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Research Report – Update

Investors should consider this report as only a single factor in making their investment decision.

UFP Technologies, Inc.

Rating: Speculative Buy

John Nobile
April 24, 2009

UFPT $4.75 — (NASDAQ CM)

	FY (2006)A	FY (2007)A	FY (2008)A	FY (2009)E
Revenues (millions)	$93.7	$93.6	$110.0	$106.5
Earnings per share (diluted)	$0.45	$0.71	$0.82	$0.90

52-Week range	$14.63 – $3.47	Fiscal year ends:	December
Shares outstanding as of 3/3/09	5.8 million	Revenue per share (TTM)	$17.57
Approximate float	4.3 million	Price/Sales (TTM)	0.3X
Market capitalization	$28 million	Price/Sales (2009)E	0.3X
Tangible book value/share	$4.39	Price/Earnings (TTM)	5.8X
Price/tangible book	1.1X	Price/Earnings (2009)E	5.3X

UFP Technologies is a designer and manufacturer of a broad range of high performance cushion packaging and molded fiber products and specialty foam and plastic products. These products are custom designed and fabricated or molded to provide protection for fragile and valuable items, and are sold primarily to original equipment manufacturers in the computer, electronics, automotive, medical/pharmaceutical and industrial markets. (www.ufpt.com)

Key investment considerations:

We are reiterating our Speculative Buy rating on UFP Technologies (NASDAQ CM: UFPT) while lowering our twelve-month price target to $9.00 per share (previously $10.00) due to lowered earnings expectations, current market conditions, and a slowing economy. We believe that shares of UFPT offer an attractive investment opportunity at current levels.

On March 4, 2009, UFPT reported fourth quarter 2008 net sales increased 2% to $26.1 million from $25.5 million. Net income decreased to $1.1 million or $0.19 per diluted share versus net income of $1.8 million or $0.30 per diluted share. Included in net income for the fourth quarter of 2008 was a $0.9 million restructuring charge.

With forecasts calling for the economy to remain weak in the near term and the Company expecting soft sales at least through the first quarter, we believe that UFP Technologies' sales will slow in fiscal 2009. However, the recent plant consolidation which resulted in restructuring charges of approximately $1.3 million should cut costs by approximately $1.2 million annually according to the Company. We believe these cost cutting efforts will result in improved margins and growth to UFPT's bottom line in 2009.

For fiscal 2009, we estimate UFPT's revenue will fall by 3% to $106.5 million and the Company will report net income of $5.6 million or $0.90 per diluted share. Previous estimates for fiscal 2009 called for sales of $116.0 million and net income of $6.8 million or $1.05 per diluted share.

****Please view our disclaimer located on page 10.***

Business

UFP Technologies designs and manufactures engineered packaging solutions utilizing molded fiber, vacuum-formed plastics, and molded and fabricated foam plastic products. The Company also designs and manufactures engineered component products using laminating, molding, and fabricating technologies. UFP serves a myriad of manufacturing sectors, but specifically targets opportunities in the automotive, computer and electronics, medical, aerospace and defense, industrial, and consumer markets.

The Company's high-performance cushion packaging products are made primarily from polyethylene and polyurethane foams, and a wide range of sheet plastics. These products are custom designed and fabricated or molded to provide protection for fragile and valuable items, and are sold primarily to original equipment and component manufacturers. Molded fiber products are made primarily from 100% recycled paper principally derived from waste newspaper. These products are custom designed, engineered and molded into shapes for packaging high volume consumer goods, including computer components, medical devices, other light electronics, scented candles, and health and beauty products.

In addition to packaging products, UFP fabricates and molds component products made from cross-linked polyethylene foam and other materials. The Company also laminates fabrics and other materials to cross-linked polyethylene foams, polyurethane foams and other substrates. UFP's component products include automotive interior trim, athletic and industrial safety belts, components for medical equipment and devices, abrasive nail files and other beauty aids, anti-fatigue mats, and shock absorbing inserts used in athletic and leisure footwear.

Industry

In February 2009, Research and Markets (a source of international market research and market data) in their "Containers & Packaging: Global Industry Guide," said that the global containers and packaging market grew by approximately 3% in 2008 to reach a value of $429.1 billion. The report forecasts the market to have a value of $528.7 billion in 2013 for a CAGR of approximately 3%. Paper packaging accounts for 40.5% of the global containers and packaging markets volume with the Americas generating 35.6% of the global containers and packaging markets value.

