

Taglich Brothers, Inc.

The Standard of Excellence in the Microcap Market

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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

UFPT \$1.24 — (NASDAQ SC)

May 5, 2003

	FY (2001)*	FY (2002)	FY (2003)E	FY (2004)E
Revenues (millions)	\$61.6	\$61.2	\$61.0	\$68.0
Earnings per share (diluted)	\$(0.72)	\$(0.05)	\$0.01	\$0.14

52week range	\$0.65 – \$1.72	Fiscal year ends:	December
Shares outstanding (millions)	4.4	Revenue per share (TTM)	\$14.09
Trading float (millions)	2.2	Price/Sales (TTM)	0.1X
Insider + 5% ownership	50%	Price/Sales (2004)E	0.1X
Tangible book value/share	\$1.73	Price/Earnings (TTM)	NA
Price/ tangible book	0.7X	Price/Earnings (2004)E	8.9X

*Includes a \$1 million restructuring charge.

UFP Technologies is a designer and manufacturer of a broad range of high performance cushion foam and molded fiber products, and specialty foam and plastic products for the industrial and consumer markets. 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, telecommunications, industrial, medical and pharmaceutical markets. (www.ufpt.com)

Key investment considerations:

We are maintaining our speculative buy rating for shares of UFP Technologies (UFPT) and setting a 12-month price target of \$2.50 per share. Our price target is lower than the previous report due to our lowered estimates.

For the fiscal year ended December 31, 2002, UFP Technologies' net sales decreased 1% to \$61.2 million from \$61.6 million in 2001. The net loss was \$0.2 million or \$(0.05) per diluted share versus a net loss of \$3.0 million or \$(0.72) per share in 2001. Results for 2001 include a restructuring charge of \$1.0 million.

Forecasts, for the industries that the Company sells to, point to flat sales in 2003 with growth seen in 2004. However, due to significant cost cutting efforts and consolidation, we believe UFP Technologies will be profitable in 2003.

For fiscal 2003, we estimate UFPT's net sales will be relatively flat at \$61.0 million and the Company will report net income of \$39,000 or \$0.01 per diluted share. For 2004, we estimate net sales will increase by 11% to \$68.0 million and net income will increase to \$615,000 or \$0.14 per diluted share.

**Please view our disclaimer located on page 8 of this report.*

Recent Financial Results

For the fourth quarter ended December 31, 2002, versus the same period in 2001:

- Net sales decreased 10% to \$13.7 million from \$15.2 million.
- Gross margins increased to 18.0% from 17.7%.
- SG&A expenses decreased by \$1.0 million or 30.8% to \$2.3 million from \$3.3 million.
- Net income was \$4,000 or \$0.00 per diluted share versus a net loss of \$1.5 million or \$(0.35) per share. Results for 2001 include a restructuring charge of \$1.0 million.

For the fiscal year ended December 31, 2002, versus the same period in 2001:

- Net sales decreased 1% to \$61.2 million from \$61.6 million.
- Gross margins increased to 19.8% from 17.7%.
- SG&A expenses decreased by \$2.0 million or 14.7% to \$11.6 million from \$13.6 million.
- The net loss was \$0.2 million or \$(0.05) per share versus a net loss of \$3.0 million or \$(0.72) per share. Results for 2001 include a restructuring charge of \$1.0 million.

In comparison, Taglich Brothers' estimates called for net sales of \$16.0 million and \$63.5 million for the fourth quarter and fiscal year ended December 31, 2002 respectively, and net income of \$87,000 or \$0.02 per diluted share and a net loss of \$151,000 or \$(0.03) per share for the fourth quarter and fiscal year ended December 31, 2002 respectively.

Included in fiscal 2002 net sales was a 1% decrease in the Company's component products segment sales which was primarily due to a decline in sales associated with the phase-out of an automotive program in Georgia. Helping to offset this decline were new automotive programs that were launched in late 2001 as well as during 2002. Packaging sales for the year remained relatively flat. The increase in gross margins for the fourth quarter and the year was primarily due to lower operating costs resulting from plant consolidations completed in early 2002.

