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Universal Power Group Reports Second Quarter 2011 Earnings

CARROLLTON, Texas — Aug. 11, 2011 — Universal Power Group, Inc. (NYSE Amex: UPG), a Texas-based distributor and supplier of batteries and related power accessories and a third-party logistics provider, today announced results for the second quarter ended June 30, 2011.

For the second quarter, UPG reported net income of \$0.1 million, or \$0.02 per diluted share, on net sales of \$21.7 million, compared with net income of 0.8 million, or \$0.17 per diluted share, on net sales of \$28.4 million in the second quarter of 2010.

“Our results for the second quarter reflect a number of challenges that affected our financial results,” stated Ian Edmonds, UPG’s President and Chief Executive Officer. “Despite these factors, we remain focused on driving growth in all parts of our business, and we are making progress through diversification initiatives, including our recent acquisition of Progressive Technologies.”

Second Quarter and Six Month Results

Net sales for the second quarter fell 23.7 percent, to \$21.7 million, from \$28.4 million in the second quarter of 2010. Net sales of batteries and related power accessories to customers other than ADT Security Services and its authorized dealers grew 14.1 percent, to \$20.2 million in the second quarter of 2011, compared to \$17.7 million for the second quarter of 2010.

Net sales to ADT Security Services and its authorized dealers in the second quarter of 2011 were \$1.5 million, a decrease of approximately 86.1 percent from \$10.7 million in the same quarter of 2010. This decline was due to the integration of Broadview Security, which was acquired by Tyco International in May 2010, into ADT Security Services.

Gross profit decreased to \$4.4 million in the quarter, compared with \$5.1 million in the second quarter of 2010, due mainly to the lower sales levels. Operating expenses increased to \$4.0 million in the second quarter of 2011 from \$3.7 million in the second quarter of 2010. The increase in operating expenses included \$365,000 in expenses attributable to the acquisition of Progressive Technologies (PTI) on April 20, 2011, including \$120,000 in closing costs.

Reflecting the lower sales levels, UPG reported a decrease in operating income, to \$0.4 million, from \$1.4 million in the prior year. Interest expense decreased by \$86,000, to \$151,000 from \$237,000 in the second quarter of 2010, resulting in pre-tax income of \$0.2 million for the second quarter of 2011, down from \$1.2 million in the prior year. Net income was \$0.1 million, or \$0.02 per diluted share, compared to net income of \$0.8 million, or \$0.17 per diluted share in the prior year’s quarter.

For the first six months of 2011, net sales fell 20.5 percent, to \$43.3 million, from \$54.4 million in the comparable period of 2010. Net sales of batteries, related power accessories and other products to customers other than ADT Security Services and its authorized dealers grew 13.2 percent, to \$37.0 million in the first six months of 2011, compared to \$32.7 million for the

comparable period of 2010. Net sales to ADT Security Services and its authorized dealers in the first six months of 2010 were \$6.2 million, a decrease of 71.4 percent from \$21.7 million in the same period of 2010.

Lower net sales contributed to lower gross profit of \$8.7 million, or 20.1 percent of net sales, compared to \$9.5 million, or 17.4 percent of sales for the first six months of 2010. Total operating expenses increased \$0.4 million, or 5.6 percent, to \$7.5 million from \$7.1 million in the prior year. Operating expenses for the first six months of 2011 included \$376,000 in PTI acquisition-related expenses.

For the first six months of 2011, UPG reported operating income of \$1.2 million and pre-tax income of \$0.9 million, compared to operating income of \$2.4 million and pre-tax income of \$2.0 million in the comparable period of 2010. The decrease in operating income in 2011 was due primarily to decreases in net sales and associated gross profit compared to the prior year. Interest expense for the first six months of 2011 was reduced by approximately \$0.1 million due to lower average borrowings reflected by lower inventory levels and lower effective interest rates compared to the prior year. UPG reported net income for the first six months of 2011 of \$0.5 million, or \$0.10 per diluted share, compared to net income of \$1.3 million, or \$0.27 per diluted share, in the first six months of 2010.

Balance Sheet and Financial Position

At June 30, 2011 inventory decreased by \$3.5 million, to \$29.4 million, from \$32.9 million at December 31, 2010, despite a \$0.6 million increase in inventory from the acquisition of PTI. Accounts receivable increased to \$12.3 million, from \$10.2 million at the end of 2010. This increase reflects the inclusion of additional accounts receivable from the acquisition of Progressive Technologies, as well as past due payments from a number of customers received after the end of the quarter. Accounts payable increased by \$0.2 million, to \$7.8 million during the period. Total working capital decreased to \$19.7 million, compared to \$20.9 million at the end of the prior year.