Fourth Quarter and Fiscal 2008 Financial Results

For the fourth quarter ended December 31, 2008, versus the same period in 2007:

- Net sales increased 2% to $26.1 million from $25.5 million.
- Gross margins decreased to 25.5% from 28.0%.
- SG&A expenses decreased to $4.0 million from $4.1 million.
- Net income was $1.1 million or $0.19 per diluted share versus net income of $1.8 million or $0.30 per diluted share. Included in net income for the fourth quarter of 2008 was a $0.9 million restructuring charge associated with the consolidation of the Company's Macomb Township, Michigan automotive plant into a newly acquired building in Grand Rapids, Michigan.

In comparison, Taglich Brothers' estimates called for fourth quarter net sales of $28.3 million and net income of $1.0 million or $0.15 per diluted share.

For the fiscal year ended December 31, 2008, versus the same period in 2007:

- Net sales increased 18% to $110.0 million from $93.6 million.
- Gross margins increased to 26.0% from 24.4%.
- SG&A expenses increased to $18.8 million from $15.6 million.

- Net income was $5.1 million or $0.82 per diluted share versus net income of $4.2 million or $0.71 per diluted share. Included in net income for fiscal 2008 was a $1.3 million restructuring charge associated with the consolidation of the Company's Macomb Township, Michigan automotive plant into a newly acquired building in Grand Rapids, Michigan.

In comparison, Taglich Brothers' estimates called for fiscal 2008 net sales of $112.2 million and net income of $4.9 million or $0.79 per diluted share.

Fiscal 2008 Discussion

Sales in the Component Products segment increased 13% to $60.8 million from $53.8 million primarily due to sales of $12.7 million from the newly acquired (January 18, 2008) plant in Grand Rapids, partially offset by a decrease in sales to the automotive industry of approximately $5.9 million. The Company believes that sales to the automotive industry will continue to weaken in 2009. Sales in the Engineered Packaging segment increased 24% to $49.2 million from $39.8 million largely due to an increase in sales of $3.9 million to a key electronics customer, as well as increased demand for environmentally friendly molded fiber packaging. Excluding the newly acquired plant in Grand Rapids, Michigan, total sales increased 4%.

The increase in gross margins was primarily attributable to pricing and manufacturing efficiency initiatives (material and labor as a percentage of sales are down 1.2% and 0.8%, respectively) partially offset by lower gross margins in the Company's automotive plants.

The increase in SG&A expenses was primarily attributable to increased SG&A from the newly acquired plant in Grand Rapids of approximately $2.2 million, as well as increased equity-based compensation of approximately $0.6 million.

The $1.3 million restructuring charge was for the costs associated with vacating the Macomb Township premises, severance, relocation and stay-bonuses for its employees, equipment moving and hook-up costs, and training and other start-up costs. As of December 31, 2008, the move was completed and all significant costs had been incurred.

Balance Sheet

As of December 31, 2008, the Company had cash of $6.7 million, working capital of $18.7 million, long-term debt of $3.9 million, long-term capital lease obligations of $0.9 million, and a tangible book value of $4.39 per share. The Company generated approximately $9.9 million cash from operations in fiscal 2008. Taglich Brothers defines cash flow as net income plus non-cash charges.

The Company has the following bank credit facilities available:

- a $17 million revolving line of credit,
- a $2.1 million term loan with 7 year straight-line amortization,
- a $1.8 million term loan with 20 year straight-line amortization, and
- a $4.0 million term loan with 20 year straight-line amortization.

The credit facility calls for interest of LIBOR plus a margin that ranges from 1.0% to 1.5% or, at the discretion of the Company, the bank's prime rate less a margin that ranges from 0.25% to zero. In both cases the applicable margin is dependent upon Company performance. The Company's $17 million revolving credit facility is due November 30, 2013; the term loans are all due on January 29, 2016.

As of March 4, 2009, UFPT had approximately $10 million cash and $14 million available under its line of credit. We believe that UFPT's current line of credit and future expected cash flows from operations will be sufficient to fund operations for the next twelve months.

UFP Technologies Acquires Selected Assets of Foamade Industries, Inc.

In March 2009, UFP Technologies announced it purchased certain assets of Foamade Industries, Inc., in Hillsdale, Michigan. UFP and Foamade are working to formulate a production agreement to potentially transfer these assets to UFP's Grand Rapids, Michigan, facility in a way that minimizes disruption to customers.

R. Jeffrey Bailly, Chairman & CEO of UFP Technologies said that Foamade's two Hillsdale facilities would fit well within UFP's Grand Rapids plant, which became part of UFP with the acquisition of Stephenson & Lawyer in January 2008. Bailly also said the capabilities of Foamade and S&L were closely aligned and when combined, will allow UFP to meet a greater range of customer needs in a highly efficient manner.