Balance Sheet as of December 31, 2002

Cash was approximately \$26,000. The Company has working capital of \$1.5 million, a tangible book value of \$1.73 per share and a long-term debt-to-equity ratio of 0.4X. Cash from operations for the fourth quarter of 2002 was approximately \$0.4 million. UFPT obtained a new credit facility in February 2003 that includes a \$12 million revolving line of credit with an available balance of \$3.3 million as of February 28, 2003. The Company's \$12 million credit facility is due February 28, 2006 and is collateralized by UFPT's accounts receivable and inventory. The credit facility also includes a \$5 million term loan collateralized by the Company's property, plant and equipment and a \$2.5 million term loan collateralized by a mortgage on the Company's real estate in Georgetown, MA. We believe that the current line of credit and future expected cash flows from operations will be sufficient to fund operations for the next twelve months.

Outlook

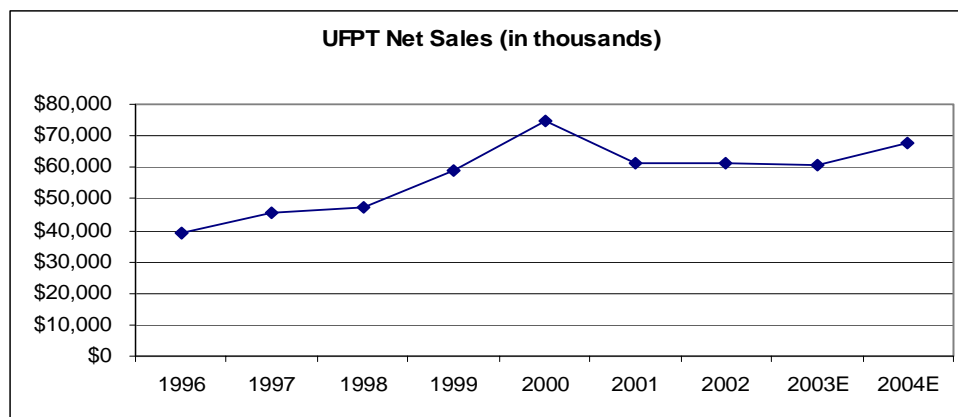
Approximately one-half of UFPT's sales are generated from its components products segment and one-half from its packaging products segment. A significant portion of the Company's packaging products sales are to manufacturers of computer peripherals and other consumer products while a significant portion of component products sales are to the automotive industry. Because of this, UFPT's sales have a direct correlation with the level of sales in the automotive and computer/electronics Industry.

In order to get a good idea of the outlook for the computer/electronics industry, we are going to take a look at recent projections for IT spending on hardware in 2003 and 2004. According to the research firm IDC, worldwide IT spending on hardware is projected to decrease by 0.5% in 2003. However, IDC projects worldwide IT spending on hardware to recover in 2004 with growth of 4-6%. IDC says that the economic and geopolitical uncertainty has had a significant, negative impact on IT spending since the fourth quarter of 2002. IDC also said that with worldwide GDP growth in a steady decline and US. Corporate profits facing the most severe downturn since the great depression, the gradual recovery that was slowly emerging from the accounting scandals and terrorism of the previous 18 months has stalled. However, IDC says that once the war with Iraq is behind us, there should be a gradual recovery in corporate profits and business confidence which should translate into increased IT spending. We believe this data suggests that the packaging segment of UFPT's business will see relatively flat growth in 2003 and increased growth in 2004.

As far as the automotive industry is concerned, General Motors (NYSE: GM), the world's largest vehicle manufacturer, reduced its industry forecast for the number of vehicles sold in the U.S. in 2003 to the low-to-mid 16 million unit range from earlier forecasts of 16.5 million vehicles. This translates into as much as a 3% decline from 2002 numbers of 16.8 million vehicles sold in the U.S. In view of this, we believe that UFPT's sales of component products will be relatively flat in 2003. However, the \$77 million contract that was announced late last year should provide a nice boost to component sales in 2004. The eight-year contract calls for UFPT to provide molded door panels to a large Tier-1 automotive supplier. Management said that the Company's status as a preferred supplier for precision molded trim components helped in securing this program. Manufacturing is expected to begin on this new contract in 2004 with full rate production estimated for 2006.

The above information suggests that UFP Technology's sales should remain relatively flat in fiscal 2003 but should start to grow in 2004. Because of this, we are introducing estimates for fiscal 2004.