For the first six months of 2011, UPG generated net cash from operating activities of \$2.8 million, compared to net cash from operating activities of \$2.1 million during the same period in 2010. The increase in operating cash flow for 2011 reflects decreases in inventory and increases in accrued liabilities, which were offset by lower net income and increases in accounts receivable. UPG ended the quarter with \$312,000 in cash and cash equivalents, up from \$215,000 at the end of 2010. The outstanding balance on UPG's line of credit decreased to \$16.1 million, compared to \$16.3 million at the end of 2010, reflecting the increased cash generated by operations over the period, offset by borrowings used for the acquisition of PTI.

Edmonds concluded: "While our results for the second quarter reflect the challenges of customer concentration, we will continue with our plan to control costs and pursue the growth of our business, with the assurance that we have the strong financial structure necessary to support our efforts."

Conference Call Information

Universal Power Group will host an investor conference call today, Thursday, Aug. 11, 2011 at 11:30 a.m. ET (10:30 a.m. CT) to discuss the Company's financial results for the quarter and six months ended June 30, 2011.

Interested parties may access the conference call by dialing 1.800.260.8140, passcode 49178363. The conference call will also be broadcast live at www.upgi.com and through the Thomson StreetEvents Network. Individual investors can listen to the call at www.earnings.com, Thomson's individual investor portal. Institutional investors can access a webcast of the call via Thomson StreetEvents (www.streetevents.com), a password-protected event management site.

A replay of the conference call will be made available through Aug. 18, 2011 by calling 1.888.286.8010, passcode 96063143, and an archived webcast will be available at www.upgi.com.

About Universal Power Group, Inc.

Universal Power Group, Inc. (NYSE Amex: UPG) is a leading supplier and distributor of batteries and power accessories, and a provider of supply chain and other value-added services. UPG's product offerings include proprietary brands of industrial and consumer batteries of all chemistries, chargers, jump-starters, 12-volt accessories, and solar and security products. UPG's supply chain services include procurement, warehousing, inventory management, distribution, fulfillment and value-added services such as sourcing, battery pack assembly and coordinating battery recycling efforts, as well as product development. For more information, please visit the UPG website at www.upgi.com.

Forward-Looking Statements

Statements in this press release that are not statements of historical or current fact constitute "forward-looking statements." Such forward-looking statements involve known and unknown risks, uncertainties and other unknown factors that could cause the Company's actual operating results to be materially different from any historical results or from any future results expressed or implied by such forward-looking statements. In addition to statements that explicitly describe these risks and uncertainties, readers are urged to consider statements that contain terms such as "believes," "belief," "expects," "expect," "intends," "intend," "anticipate," "anticipates," "plans," "plan," to be uncertain and forward-looking. The forward-looking statements contained herein are also subject generally to other risks and uncertainties that are described from time to time in the Company's filings with the Securities and Exchange Commission. Historical financial results are not necessarily indicative of future performance.

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UNIVERSAL POWER GROUP, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
ASSETS

	June 30, 2011 (unaudited)	December 31, 2010
CURRENT ASSETS		
Cash and cash equivalents	\$ 311,922	\$ 215,375
Accounts receivable:		
Trade, net of allowance for doubtful accounts of \$642,801 (unaudited) and \$656,989	12,290,863	10,189,716
Other	27,866	25,607
Inventories – finished goods, net of allowance for obsolescence of \$1,515,647 (unaudited) and \$1,155,852	29,421,058	32,893,837
Current deferred tax asset	1,460,033	1,564,433
Income tax receivable	617,032	—
Prepaid expenses and other current assets	1,291,126	1,237,047
Total current assets	45,419,900	46,126,015
PROPERTY AND EQUIPMENT		
Logistics and distribution systems	1,834,125	1,834,124
Machinery and equipment	1,035,780	991,260
Furniture and fixtures	512,310	467,632
Leasehold improvements	388,586	408,128
Vehicles	171,492	199,992
Total property and equipment	3,942,293	3,901,136
Less accumulated depreciation and amortization	(2,826,199)	(2,561,314)
Net property and equipment	1,116,094	1,339,822
GOODWILL	1,386,988	—
INTANGIBLES, net	684,416	—
OTHER ASSETS	127,651	127,018
NON-CURRENT DEFERRED TAX ASSET	54,056	17,784
TOTAL ASSETS	\$ 48,789,105	\$ 47,610,639

UNIVERSAL POWER GROUP, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS (CONTINUED)
LIABILITIES AND SHAREHOLDERS' EQUITY