Discussion

On January 18, 2008, the Company acquired Stephenson & Lawyer, Inc. (S&L), a Grand Rapids, Michigan-based foam fabricator. S&L was consolidated into the Company's financial statements effective January 1, 2008. Operating out of a 255,000-square-foot manufacturing plant, S&L specializes in the fabrication of technical urethane foams. UFP Technologies said that in addition to significantly adding to the Company's real estate, S&L brings to the Company access to this family of foams, modern manufacturing capabilities and a seasoned management team.

In order to get a better understanding of how the S&L acquisition would have contributed to the Company's top and bottom lines if the acquisition had occurred on January 1, 2007, UFP provided the following pro-forma income statement for that period:

	Actual FY2008	Actual FY2007	Proforma FY2007
Net sales	$ 110,032	$ 93,595	$ 107,050
Operating income	8,425	7,247	6,622
Net Income / (Loss)	$ 5,116	$ 4,159	$ 3,804
Basic EPS	$ 0.92	$ 0.78	$ 0.72
Diluted EPS	$ 0.82	$ 0.71	$ 0.65

It appears that while the acquisition would have added approximately $13.5 million to the Company's top line in fiscal 2007, net income would have decreased by approximately $0.4 million or $(0.06) per basic and diluted share due to lower margins. Going forward, we believe that UFP will be able to improve the margins at S&L as it continues its efforts in reducing manufacturing costs.

We believe the Company's recent acquisition of Foamade Industries will prove to be minimally accretive to revenues and earnings due to the minimal information supplied by the Company. UFP has typically supplied minimal information about acquisitions when they were small in size.

Projections

Although the Company reported record earnings for its fiscal year ended December 31, 2008, it experienced a softening of sales in the fourth quarter of 2008. Sales to the automotive industry have weakened significantly as holiday shutdowns started earlier than normal and extended well into January 2009, largely attributable to very soft automotive sales in North America. Given the current condition of the automobile industry, as well as the overall weak economy, the Company expects continued soft sales at least through the first quarter of 2009.

Economic activity slowed as evidenced by real GDP growth at a 1.1% annual rate in 2008 which is lower than the annual growth rate of 2.0% in 2007. Although economic growth has slowed in 2008, UFP Technologies grew sales by 4% (excluding the contribution from S&L). The latest forecast from The Conference Board suggests that the recession will continue in the near term and that a return to strong growth will not likely occur until 2010.

With forecasts calling for the economy to remain weak in the near term and the Company expecting soft sales at least through the first quarter, we believe that UFP Technologies' sales will slow in fiscal 2009. However, the recent plant consolidation which resulted in restructuring charges of approximately $1.3 million should cut costs by approximately $1.2 million annually according to the Company. We believe these cost cutting efforts will result in improved margins and growth to UFPT's bottom line in 2009.

For fiscal 2009, we estimate UFPT's revenue will fall by 4% to $106.0 million and the Company will report net income of $5.6 million or $0.90 per diluted share. Previous estimates for fiscal 2009 called for sales of $116.0 million and net income of $6.8 million or $1.05 per diluted share.

We are projecting gross margins will improve to 26.3%, the level of SG&A expenses to decrease slightly due to the Company's continuing focus on controlling costs, and a 38% tax rate.

Risks

Worldwide financial turmoil and associated economic downturn

The recent worldwide financial turmoil and associated economic downturn has adversely affected, and is likely to continue to adversely affect, sales of UFPT's products, thereby harming its business and prospects. A slow-down or reduction in industrial output or a contraction of the United States economy may reduce the requirements for certain of the Company's products or for certain end-user products into which its products are incorporated. These factors would likely result in decreased demand and increased pricing pressures on the sales of the Company's products.

Dependence on a small number of customers

A limited number of customers typically represent a significant percentage of UFPT's revenues in any given year. The Company's top ten customers represented approximately 40% of total revenues in both 2008 and 2007. A single automotive program accounted for approximately 31% and 30%, respectively, of UFPT's Component Products segment sales and approximately 18% of total sales in 2008 and 2007. The program is scheduled to phase out beginning in 2011. It is uncertain at this time whether the phase-out will occur according to this schedule, or whether it will happen on a more aggressive timeframe. It is also uncertain whether the next generation of automobiles in this program will require the same design of parts and, if so, whether the Company will be selected as the supplier. The Company expects sales from this program to decline over the next three years.

Competition

The packaging industry is highly competitive. While there are several national companies that sell interior packaging, the Company's primary competition for its packaging products has been from smaller independent regional manufacturing companies. These companies generally market their products in specific geographic areas from neighboring facilities. In addition, the Company's foam and fiber packaging products compete against products made from alternative materials, including expanded polystyrene foams, die-cut corrugated, plastic peanuts, plastic bubbles, and foam-in-place urethane.

