999 Plan, 630,000 shares of common stock are available for distribution to the Company's key officers and employees. The 1999 Plan provides for the issuance of stock options, stock appreciation rights, performance stock units, or any combination thereof through January 27, 2009, unless otherwise terminated by resolution of the Company's Board of Directors. The option price for the stock options will not be less than the fair market value at the date of grant. The Compensation Committee shall determine when each option is to expire, but no option shall be exercisable more than ten years after the date the option is granted. No stock appreciation rights or performance stock units have been awarded under this 1999 Plan.

1999A STOCK INCENTIVE PLAN

On October 7, 1999, the 1999A Nonqualified Stock Plan ("1999A Plan") was approved and on February 1, 2000, the 1999A Plan was amended. Under the 1999A Plan, 1,000,000 shares of common stock are available for distribution to the Company's key officers and employees. The 1999A Plan provides for the issuance of stock options, stock appreciation rights, performance stock units, or any combination thereof through October 7, 2009, unless otherwise terminated by resolution of the Company's Board of Directors. The option price for the stock options will not be less than the fair market value at the date of grant. The Compensation Committee shall determine when each option is to expire, but no option shall be exercisable more than ten years after the date the option is granted. No stock appreciation rights or performance stock units have been awarded under this 1999A Plan.

2002 STOCK INCENTIVE PLAN

On February 5, 2002, the 2002 Nonqualified Stock Plan ("2002 Plan") was approved. Under the 2002 Plan, 1,000,000 shares of common stock are available for distribution to the Company's key officers and employees. The 2002 Plan provides for the issuance of stock options, stock appreciation rights, performance stock units, or any combination thereof through February 5, 2012, unless otherwise terminated by resolution of the Company's Board of Directors. The option price for the stock options will not be less than the fair market value at the date of grant. The Compensation Committee shall determine when each option is to expire, but no option shall be exercisable more than ten years after the date the option is granted. No stock appreciation rights or performance stock units have been awarded under this 2002 Plan.

2003 STOCK INCENTIVE PLAN

On June 18, 2003, the 2003 Nonqualified Stock Plan ("2003 Plan") was approved. Under the 2003 Plan, 1,000,000 shares of common stock are available for distribution to the Company's key officers and employees. The 2003 Plan provides for the issuance of stock options, stock appreciation rights, performance stock units, or any combination thereof through June 17, 2013, unless otherwise terminated by resolution of the Company's Board of Directors. The option price for the stock options will not be less than the fair market value at the date of grant. The Compensation Committee shall determine when each option is to expire, but no option shall be exercisable more than ten years after the date the option is granted. No stock appreciation rights or performance stock units have been awarded under this 2003 Plan.

Vesting periods for the above referenced stock incentive plans range from three to four years.

The following table summarizes the changes in the number of shares of common stock under option:

	2003 Shares (000)	2003 Weighted-Average Exercise Price	2002 Shares (000)	2002 Weighted-Average Exercise Price	2001 Shares (000)	2001 Weighted-Average Exercise Price
Outstanding at beginning of year	2,976	$ 12.00	2,260	$ 11.28	2,455	$ 10.29
Granted	119	10.60	998	12.14	153	18.08
Exercised	(370)	8.96	(243)	5.49	(284)	6.15
Expired and/or forfeited	(63)	13.92	(39)	14.17	(64)	13.79
Outstanding at end of year	2,662	$ 12.32	2,976	$ 12.00	2,260	$ 11.28
Options exercisable at year-end	1,668		1,502		1,076	

Significant option groups outstanding at December 31, 2003 and related weighted average price and life information are as follows:

	Options Outstanding			Options Exercisable	
Range of Exercise Price	Number Outstanding At 12/31/03	Weighted-Average Remaining Years of Contractual Life	Weighted-Average Exercise Price	Number Exercisable At 12/31/03	Weighted-Average Exercise Price
$ 2.16 to $ 7.50	500	4.7	$ 6.11	500	$ 6.11
8.45 to 10.53	570	8.9	8.68	125	8.51
11.02 to 14.71	569	6.0	11.10	531	11.04
15.20 to 22.78	1,023	7.3	18.06	512	18.92
$ 2.16 to $ 22.78	2,662	6.9	$ 12.32	1,668	$ 11.79

During 2003, common stock options were modified for two employees as part of severance agreements. The total number of options modified was 92,647, which resulted in new measurement dates. The difference between the exercise price and the fair value of the common stock on the new measurement dates for the options totaled $341,282. As a result, $341,282 was charged to non-cash stock-based compensation.