	<u>June 30,</u> <u>2011</u> <u>(unaudited)</u>	<u>December 31,</u> <u>2010</u>
CURRENT LIABILITIES		
Line of credit	\$ 16,068,126	\$ 16,323,528
Accounts payable	7,836,936	7,559,445
Income taxes payable	23,119	25,588
Accrued liabilities	710,368	456,418
Current portion of settlement accrual	599,895	733,540
Current portion of capital lease and note obligations	487,921	25,906
Current portion of deferred rent	8,759	52,672
Total current liabilities	<u>25,735,124</u>	<u>25,177,097</u>
LONG-TERM LIABILITIES		
Settlement accrual, less current portion	—	241,490
Capital lease and note obligations, less current portion	286,834	25,183
Total long-term liabilities	<u>286,834</u>	<u>266,673</u>
TOTAL LIABILITIES	26,021,958	25,443,770
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY		
Common stock - \$0.01 par value, 50,000,000 shares authorized, 5,020,000 shares issued and outstanding	50,200	50,200
Additional paid-in capital	16,089,929	16,075,771
Retained earnings	6,733,358	6,205,127
Accumulated other comprehensive loss	(106,340)	(164,229)
Total shareholders' equity	<u>22,767,149</u>	<u>22,166,869</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ <u>48,789,105</u>	\$ <u>47,610,639</u>

UNIVERSAL POWER GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Net sales	\$ 21,665,287	\$ 28,393,923	\$ 43,251,928	\$ 54,428,718
Cost of sales	<u>17,275,315</u>	<u>23,333,195</u>	<u>34,553,505</u>	<u>44,935,023</u>
Gross profit	4,389,972	5,060,728	8,698,423	9,493,695
Operating expenses	<u>3,992,061</u>	<u>3,657,219</u>	<u>7,527,745</u>	<u>7,130,494</u>
Operating income	397,911	1,403,509	1,170,678	2,363,201
Interest expense	<u>(150,798)</u>	<u>(236,936)</u>	<u>(291,860)</u>	<u>(398,296)</u>
Income before provision for income taxes	247,113	1,166,573	878,818	1,964,905
Provision for income taxes	(121,559)	(323,044)	(350,587)	(615,667)
Net income	<u>\$ 125,554</u>	<u>\$ 843,529</u>	<u>\$ 528,231</u>	<u>\$ 1,349,238</u>
Net income per share				
Basic	\$ 0.03	\$ 0.17	\$ 0.11	\$ 0.27
Diluted	\$ 0.02	\$ 0.17	\$ 0.10	\$ 0.27
Weighted average shares outstanding				
Basic	5,020,000	5,000,000	5,020,000	5,000,000
Diluted	5,029,463	5,008,976	5,037,020	5,008,976

UNIVERSAL POWER GROUP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	Six Months Ended June 30,	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 528,231	\$ 1,349,238
Items not requiring (providing) cash, net of effect of acquisition:		
Depreciation and amortization	374,586	381,965
Provision for bad debts	93,753	168,341
Provision for obsolete inventory	360,000	420,000
Deferred income taxes	68,128	49,718
Gain on disposal of property	(1,500)	(2,000)
Stock-based compensation	14,158	31,610
Changes in operating assets and liabilities		
Accounts receivable – trade	(1,553,933)	(983,304)
Accounts receivable – other	(1,348)	(278,541)
Inventories	3,745,623	3,387,683
Income taxes receivable/payable	(642,620)	(698,654)
Prepaid expenses and other assets	(32,058)	(20,818)
Accounts payable	(40,181)	(1,629,551)
Accrued liabilities	334,958	497,429
Settlement accrual	(375,135)	(479,709)
Deferred rent	(43,913)	(45,933)
Net cash provided by operating activities	<u>2,828,750</u>	<u>2,147,474</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash paid in Progressive Technologies, Inc. acquisition	(2,267,601)	—
Purchase of property and equipment	—	(34,889)
Proceeds from sales of equipment	1,500	2,000
Net cash used in investing activities	<u>(2,266,101)</u>	<u>(32,889)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net activity on line of credit	(255,402)	(3,484,595)
Payments on capital lease and note obligations	(210,700)	(27,188)
Net cash used in financing activities	<u>(466,102)</u>	<u>(3,511,783)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
	96,547	(1,397,198)
Cash and cash equivalents at beginning of period	215,375	2,059,475
Cash and cash equivalents at end of period	<u>\$ 311,922</u>	<u>\$ 662,277</u>
SUPPLEMENTAL DISCLOSURES		
Income taxes paid	<u>\$ 954,383</u>	<u>\$ 1,579,341</u>
Interest paid	<u>\$ 225,128</u>	<u>\$ 197,061</u>