We believe that both the Company's packaging segment and component segment will see sales of approximately \$30.5 million each in 2003 for total revenue of \$61.0 million. We believe the Company will report net income of \$39,000 or \$0.01 per diluted share in fiscal 2003. For fiscal 2004, we believe that UFP Technologies' packaging sales will increase by approximately 5% to \$32.0 million and the component segment's sales will increase by \$5.5 million to \$36.0 million for total revenue of \$68.0 million. We estimate UFP Technologies' net income will grow to \$615,000 or \$0.14 per diluted share in fiscal 2004. Our component segment estimates assume that the Company's eight year contract valued at \$77 million will add approximately \$5.5 million to sales in 2004 as full rate production is not expected until 2006.



Source: UFPT reports and Taglich Brothers' estimates

Our fiscal 2003 estimates have been reduced when compared to our last report due to the Company reporting lower than expected fourth quarter results. Our fiscal 2003 estimates have also been reduced primarily due to lower forecasts for the markets that the Company sells to.

We chose to value shares of UFPT using the industry (containers & packaging) multiple of 19X earnings and applying a 20% discount to take into consideration the risks associated with investing in microcap stocks. This leaves us with a multiple of 15X earnings, which, when applied to our forecasted earnings of \$0.14 per share for fiscal 2004, we arrive at a price target of \$2.10.

In addition, we used a discounted cash flow model using EBITDA as a proxy for cash flow and derived a discount rate of 7.5% using the Capital Asset Pricing Model. This model values shares of UFPT at a price of \$2.62. Averaging these two valuation models puts our anticipated **12-month price target for shares of UFPT at approximately \$2.50.**

Comparable Company Analysis

Company Name	Symbol	Price	Market Cap (\$M)	Price/Earnings	Price/Sales	Price/Book
Graphic Packaging	GPK	\$4.99	\$167.7	NA	0.1	0.8
Peak International	PEAK	\$4.00	\$50.8	NA	0.9	0.7
Polyair Inter Pack	PPK	\$6.50	\$40.4	9.3	0.3	1.7
Carmel Container Systems	KML	\$4.00	\$10.1	NA	NA	NA
Air Packaging Tech.	AIRP	\$0.03	\$0.4	NA	0.5	NA
RADVA Corporation	RDVA	\$0.25	\$1.0	7.8	0.1	0.2
Average			45.1	8.6	0.4	0.9
Industry				18.8	1.0	3.6
UFP Technologies	UFPT	\$1.24	5.4	NA	0.1	0.4

Risks

Cash concerns

Although we believe that the Company will have adequate resources to fund operations for the next twelve months, future cash flows may be less than we anticipate due to depressed market conditions. If market conditions remain at weak levels, we believe UFP Technologies will need to secure additional financing in order to maintain its current level of operations. As there can be no assurance of the Company's success in obtaining additional capital, shares of UFPT should only be purchased by those who are comfortable taking on above average risk.

Competition

The packaging and specialty foam products industry is highly competitive. The Company's foam and fiber packaging products compete against other alternative products made from materials such as expanded polystyrene foams, die-cut corrugated, plastic peanuts, plastic bubbles and foam-in-place urethane. UFP Technologies also faces competition in the specialty foam products area from smaller companies that typically concentrate on production for specific industries.

IT spending forecasts

Although recent forecasts support an increase in IT spending for 2004, there can be no assurance that this will actually happen. Should IT spending remain at depressed levels, the operating results of UFP Technologies are likely to be adversely affected.

Liquidity

With only 4.4 million shares outstanding and 2.2 million in the float, liquidity issues must be considered. Average daily volume is approximately 1,000 shares and there are many days when the stock does not trade at all. Any significant trading in shares of UFPT could result in large swings in the price of the stock.