NOTE 11 SIGNIFICANT CUSTOMERS AND SUPPLIERS

One significant customer, with purchases of $18.1 million and $15.9 million, accounted for 15.0% and 15.3%, respectively of total 2003 and 2002 revenues. Trade receivables with this customer amounted to $2.7 million and $2.9 million or 9.0% and 11.2%, respectively of the total trade receivables at December 31, 2003 and 2002. During 2001, there were no customers with individual purchases exceeding 10% of total Company sales.

Trade receivables subject the Company to a concentration of credit risk. The risk is mitigated due to the large number of customers comprising the Company's customer base, the relative size and strength of most of the Company's customers and the Company's performance of ongoing credit evaluations.

The Company utilizes third-party manufacturers in Asia, Mexico and the United States to produce its wireless control products. Purchases with three major suppliers amounted to $13.4 million, $10.7 million and $6.9 million representing 19.7%, 15.6% and 10.1%, respectively of total inventory purchases in 2003. Purchases with two major suppliers amounted to $7.3 million and $9.4 million representing 11.7% and 15.2%, respectively, of total inventory purchases during 2002. Accounts payable with the previously mentioned three suppliers amounted to $940,000, $3,587,000 and $679,000 representing 6.8%, 26.1% and 4.9% of the total accounts payable at December 31, 2003. Additionally, there was one supplier with accounts payable of $1.7 million or 12.0% of the total accounts payable at December 31, 2003. Accounts payable with the previously mentioned two suppliers amounted to $758,000 and $796,000 or 9.7% and 10.2%, respectively, of the total accounts payable at December 31, 2002. Purchases with three major suppliers amounted to $10.5 million, $8.6 million and $10.9 million representing 15.0%, 12.3% and 15.7%, respectively, of total inventory purchases during 2001.

NOTE 12 LEASES

The Company leases office and warehouse space and certain office equipment under operating leases that expire at various dates through December 31, 2009. Rental expense under operating leases was $1,578,643, $1,211,852 and $1,010,896 for the years ended December 31, 2003, 2002 and 2001, respectively.

The following summarizes future minimum non-cancelable operating lease payments with initial terms greater than one year at December 31, 2003:

Year Ending December 31		Amount
2004	$	1,408,094
2005		1,047,087
2006		505,343
2007		324,597
2008		42,560
thereafter		29,378
Total lease commitments	$	3,357,059

NOTE 13 EMPLOYEE BENEFIT PLANS

The Company maintains a retirement and profit sharing plan under Section 401(k) of the Internal Revenue Code for all of its domestic employees that meet certain qualifications. Participants in the plan may elect to contribute from 1% to 15% of their annual salary to the plan. The Company may, at its discretion, make contributions to the plan. The Company matches 50% of the participants' contributions in the form of newly issued shares of common stock of the Company. The expense recorded for the years ended December 31, 2003, 2002 and 2001 amounted to $390,087, $384,329 and $283,352, respectively.

NOTE 14 OTHER INCOME, NET

"Other income, net" in the Consolidated Income Statements consisted of the following:

Year Ended December 31,		2003		2002		2001
Net gain on foreign exchange transactions	$	343,804	$	93,740	$	113,946
Patent settlements		—		162,964		—
Other		(5,645)		(17,461)		33,363
Total	$	338,159	$	239,243	$	147,309

During 2002, the Company settled patent infringement suits resulting in payments totaling $162,964.

NOTE 15 INCOME TAXES

In 2003, 2002, and 2001, pretax income was attributed to the following jurisdictions:

Year Ended December 31,		2003		2002		2001
Domestic operations	$	6,002,416	$	4,898,516	$	19,164,817
Foreign operations		3,492,758		2,916,290		(2,021,853)
Total	$	9,495,174	$	7,814,806	$	17,142,964

The provision for income taxes charged to operations was as follows:

Year Ended December 31,		2003		2002		2001
Current tax expense:						
U.S. federal	$	2,438,395	$	554,105	$	5,402,319
State and local		156,965		(389,006)		582,700
Foreign		1,482,389		1,011,728		65,953
Total current		4,077,749		1,176,827		6,050,972
Deferred tax expense:						
U.S. federal		(715,000)		492,992		322,750
State and local		(46,000)		42,009		95,800
Foreign		(88,390)		163,725		(612,336)
Total deferred		(849,390)		698,726		(193,786)
Total provision	$	3,228,359	$	1,875,553	$	5,857,186