The component products industry is also highly competitive. The Company's component products face competition primarily from smaller companies that typically concentrate on production of component products for specific industries. The Company believes that its access to a wide variety of materials, its engineering expertise, its ability to combine foams with other materials such as plastics and laminates, and its ability to manufacture products in a clean room environment will enable it to continue to compete effectively in the engineered component products market. The Company's component products also compete with products made from a wide range of other materials, including rubber, leather and other foams.

Patents and other proprietary rights

The Company relies upon trade secrets, patent protection and trademarks to protect its technology and proprietary rights. UFP Technologies has four U.S. patents relating to its molded fiber technology (including certain proprietary machine designs), and has patent applications pending with respect to such technology in certain foreign countries. The Company also has a total of thirteen U.S. patents relating to technologies including foam and packaging, rubber mat, patterned nail file, and superforming process technologies. There can be no assurance that any of the Company's patent applications will be granted, or that any patent or patent application will provide significant protection for the Company's products and technology, or will not be challenged or circumvented by others.

Environmental Considerations

In addition to offering molded fiber packaging products made from recycled paper derived primarily from post-consumer newspaper waste, UFP Technologies actively promotes its philosophy of reducing product volume and resulting post-user product waste. The Company designs products to provide optimum performance with minimum material. In addition, UFP Technologies actively participates in a recovery and reuse program for certain of its plastic packaging products.

The Company is aware of public support for environmentally responsible packaging and other products. Future government action may impose restrictions affecting the industry in which the Company operates. There can be no assurance that any such action will not adversely impact UFP Technologies' products and business.

Cost of energy and raw materials

UFP Technologies uses electricity and natural gas at its manufacturing facilities to operate its equipment. Over the past several years, prices for electricity and natural gas have fluctuated significantly. An outbreak or escalation of hostilities between the United States and any foreign power and, in particular, a prolonged armed conflict in the Middle East, or a natural disaster such as the hurricanes and related flooding in the oil producing region of the Gulf Coast of the United States, could result in a real or perceived shortage of petroleum and/or natural gas, which could result in an increase in the cost of electricity or energy generally as well as an increase in the cost of UFPT's raw materials, of which many are petroleum-based. In addition, increased energy costs negatively impact the Company's freight costs due to higher fuel prices. Future limitations on the availability or consumption of petroleum products and/or an increase in energy costs, particularly electricity for plant operations, could have a material adverse effect upon UFPT's business and results of operations.

The Board of Directors and the stockholders rights plan may dissuade potential acquirers

UFPT's Board of Directors has the authority to issue up to 1,000,000 shares of preferred stock and to determine the price, rights, preferences, privileges, and restrictions, including voting rights of those shares without any further vote or action by the stockholders. The rights of the holders of common stock will be subject to, and may be adversely affected by, the rights of the holders of any preferred stock that may be issued in the future. The issuance of preferred stock, while providing flexibility in connection with possible financings, acquisitions and other corporate purposes, could have the effect of making it more difficult for a third party to acquire a majority of UFPT's outstanding voting stock.

The Company also has a stockholder rights plan designed to protect and enhance the value of its outstanding equity interests in the event of an unsolicited attempt to acquire UFPT in a manner or on terms not approved by the Board of Directors and that would prevent stockholders from realizing the full value of their shares of UFPT common stock. Its purposes are to deter those takeover attempts that the Board believes are undesirable, to give the Board more time to evaluate takeover proposals and consider alternatives, and to increase the Board's negotiating position to enhance value in the event of a takeover. The rights issued pursuant to the plan are not intended to prevent all takeovers of the Company. However, the rights may have the effect of rendering more difficult or discouraging an acquisition of the Company.

Other risks include:

i. economic conditions that affect sales of the products of the Company's packaging customers,
ii. actions taken by the Company's competitors and the ability of the Company to respond to such actions,
iii. the ability of the Company to obtain new customers, and
iv. the ability of the Company to execute and integrate favorable acquisitions.

Liquidity

With only 5.8 million shares outstanding and 4.3 million in the float, liquidity issues must be considered. Average daily volume has been approximately 15,000 shares. Any significant trading in shares of UFPT could result in large swings in the price of the stock.

Miscellaneous risks

The Company's financial results and equity values are subject to other risks and uncertainties known and unknown, including but not limited to competition, operations, financial markets, regulatory risk, and/or other events. These risks may cause actual results to differ from expected results.