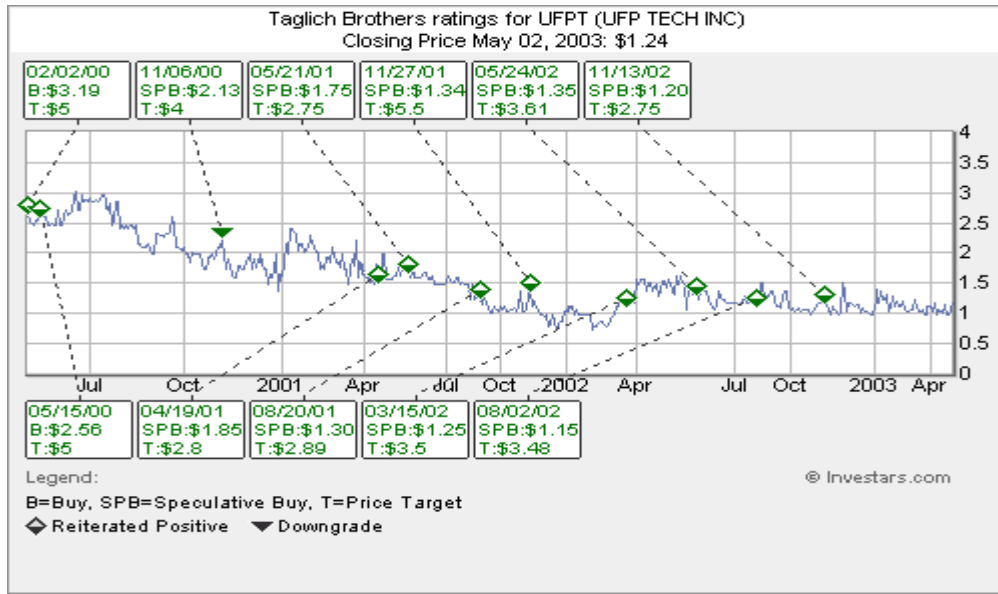
Miscellaneous risks

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.

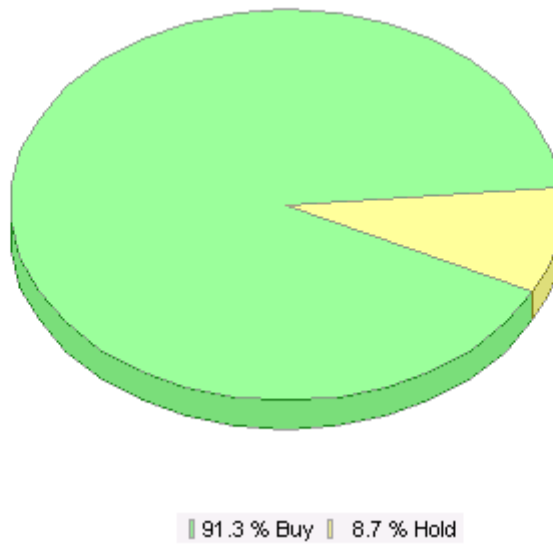
Conclusion

We reiterate our **speculative buy** rating for shares of UFP Technologies (UFPT) and have set a **12-month price target of \$2.50 per share**. Forecasts, for the industries that the Company sells to, point to flat sales in 2003 with growth seen in 2004. Thus, we see no catalyst for growth in the Company's sales until 2004. However, due to significant cost cutting efforts and consolidation, we believe UFP Technologies will be profitable in 2003. For fiscal 2003, we estimate UFPT's net sales will be relatively flat at \$61.0 million and the Company will report net income of \$39,000 or \$0.01 per diluted share. For fiscal 2004, estimate net sales will increase by 11% to \$68.0 million and the Company will report net income of \$615,000 or \$0.14 per diluted share.

UFP Technologies, Inc.



Taglich Brothers' Current Ratings Distribution



Taglich Brothers, Inc.

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.

Not rated

There is too much uncertainty in the Company's finances or business model for us to currently form an investment conclusion.

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.

Public companies mentioned in this report:

Air Packaging Tech. (OTC BB: AIRP)
Carmel Container Systems (AMEX: KML)
General Motors (NYSE: GM)
Graphic Packaging (NYSE: GPK)
Peak International (NASDAQ NM: PEAK)
Polyair Inter Pack (AMEX: PPK)
RADVA Corp. (OTC BB: RDVA)

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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.

Taglich Brothers, Inc.

UFP Technologies, Inc.

Consolidated Balance Sheets
(in thousands)