Net deferred tax assets comprised the following at December 31:

		2003		2002
Inventory reserves	$	990,199	$	438,686
Allowance for doubtful accounts		727,280		688,777
Capitalized inventory costs		287,341		408,832
Net operating losses		303,311		477,510
Amortization of intangibles		758,653		333,315
Accrued liabilities		693,049		660,583
State taxes		18,407		1,577
Depreciation		17,062		17,062
Other		168,104		58,967
	$	3,963,406	$	3,085,309
Less: Valuation allowance		(137,406)		(108,699)
Net deferred tax assets	$	3,826,000	$	2,976,610

The provision for income taxes differs from the amount of income tax determined by applying the applicable U.S. statutory federal income tax rate to pre-tax income from operations as a result of the following:

Year Ended December 31,	2003	2002	2001
Tax provision at statutory U.S. rate	$ 3,228,359	$ 2,657,034	$ 6,000,037
Increase (decrease) in tax provision resulting from:			
State and local taxes, net	80,288	(225,554)	480,505
Foreign tax rate differential	171,534	183,915	76,669
Nondeductible items	29,199	14,663	19,316
Federal research and development credits	(282,055)	(645,251)	(416,695)
Other	1,034	(109,254)	(302,646)
Tax provision	$ 3,228,359	$ 1,875,553	$ 5,857,186

At December 31, 2003, the Company has certain foreign net operating losses of approximately $924,000, which begin to expire in 2007. At December 31, 2003, a valuation allowance of approximately $400,000 has been provided on certain foreign net operating losses.

No income taxes have been provided on the undistributed earnings of foreign subsidiaries as the earnings are expected to be permanently reinvested in the foreign operations. Determination of the amount of unrecognized deferred tax liability for temporary differences related to the undistributed earnings of the Company's foreign operations is not practicable.

Subsequent to December 31, 2003, the California Franchise Tax Board began an audit of the years ended December 31, 1999 and 2000. The results of this audit are not expected to have a material impact on the Company's financial position or results of operations.

NOTE 16 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 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 years ended December 31, 2003, 2002 and 2001, approximately 1,031,125, 1,782,000 and 589,000 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.

The following table sets forth the computation of basic and diluted earnings per share (in thousands, except per share data):

Year Ended December 31,	2003	2002	2001
Basic			
Net Income	$ 6,267	$ 5,939	$ 11,286
Weighted-average common shares outstanding	13,703	13,790	13,844
Basic earnings per share	$ 0.46	$ 0.43	$ 0.82
Diluted			
Net Income	$ 6,267	$ 5,939	$ 11,286
Weighted-average common shares outstanding for basic	13,703	13,790	13,844
Dilutive effect of stock options and restricted stock	304	373	679
Weighted-average common shares outstanding on a diluted basis	14,007	14,163	14,523
Diluted earnings per share	$ 0.45	$ 0.42	$ 0.78

NOTE 17 BUSINESS SEGMENTS AND FOREIGN OPERATIONS

The Company operates in a single industry segment and is engaged in the building and marketing of universal wireless controls and related products principally for video and audio entertainment equipment. The Company's customers consist primarily of international retailers and distributors, private label customers, original equipment manufacturers, subscription broadcast operators and companies in the computing industry.

The Company's operations by geographic area are presented below:

Year Ended December 31,	2003	2002	2001
Net Sales			
United States	$ 67,641,896	$ 64,869,051	$ 81,013,675
Netherlands	16,187,092	11,712,572	12,703,846
United Kingdom	15,666,576	11,734,250	8,723,896
France	4,430,504	4,226,259	5,232,039
Germany	5,422,239	3,437,778	2,686,711
All Other	11,119,479	7,910,818	8,669,548
	$ 120,467,786	$ 103,890,728	$ 119,029,715

December 31,	2003	2002	2001
Long-Lived Assets			
United States	$ 3,002,066	$ 7,131,655	$ 6,509,690
All Other Countries	1,917,065	3,632,999	4,124,093
	$ 4,919,131	$10,764,654	$ 10,633,783

Specific identification was the basis used for attributing revenues from external customers to individual countries.