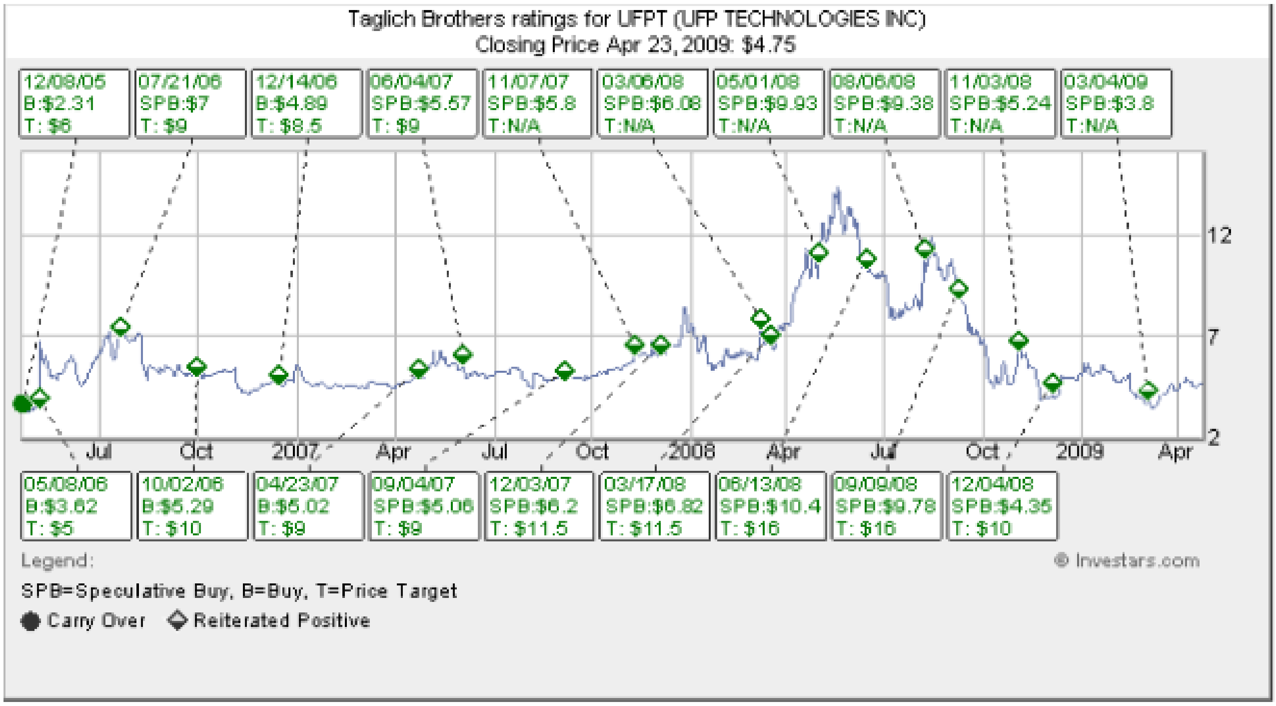
Conclusion and Valuation

We are reiterating our Speculative Buy rating for shares of UFP Technologies (NASDAQ CM: UFPT).

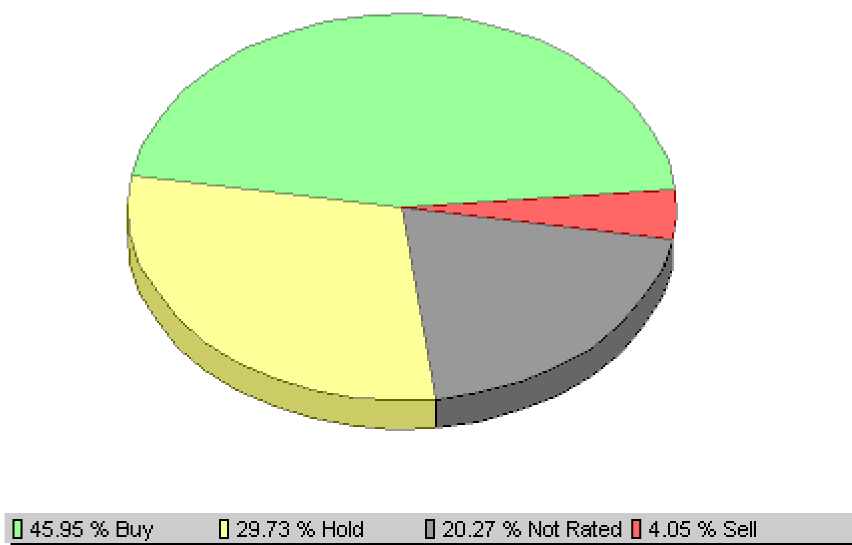
With forecasts calling for the economy to remain weak in the near term and the Company expecting soft sales at least through the first quarter, we believe that UFP Technologies' sales will slow in fiscal 2009. However, the recent plant consolidation which resulted in restructuring charges of approximately $1.3 million should cut costs by approximately $1.2 million annually according to the Company. We believe these cost cutting efforts will result in improved margins and growth to UFPT's bottom line in 2009.