	<u>December 31, 2002</u>	<u>December 31, 2001</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 26	\$ 27
Receivables	8,542	9,453
Inventories	4,693	5,203
Prepaid expenses	503	473
Refundable income tax	380	880
Deferred income tax	<u>978</u>	<u>1,163</u>
Total current assets	15,122	17,199
Net property, plant and equipment	11,206	12,045
Cash surrender value of officer's life insurance	225	201
Investment in and advances to affiliated partnership	162	188
Deferred income taxes	1,648	1,594
Goodwill, net	6,481	6,406
Other assets	<u>539</u>	<u>469</u>
Total Assets	<u>\$ 35,383</u>	<u>\$ 38,102</u>
Liabilities & stockholders' equity		
Current liabilities:		
Notes payable	\$ 6,201	\$ 5,854
Current portion of long-term debt	812	1,467
Current portion of capital lease obligations	156	74
Accounts payable	2,596	3,808
Accrued restructuring charge	142	1,016
Accrued taxes and other expenses	<u>3,674</u>	<u>4,003</u>
Total current liabilities	13,581	16,222
Long-term debt	5,866	6,678
Capital lease obligations	985	149
Other liabilities	<u>900</u>	<u>899</u>
Total liabilities	21,332	23,948
Total stockholder's equity	<u>14,151</u>	<u>14,154</u>
Total liabilities & stockholder's equity	<u>\$ 35,483</u>	<u>\$ 38,102</u>

UFP Technologies, Inc.

Annual Income Statements for the Years Ended
(in thousands)

	<u>FY(12/00)</u>	<u>FY(12/01)</u>	<u>FY(12/02)</u>	<u>FY(12/03)E</u>	<u>FY(12/04)E</u>
Net sales	\$ 74,491	\$ 61,574	\$ 61,189	\$ 61,000	\$ 68,000
Cost of sales	<u>56,870</u>	<u>50,649</u>	<u>49,084</u>	<u>48,718</u>	<u>53,289</u>
Gross profit	17,621	10,925	12,105	12,282	14,711
<i>Gross Margin</i>	23.66%	17.74%	19.78%	20.13%	21.63%
Restructuring charge	-	1,016	-	-	-
SG&A	<u>14,236</u>	<u>13,649</u>	<u>11,639</u>	<u>11,500</u>	<u>13,000</u>
Operating income	3,385	(3,740)	466	782	1,711
<i>Operating Margin</i>	4.54%	-6.07%	0.76%	1.28%	2.52%
Interest expense	(1,221)	(1,030)	(843)	(720)	(720)
Other income (expense)	<u>(162)</u>	<u>16</u>	<u>-</u>	<u>-</u>	<u>-</u>
Income before taxes	2,002	(4,754)	(377)	63	991
Income tax	<u>921</u>	<u>(1,711)</u>	<u>(143)</u>	<u>24</u>	<u>377</u>
<i>Tax rate</i>	46.00%	35.99%	37.93%	38.10%	38.04%
Net Income / (Loss)	<u>\$ 1,081</u>	<u>\$ (3,043)</u>	<u>\$ (234)</u>	<u>\$ 39</u>	<u>\$ 615</u>
Basic EPS	<u>\$ 0.25</u>	<u>\$ (0.72)</u>	<u>\$ (0.05)</u>	<u>\$ 0.01</u>	<u>\$ 0.14</u>
Diluted EPS	<u>\$ 0.25</u>	<u>\$ (0.72)</u>	<u>\$ (0.05)</u>	<u>\$ 0.01</u>	<u>\$ 0.14</u>
Basic Shares Outstanding	4,374	4,248	4,343	4,391	4,391
Diluted Shares Outstanding	4,386	4,248	4,343	4,391	4,391
<u>Percent of Revenue</u>					
Cost of goods sold	76.34%	82.26%	80.22%	79.87%	78.37%
SG&A	19.11%	22.17%	19.02%	18.85%	19.12%
<u>Year / Year Growth</u>					
Total Revenues	26.68%	-17.34%	-0.63%	-0.31%	11.48%
Net Income	-36.19%	NA	NA	116.67%	1476.92%
EPS	-28.77%	NA	NA	116.48%	1476.92%

Quarterly Income Statement for the Year Ended 2002
(in thousands)