NOTE 18 RELATED PARTY TRANSACTIONS

In August 2001, the Company entered into a 30-month consulting agreement with one of its former directors, under which the former director received $600,000 for services rendered. Amounts paid under this agreement were $200,000, $200,000 and $200,000 for the years ended December 31, 2003, 2002 and 2001, respectively. The agreement expires February 2004. There were no further amounts due at December 31, 2003.

In April 1999, the Company provided a non-recourse interest bearing secured loan to one of the Company's executive officers. The loan in the amount of $200,000, bears interest at the rate of 5.28% per annum, with interest payable annually to the Company on each December 15th. The loan is collateralized by the primary residence purchased and the principal is payable on the earlier of (i) December 15, 2007, (ii) within twelve months following a demand from the Company or (iii) on the closing of a sale or transfer of the property.

NOTE 19 CONTINGENCIES

PRODUCT WARRANTIES

The Company provides for estimated product warranty expenses concurrent with the recognition of revenue. 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 Beginning of Period	Accruals for Warranties Issued During the Period	Accruals Relating to Preexisting Warranties and Changes in Estimates	Settlements (in Cash or in Kind) During the Period	Balance at End of Period
Year Ended December 31, 2003	$ 95,005	$ 181,466	$ 0	$ (181,466)	$ 95,005
Year Ended December 31, 2002	$ 134,819	$ 51,142	$ 0	$ (90,056)	$ 95,005

LITIGATION

On November 15, 2000, the Company filed suit against Universal Remote Control Inc. alleging that Universal Remote has infringed certain of the Company's patents (Universal Electronics Inc. v. Universal Remote Control, Inc., Civil Action No. SACV 00- 1125 AHS (EEx)). The Company is seeking damages and injunctive relief. Universal Remote has answered the complaint and has denied infringement, and the Company is engaged in discovery.

On November 19, 2002, the Company filed suit against Intrigue Technologies, Inc., which was amended on February 13, 2004, alleging that Intrigue Technologies has infringed certain of the Company's patents (Universal Electronics Inc. v. Intrigue Technologies, Inc., Civil Action No. SA02-1089GLT (ANX)). Intrigue Technologies has answered this complaint denying infringement. In addition, Intrigue Technologies has filed suit against the Company (Intrigue Technologies, Inc. v. Universal Electronics Inc., Case Number A3-02-124) seeking a judgment to declare certain of the Company's patents invalid, unenforceable and void and also alleging that we have violated federal antitrust laws with respect to our patent enforcement. The Company has not yet answered this complaint; however, it intends to do so denying all of Intrigue Technologies' material allegations. As of December 31 2003 and 2002, a loss contingency has not been recorded since management believes an unfavorable outcome for this matter is not probable.

On January 7, 2004, James D. Lyon, Trustee for the bankruptcy estate of Computrex, Inc. filed an action against the Company alleging that the Company received preferential treatment in connection with certain payments made on the Company's behalf by Computrex. (Computrex, Inc. (Debtor) and James D. Lyon (Trustee for the bankruptcy estate of Computrex, Inc.) v. Universal Electronics Inc., Case No. 01-53755 Chapter 7, United States Bankruptcy Court, Eastern District of Kentucky, Lexington Division). The Company has not yet answered this complaint and will not need to do so as this action is currently in abeyance while the trustee appeals an adverse ruling against it in another matter having facts similar to those in the trustee's action against the Company. If and when the Company is to answer, it intends to deny all of the material allegations made against the Company and defend this matter vigorously. As of December 31 2003, a loss contingency has not been recorded since management believes an unfavorable outcome for this matter is not probable.

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 and cash flows.

SUPPLEMENTARY DATA

QUARTERLY FINANCIAL DATA (UNAUDITED)

Summarized quarterly financial data for the years ended December 31, 2003 and 2002 is presented below.

2003	Mar. 31,	Jun. 30,	Sep. 30,	Dec. 31,[2]
Net sales	$ 26,918,697	$ 27,711,796	$ 30,300,217	$ 35,537,076
Gross profit	10,156,897	10,830,374	11,832,663	13,479,567
Operating income	1,305,943	1,577,218	2,390,154	3,300,167
Net income	939,045	1,201,629	1,666,992	2,459,149
Earnings per share: [1]				
Basic	$ 0.07	$ 0.09	$ 0.12	$ 0.18
Diluted	$ 0.07	$ 0.09	$ 0.12	$ 0.17
Shares used in computing earnings per share:				
Basic	13,581,581	13,612,039	13,750,669	13,835,281
Diluted	13,785,008	13,880,922	14,145,423	14,186,574