For fiscal 2009, we estimate UFPT's revenue will fall by 4% to $106.0 million and the Company will report net income of $5.6 million or $0.90 per diluted share. Previous estimates for fiscal 2009 called for sales of $116.0 million and net income of $6.8 million or $1.05 per diluted share.

In order to get an appropriate multiple to apply to UFPT's earnings, we looked at the Company's historic earnings multiple of 15X, its current multiple of 6X, and the industry (packaging & containers) multiple of 13X. With these inputs, we believe that a multiple of 10X earnings is appropriate given current market conditions and the improvement in the bottom line we are projecting. By applying a multiple of 10X to our fiscal 2009 earnings per diluted share estimate of $0.90, we arrive at a **twelve-month price target of $9.00 per share**.



Taglich Brothers' Current Ratings Distribution



Investment Banking Services for Companies Covered in the Past 12 Months		
Rating	#	%
Buy	2	7.69%
Hold	0	0.00%
Sell	0	0.00%
Not Rated	0	0.00%

Meaning of Ratings

Buy

We believe the Company is undervalued relative to its market and peers. We believe its risk reward ratio strongly advocates purchase of the stock relative to other stocks in the marketplace. Remember, with all equities there is always downside risk.

Speculative Buy

We believe that the long run prospects of the Company are positive. We believe its risk reward ratio advocates purchase of the stock. We feel the investment risk is higher than our typical “buy” recommendation. In the short run, the stock may be subject to high volatility and continue to trade at a discount to its market.

Neutral

We will remain neutral pending certain developments.

Underperform

We believe that the Company may be fairly valued based on its current status. Upside potential is limited relative to investment risk.

Sell

We believe that the Company is significantly overvalued based on its current status. The future of the Company's operations may be questionable and there is an extreme level of investment risk relative to reward.

Some notable Risks within the Microcap Market

Stocks in the Microcap segment of the market have many risks that are not as prevalent in Large-cap, Blue Chips or even Small-cap stocks. Often it is these risks that cause Microcap stocks to trade at discounts to their peers. The most common of these risks is liquidity risk, which is typically caused by small trading floats and very low trading volume which can lead to large spreads and high volatility in stock price. In addition, Microcaps tend to have significant company specific risks that contribute to lower valuations. Investors need to be aware of the higher probability of financial default and higher degree of financial distress inherent in the microcap segment of the market.

From time to time our analysts may choose to withhold or suspend a rating on a company. We continue to publish informational reports on such companies; however, they have no ratings or price targets. In general, we will not rate any company that has too much business or financial uncertainty for our analysts to form an investment conclusion, or that is currently in the process of being acquired.

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As of the date of this report, we, our affiliates, any officer, director or stockholder, or any member of their families do not have a position in the stock of the company mentioned in this report. Taglich Brothers, Inc. does not currently have an Investment Banking relationship with the company mentioned in this report and was not a manager or co-manager of any offering for the company within the last three years.

All research issued by Taglich Brothers, Inc. is based on public information. Since February 2000, the company pays a monthly monetary fee of $1,000 (USD) to Taglich Brothers, Inc. for the creation and dissemination of research reports.

I, John Nobile, the research analyst of this report, hereby certify that the views expressed in this report accurately reflect my personal views about the subject securities and issuers; and that no part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this report.

Balance Sheet for the Periods Ended
(in thousands)

	December 31, 2006	December 31, 2007	December 31, 2008
Assets			
Current assets:			
Cash and cash equivalents	$ 1,017	$ 9,060	$ 6,729
Receivables	11,629	11,796	12,755
Inventories	5,930	5,877	8,153
Prepaid expenses	766	821	516
Deferred income taxes	1,032	1,021	1,489
Total current assets	20,374	28,575	29,642
Net property, plant and equipment	10,137	9,492	11,754
Deferred income taxes	1,388	189	-
Goodwill	6,481	6,481	6,481
Other assets	657	816	846
Total Assets	**$ 39,037**	**$ 45,553**	**$ 48,723**
Liabilities & stockholders' equity			
Current liabilities:			
Current potion of long-term debt	$ 1,078	$ 714	$ 717
Current portion of capital lease obligations	689	705	703
Accounts payable	4,620	5,694	3,304
Accrued taxes and other expenses	5,750	6,510	6,230
Total current liabilities	12,137	13,623	10,954
Long-term debt	4,604	4,658	3,942
Capital lease obligations	2,317	1,613	910
Minority interest	616	584	523
Deferred income taxes	-	-	113
Other liabilities	738	832	914
Total liabilities	**20,412**	**21,310**	**17,356**
Total stockholders' equity	**18,625**	**24,243**	**31,367**
Total liabilities & stockholders' equity	**$ 39,037**	**$ 45,553**	**$ 48,723**