	<u>Q1(3/02)</u>	<u>Q2(6/02)</u>	<u>Q3(9/02)</u>	<u>Q4(12/02)</u>	<u>FY(12/02)</u>
Net sales	\$ 15,531	\$ 16,648	\$ 15,283	\$ 13,727	\$ 61,189
Cost of sales	<u>12,659</u>	<u>13,156</u>	<u>12,017</u>	<u>11,252</u>	<u>49,084</u>
Gross profit	2,872	3,492	3,266	2,475	12,105
<i>Gross Margin</i>	18.49%	20.98%	21.37%	18.03%	19.78%
SG&A	<u>3,154</u>	<u>3,135</u>	<u>3,061</u>	<u>2,288</u>	<u>11,639</u>
Operating income	(282)	357	205	187	466
<i>Operating Margin</i>	-1.82%	2.14%	1.34%	1.36%	0.76%
Interest expense	(227)	(238)	(199)	(180)	(843)
Other income (expense)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Income before taxes	(509)	119	6	7	(377)
Income tax	<u>(193)</u>	<u>45</u>	<u>2</u>	<u>3</u>	<u>(143)</u>
<i>Tax rate</i>	37.92%	37.82%	33.33%	42.86%	37.93%
Net Income / (Loss)	<u>\$ (316)</u>	<u>\$ 74</u>	<u>\$ 4</u>	<u>\$ 4</u>	<u>\$ (234)</u>
Basic EPS	<u>\$ (0.07)</u>	<u>\$ 0.02</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ (0.05)</u>
Diluted EPS	<u>\$ (0.07)</u>	<u>\$ 0.02</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ (0.05)</u>
Basic Shares Outstanding	4,302	4,400	4,410	4,365	4,343
Diluted Shares Outstanding	4,302	4,400	4,410	4,365	4,343
<u>Percent of Revenue</u>					
Cost of goods sold	81.51%	79.02%	78.63%	81.97%	80.22%
SG&A	20.31%	18.83%	20.03%	16.67%	19.02%
<u>Year / Year Growth</u>					
Total Revenues	-8.46%	7.54%	9.67%	-9.64%	-0.63%
Net Income	NA	127.51%	100.42%	100.27%	NA
EPS	NA	133.33%	100.00%	100.26%	NA

UFP Technologies, Inc.

Quarterly Income Statement for the Year Ending 2003
(in thousands)

	<u>Q1(3/03)E</u>	<u>Q2(6/03)E</u>	<u>Q3(9/03)E</u>	<u>Q4(12/03)E</u>	<u>FY(12/03)E</u>
Net sales	\$ 14,500	\$ 15,000	\$ 15,500	\$ 16,000	\$ 61,000
Cost of sales	<u>11,636</u>	<u>12,000</u>	<u>12,361</u>	<u>12,720</u>	<u>48,718</u>
Gross profit	2,864	3,000	3,139	3,280	12,283
<i>Gross Margin</i>	19.75%	20.00%	20.25%	20.50%	20.14%
SG&A	<u>2,800</u>	<u>2,850</u>	<u>2,900</u>	<u>2,950</u>	<u>11,500</u>
Operating income	64	150	239	330	783
<i>Operating Margin</i>	0.44%	1.00%	1.54%	2.06%	1.28%
Interest expense	(180)	(180)	(180)	(180)	(720)
Other income (expense)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Income before taxes	(116)	(30)	59	150	63
Income tax	<u>(44)</u>	<u>(11)</u>	<u>22</u>	<u>57</u>	<u>24</u>
<i>Tax rate</i>	38.00%	38.00%	38.00%	38.00%	38.00%
Net Income / (Loss)	<u>\$ (72)</u>	<u>\$ (19)</u>	<u>\$ 36</u>	<u>\$ 93</u>	<u>\$ 39</u>
Basic EPS	<u>\$ (0.02)</u>	<u>\$ (0.00)</u>	<u>\$ 0.01</u>	<u>\$ 0.02</u>	<u>\$ 0.01</u>
Diluted EPS	<u>\$ (0.02)</u>	<u>\$ (0.00)</u>	<u>\$ 0.01</u>	<u>\$ 0.02</u>	<u>\$ 0.01</u>
Basic Shares Outstanding	4,391	4,391	4,391	4,391	4,391
Diluted Shares Outstanding	4,391	4,391	4,391	4,391	4,391
<u>Percent of Revenue</u>					
Cost of goods sold	80.25%	80.00%	79.75%	79.50%	79.86%
SG&A	19.31%	19.00%	18.71%	18.44%	18.85%
<u>Year / Year Growth</u>					
Total Revenues	-6.64%	-9.90%	1.42%	16.56%	-0.31%
Net Income	77.19%	-125.14%	NMF	2225.00%	116.56%
EPS	77.65%	-125.19%	NMF	2211.23%	116.38%

UFP Technologies, Inc.