2002	Mar. 31,	Jun. 30,	Sep. 30,	Dec. 31,
Net sales	$ 23,410,925	$ 24,590,031	$ 26,004,420	$ 29,885,352
Gross profit	9,416,218	10,856,843	10,029,122	11,352,836
Operating income	891,591	1,810,926	1,794,724	2,483,443
Net income	675,386	1,402,312	1,857,498	2,004,057
Earnings per share (1):				
Basic	$ 0.05	$ 0.10	$ 0.13	$ 0.15
Diluted	$ 0.05	$ 0.10	$ 0.13	$ 0.15
Shares used in computing earnings per share:				
Basic	13,799,834	13,958,596	13,835,742	13,564,702
Diluted	14,370,383	14,515,073	14,045,679	13,720,409

(1) Net income per common share calculations for each of the quarters were based upon the weighted average number of shares outstanding for each period, and the sum of the quarters may not be equal to the full year net income per common share amount.

(2) During the fourth quarter of 2003, the Company recorded a $430,042 net increase in the inventory reserve.

REPORT OF INDEPENDENT AUDITORS

TO THE BOARD OF DIRECTORS AND STOCKHOLDERS OF UNIVERSAL ELECTRONICS INC.

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Universal Electronics Inc. and its subsidiaries at December 31, 2003 and 2002, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2003, in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 2, the Company adopted Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets. Accordingly, the Company ceased amortization of its goodwill as of January 1, 2002.

PricewaterhouseCoopers LLP
Orange County, California
March 9, 2004

CORPORATE INFORMATION

DIRECTORS

Paul D. Arling
Chairman and
Chief Executive Officer
Universal Electronics Inc.
Cypress, CA

Satjiv S. Chahil
Advisor to the CEO
PalmSource, Inc.
Sunnyvale, CA

Bruce A. Henderson[1,2]
Chief Executive Officer
Edgecombe Holdings, LLC
Richmond, VA

William C. Mulligan[1,3]
Managing Partner
Primus Venture Partners, Inc.
Cleveland, OH

J.C. Sparkman[1,2,3]
Retired Executive Vice
President and
Chief Operating Officer, TCI
Denver, CO

OFFICERS

Paul D. Arling
Chairman and
Chief Executive Officer

Robert P. Lilleness
President and
Chief Operating Officer

Bernard J. Pitz
Senior Vice President,
Chief Financial Officer
and Treasurer

Richard A. Firehammer, Jr.
Senior Vice President,
General Counsel
and Secretary

1. Member, Audit Committee
2. Member, Compensation Committee
3. Member, Corporate Governance & Nominating Committee

Universal Electronics Inc. is
an equal opportunity employer

OFFICERS (CONTINUED)

John S. Ames
Senior Vice President
of Sales

Paul J. M. Bennett
Senior Vice President,
Managing Director,
Europe

Patrick H. Hayes
Vice President of
Core Technology

Pam Price
Vice President
of Cable Sales

Ramzi S. Ammari
Vice President of
Product Development

Jacques Mathijsen
Vice President of Product,
Planning and Strategy,
Europe

Olav Pouw
Vice President of Sales,
Europe

CORPORATE OFFICE

6101 Gateway Drive
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ANNUAL MEETING

4:00 p.m. June 14, 2004
Universal Electronics Inc.
6101 Gateway Drive
Cypress, CA 90630

INDEPENDENT ACCOUNTANTS

PricewaterhouseCoopers LLP
Irvine, CA 92614

Sources
Pg. 13 (1) IDC, 2003
(2) Jupiter & EMI Music, 2003
(3) Parks Associates, 2003

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FORM 10-K

Any stockholder who desires a copy of the Company's 2003 Annual Report on Form 10-K filed with the Securities and Exchange Commission may obtain a copy (excluding exhibits) without charge by addressing a request to:
Investor Relations
Universal Electronics Inc.
6101 Gateway Drive
Cypress, CA, 90630

A charge equal to the reproduction cost will be made if the exhibits are requested.

Universal's Internet address is www.uei.com. Universal makes available through its Internet Web site its annual report on Form 10-K. Investors can also obtain copies of our SEC filings from the SEC Web site at www.sec.gov

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Pg. 18 (4) Parks Associates, "Multimedia Networks in the Home: Analysis and Forecasts"
Pg. 19 (5) IDC, "U.S. Home Networking Forecast", 2003

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