Annual Income Statements for the Years Ended
(in thousands)

	FY(12/05)A	FY(12/06)A	FY(12/07)A	FY(12/08)A	FY(12/09)E
Net sales	**$ 83,962**	**$ 93,749**	**$ 93,595**	**$ 110,032**	**$ 106,000**
Cost of sales	69,361	74,512	70,785	81,469	78,158
Gross profit	14,601	19,237	22,810	28,563	27,842
Gross Margin	*17.39%*	*20.52%*	*24.37%*	*25.96%*	*26.27%*
Restructuring charge	-	-	-	1,315	-
SG&A	12,431	14,183	15,563	18,823	18,600
Operating income	2,170	5,054	7,247	8,425	9,242
Operating Margin	*2.58%*	*5.39%*	*7.74%*	*7.66%*	*8.72%*
Interest expense, other income and expenses	(1,303)	(1,046)	(504)	(314)	(160)
Income before taxes	867	4,008	6,743	8,111	9,082
Income tax	208	1,493	2,584	2,995	3,451
Tax rate	*23.99%*	*37.25%*	*38.32%*	*36.93%*	*38.00%*
Net Income / (Loss)	**$ 659**	**$ 2,515**	**$ 4,159**	**$ 5,116**	**$ 5,631**
Basic EPS	**$ 0.14**	**$ 0.50**	**$ 0.78**	**$ 0.92**	**$ 0.98**
Diluted EPS	**$ 0.13**	**$ 0.45**	**$ 0.71**	**$ 0.82**	**$ 0.90**
Basic Shares Outstanding	4,798	5,023	5,307	5,550	5,775
Diluted Shares Outstanding	5,261	5,571	5,861	6,263	6,275
Percent of Revenue					
Cost of goods sold	82.61%	79.48%	75.63%	74.04%	73.73%
SG&A	14.81%	15.13%	16.63%	17.11%	17.55%
Year / Year Growth					
Total Revenues	22.35%	11.66%	-0.16%	17.56%	-3.66%
Net Income	-24.34%	281.64%	65.37%	23.01%	10.07%
EPS	-28.17%	260.40%	57.19%	15.11%	9.86%

Quarterly Income Statement for the Year Ended 2008
(in thousands)

	Q1(3/08)A	Q2(6/08)A	Q3(9/08)A	Q4(12/08)A	FY(12/08)A
Net sales	**$ 28,008**	**$ 28,456**	**$ 27,501**	**$ 26,066**	**$ 110,032**
Cost of sales	21,120	20,828	20,091	19,429	81,469
Gross profit	6,888	7,628	7,410	6,637	28,563
Gross Margin	*24.59%*	*26.81%*	*26.94%*	*25.46%*	*25.96%*
SG&A	4,922	4,984	4,935	3,982	18,823
Restructruring charge	-	-	406	909	1,315
Operating income	1,966	2,644	2,069	1,746	8,425
Operating Margin	*7.02%*	*9.29%*	*7.52%*	*6.70%*	*7.66%*
Interest expense, other income & expenses	(114)	(104)	(58)	(38)	(314)
Income before taxes	1,852	2,540	2,011	1,708	8,111
Income tax (benefit)	704	966	764	562	2,995
Tax rate	*38.01%*	*38.03%*	*37.99%*	*32.90%*	*36.93%*
Net Income / (Loss)	**$ 1,148**	**$ 1,574**	**$ 1,247**	**$ 1,146**	**$ 5,116**
Basic EPS	**$ 0.21**	**$ 0.29**	**$ 0.22**	**$ 0.20**	**$ 0.92**
Diluted EPS	**$ 0.19**	**$ 0.25**	**$ 0.20**	**$ 0.19**	**$ 0.82**
Basic Shares Outstanding	5,450	5,515	5,593	5,640	5,550
Diluted Shares Outstanding	6,091	6,389	6,315	6,112	6,263
Percent of Revenue					
Cost of goods sold	75.41%	73.19%	73.06%	74.54%	74.04%
SG&A	0.00%	0.00%	1.48%	3.49%	1.20%
Year / Year Growth					
Total Revenues	27.23%	22.76%	19.90%	2.36%	17.56%
Net Income	120.35%	61.11%	41.22%	-35.51%	23.01%
EPS	110.48%	54.53%	31.15%	-38.54%	17.64%