Quarterly Income Statement for the Year Ending 2004
(in thousands)

	<u>Q1(3/04)E</u>	<u>Q2(6/04)E</u>	<u>Q3(9/04)E</u>	<u>Q4(12/04)E</u>	<u>FY(12/04)E</u>
Net sales	\$ 16,250	\$ 16,750	\$ 17,250	\$ 17,750	\$ 68,000
Cost of sales	<u>12,797</u>	<u>13,149</u>	<u>13,498</u>	<u>13,845</u>	<u>53,289</u>
Gross profit	3,453	3,601	3,752	3,905	14,711
<i>Gross Margin</i>	21.25%	21.50%	21.75%	22.00%	21.63%
SG&A	<u>3,100</u>	<u>3,200</u>	<u>3,300</u>	<u>3,400</u>	<u>13,000</u>
Operating income	353	401	452	505	1,711
<i>Operating Margin</i>	2.17%	2.40%	2.62%	2.85%	2.52%
Interest expense	(180)	(180)	(180)	(180)	(720)
Other income (expense)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Income before taxes	173	221	272	325	991
Income tax	<u>66</u>	<u>84</u>	<u>103</u>	<u>124</u>	<u>377</u>
<i>Tax rate</i>	38.00%	38.00%	38.00%	38.00%	38.00%
Net Income / (Loss)	<u>\$ 107</u>	<u>\$ 137</u>	<u>\$ 169</u>	<u>\$ 202</u>	<u>\$ 615</u>
Basic EPS	<u>\$ 0.02</u>	<u>\$ 0.03</u>	<u>\$ 0.04</u>	<u>\$ 0.05</u>	<u>\$ 0.14</u>
Diluted EPS	<u>\$ 0.02</u>	<u>\$ 0.03</u>	<u>\$ 0.04</u>	<u>\$ 0.05</u>	<u>\$ 0.14</u>
Basic Shares Outstanding	4,391	4,391	4,391	4,391	4,391
Diluted Shares Outstanding	4,391	4,391	4,391	4,391	4,391
<u>Percent of Revenue</u>					
Cost of goods sold	78.75%	78.50%	78.25%	78.00%	78.37%
SG&A	19.08%	19.10%	19.13%	19.15%	19.12%
<u>Year / Year Growth</u>					
Total Revenues	12.07%	11.67%	11.29%	10.94%	11.48%
Net Income	248.92%	837.50%	362.77%	116.67%	1486.00%
EPS	248.92%	837.50%	362.77%	116.67%	1486.00%

Statement of Cash Flows for the Fiscal Year Ended
(in thousands)

	<u>December 31, 2002</u>	<u>December 31, 2001</u>
<i>Cash Flows from Operating Activities</i>		
Net loss	\$ (234)	\$ (3,043)
Depreciation & amortization	2,686	3,285
Equity in income of uncons. affiliate and partnership	(25)	(43)
Restructuring charge	(664)	1,016
(Gain) loss on disposal of property, plant and equipment	3	-
Stock issued in lieu of compensation	81	125
Deferred income taxes	131	(548)
<i>Changes in assets and liabilities</i>		
Receivables	911	1,240
Inventories	510	1,577
Prepaid expenses and other	(4)	(101)
Refundable income tax	499	(880)
Accounts payable	(1,211)	(632)
Accrued taxes and other expenses	(329)	153
Retirement and other liabilities	1	37
Cash surrender value of officer's life insurance	(24)	(9)
Other assets	<u>(106)</u>	<u>33</u>
Net Cash Provided by Operations	2,225	2,210
<i>Cash Flows from Investing Activities</i>		
Additions to property, plant and equipment	(930)	(2,419)
Acquisition of operating assets	(150)	-
Payments received on advances to affiliated partnership	50	48
Proceeds from disposals of property, plant and equipment	<u>8</u>	<u>-</u>
Net Cash Used in Investing	(1,022)	(2,371)
<i>Cash Flows from Financing Activities</i>		
Net (repayments) borrowings of notes payable	348	1,117
Proceeds from long-term borrowings	-	9,000
Capital stock repurchase	-	(525)
Net proceeds from sale of common stock	49	71
Principal repayments of long-term debt	(1,467)	(9,087)
Principle repayments of capital lease obligations	<u>(134)</u>	<u>(482)</u>
Net cash Provided Financing	(1,204)	94
Net change in Cash	(1)	(67)
Cash - Beginning of Period	<u>27</u>	<u>94</u>
Cash - End of Period	<u>\$ 26</u>	<u>\$ 27</u>