Quarterly Income Statement for the Year Ending 2009
(in thousands)

	Q1(3/09)E	Q2(6/09)E	Q3(9/09)E	Q4(12/09)E	FY(12/09)E
Net sales	**$ 25,500**	**$ 27,000**	**$ 26,000**	**$ 27,500**	**$ 106,000**
Cost of sales	18,998	19,845	19,240	20,075	78,158
Gross profit	6,503	7,155	6,760	7,425	27,843
Gross Margin	*25.50%*	*26.50%*	*26.00%*	*27.00%*	*26.27%*
SG&A	4,650	4,650	4,650	4,650	18,600
Operating income	1,853	2,505	2,110	2,775	9,243
Operating Margin	*7.26%*	*9.28%*	*8.12%*	*10.09%*	*8.72%*
Interest expense, other income & expenses	(40)	(40)	(40)	(40)	(160)
Income before taxes	1,813	2,465	2,070	2,735	9,083
Income tax (benefit)	689	937	787	1,039	3,451
Tax rate	*38.00%*	*38.00%*	*38.00%*	*38.00%*	*38.00%*
Net Income / (Loss)	**$ 1,124**	**$ 1,528**	**$ 1,283**	**$ 1,696**	**$ 5,631**
Basic EPS	**$ 0.20**	**$ 0.27**	**$ 0.22**	**$ 0.29**	**$ 0.98**
Diluted EPS	**$ 0.18**	**$ 0.24**	**$ 0.20**	**$ 0.27**	**$ 0.90**
Basic Shares Outstanding	5,700	5,750	5,800	5,850	5,775
Diluted Shares Outstanding	6,200	6,250	6,300	6,350	6,275
Percent of Revenue					
Cost of goods sold	74.50%	73.50%	74.00%	73.00%	73.73%
SG&A	18.24%	17.22%	17.88%	16.91%	17.55%
Year / Year Growth					
Total Revenues	-8.95%	-5.12%	-5.46%	5.50%	-3.66%
Net Income	-2.11%	-2.90%	2.92%	47.97%	10.07%
EPS	-6.41%	-6.87%	-0.75%	42.66%	5.77%

Statement of Cash Flows for the Periods Ended
(in thousands)

	FY2006	FY2007	FY2008
Cash Flows from Operating Activities			
Net income	$ 2,515	$ 4,159	$ 5,116
Depreciation & amortization	3,060	2,815	2,977
Restructuring leasehold improvement write-off	-	-	170
Equity in net income of unconsolidated affiliate	(15)	(15)	(7)
Minority interest	87	72	44
(Gain) loss on disposal of property, plant and equipment	10	(33)	(57)
Share-based compensation	459	692	1,306
Stock issued in lieu of compensation	144	256	344
Deferred income taxes	857	1,210	16
Changes in assets and liabilities			
Receivables	3,768	(167)	777
Inventories	598	53	(435)
Prepaid expenses	25	(55)	350
Accounts payable	(1,480)	1,074	(2,777)
Accrued expenses and other	1,270	760	(937)
Retirement and other liabilites	42	95	(119)
Other assets	(61)	(213)	(83)
Net Cash Provided by Operations	**11,279**	**10,703**	**6,685**
Cash Flows from Investing Activities			
Additions to property, plant and equipment	(1,516)	(2,101)	(2,763)
Cash surrender value of officers' life insurane	(17)	(15)	(15)
Payments from affiliated company	15	15	7
Proceeds from sale of property, plant and equipment	30	33	101
Acquisitions	(309)	-	(5,181)
Net Cash Used in Investing	**(1,797)**	**(2,068)**	**(7,851)**
Cash Flows from Financing Activities			
Borrowings (payments) of notes payable	(7,991)	-	-
Proceeds from long-term borrowings	-	786	-
Distribution to United Development Company partners	(105)	(105)	(105)
Tax benefit from exercise of non-qualified stock options	177	215	211
Net proceeds from sale of common stock	47	24	20
Proceeds from exercise of stock options	521	272	333
Principal repayments of long-term debt	(691)	(1,095)	(714)
Principle repayments of capital lease obligations	(2,047)	(689)	(704)
Proceeds from refinancing capital leases	1,359	-	-
Cash settlement of restricted stock units	-	-	(206)
Net cash Provided Financing	**(8,730)**	**(592)**	**(1,165)**
Net change in Cash	**752**	**8,043**	**(2,331)**
Cash - Beginning of Period	**265**	**1,017**	**9,060**
Cash - End of Period	**$ 1,017**	**$ 9,060**	**$ 6,729**