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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

June 13, 2008

UFPT \$10.40 — (NASDAQ CM)

| | FY (2006)A | FY (2007)A | FY (2008)E | FY (2009)E |
|---|------------------|------------|-------------------------|------------|
| Revenues (millions) | \$93.7 | \$93.6 | \$111.3 | \$122.0 |
| Earnings per share (diluted) | \$0.45 | \$0.71 | \$0.89 | \$1.14 |
| 52-Week range | \$14.63 – \$4.45 | | Fiscal year ends: | December |
| Shares outstanding <small>as of 4/18/08</small> | 5.5 million | | Revenue per share (TTM) | \$16.68 |
| Approximate float | 3.6 million | | Price/Sales (TTM) | 0.6X |
| Market capitalization | \$57 million | | Price/Sales (2009)E | 0.5X |
| Tangible book value/share | \$3.57 | | Price/Earnings (TTM) | 13.0X |
| Price/tangible book | 2.9X | | Price/Earnings (2009)E | 9.1X |

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) and setting a twelve-month price target of \$16.00 per share. Our increased price target (previously \$11.50) is based on a valuation on our fiscal 2009 earnings estimate which shows continuing strong growth.

On May 13, 2008, UFPT reported that first quarter 2008 net sales increased 27% to \$28.0 million from \$22.0 million. Excluding sales from the recent acquisition of Stephenson & Lawyer (S&L), sales for the three-month period ended March 31, 2008, increased \$2.5 million, or 11.1%. Net income increased to \$1.1 million or \$0.19 per diluted share versus net income of \$0.5 million or \$0.09 per diluted share.

Economic activity during the fourth quarter of 2007 and the first quarter of 2008 declined slightly according to The Conference Board. Although the economy contracted during this time frame, UFP Technologies grew sales by an average of 10% (excluding the contribution from S&L).

We had previously forecasted flat organic growth for UFPT in fiscal 2008. However, the Company's recent financial results have resulted in an upward revision of our organic growth estimates to 5%. We will be closely watching how effectively the Company can continue to grow sales during a weak economy.

For fiscal 2008, we estimate UFPT's revenue will grow by 19% to \$111.3 million and the Company will report net income of \$5.5 million or \$0.89 per diluted share. Previous estimates for fiscal 2008 called for sales of \$105.5 million and net income of \$5.3 million or \$0.89 per diluted share. We are introducing estimates for fiscal 2009 calling for revenue to grow by 10% to \$122.0 million and net income of \$7.0 million or \$1.14 per diluted share.

**Please view our disclaimer located on page 9.*

405 Lexington Avenue, 51st Floor, New York, N.Y. 10174

(800) 383-8464 • Fax (631) 757-1333

www.taglichbrothers.com

Business

The Company operates in two segments: Packaging Products and Component Products. Packaging Products made up 43% of UFPT's total sales in the first three months of fiscal 2008, while Component Products made up 57%.

UFP Technologies' packaging products are used to contain, display and/or protect manufactured goods during shipment, handling, storage, marketing and use. The interior cushion packaging market is characterized by three primary sectors: (1) custom fabricated or molded products for low volume, high fragility products; (2) molded or die-cut products for high volume, industrial and consumer goods; and (3) loose fill and commodity packaging materials for products which do not require custom-designed packaging. Examples of the Company's packaging products include end-cap packs for computers, corner blocks for telecommunications consoles, anti-static foam packs for printed circuit boards, die-cut inserts for attaché cases and plastic trays for medical devices and components.

The Company's component products segment features specialty foam and plastic products that are sold primarily to customers in the automotive, sporting goods, medical, beauty, leisure and footwear industries. These products include components for automobiles and medical diagnostic equipment, abrasive nail files and anti-fatigue mats, and shock absorbing inserts used in athletic and leisure footwear.

Industry

In February 2008, 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 2007 to reach a value of \$402.6 billion. The report forecasts the market to have a value of \$470.8 billion in 2012 for a CAGR of approximately 3%.

1st Quarter Financial Results

For the first quarter ended March 31, 2008, versus the same period in 2007:

- Net sales increased 27% to \$28.0 million from \$22.0 million.
- Gross margins increased to 24.6% from 20.9%.
- SG&A expenses increased to \$4.9 million from \$3.6 million.
- Net income was \$1.1 million or \$0.19 per diluted share versus net income of \$0.5 million or \$0.09 per diluted share.

In comparison, Taglich Brothers' estimates called for first quarter net sales of \$25.0 million and net income of \$1.1 million or \$0.19 per diluted share.

Sales for the three-month period ended March 31, 2008, included sales from the recently acquired Stephenson & Lawyer (S&L). Excluding sales of S&L, sales for the three-month period ended March 31, 2008, increased \$2.5 million, or 11.1%. The increased sales were primarily due to increased sales to a key customer in the electronics industry (Packaging segment) of approximately \$1.3 million and increased sales of molded fiber packaging products (Packaging segment) of approximately \$0.6 million.

The improvement in gross margin for the period was primarily due to continued manufacturing efficiency initiatives and improvements to the quality of the Company's book of business (approximately 2.1% improvement in gross margin across both business segments) as well as the leveraging of fixed overhead costs with higher sales (approximately 1.5% improvement in gross margin across both business segments).

The increase in SG&A expenses reflected additional SG&A associated with the S&L acquisition (Component Products segment) of approximately \$0.6 million, additional selling expenses of approximately \$0.3 million (both business segments) as well as normal inflationary activity.

Balance Sheet

As of March 31, 2008, the Company had working capital of \$3.8 million, long-term debt of 4.5 million, long-term capital lease obligations of \$1.4 million, and a tangible book value of \$3.57 per share. The Company generated approximately \$2.5 million cash from operations in the first quarter of 2008. Taglich Brothers defines cash flow as net income plus non-cash charges.

The Company has a \$17 million revolving line of credit due February 28, 2009. As of March 31, 2008, UFPT had an available balance under its line of credit of approximately \$13.7 million. 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.

Discussion

Despite soft sales in fiscal 2007, the Company significantly improved its profit margins throughout the year, enabling it to generate record annual earnings. The Company attributed its profit margin improvements to improvements in the quality of its book of business (higher gross margins in both business segments) and reductions in manufacturing costs.

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 as of 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 proforma income statement for that period:

| | Actual <u>Q1(3/08)</u> | Actual <u>Q1(3/07)</u> | Proforma <u>Q1(3/07)</u> |
|---------------------|---------------------------|---------------------------|-----------------------------|
| Net sales | \$ 28,008 | \$ 22,013 | \$ 25,291 |
| Operating income | 1,966 | 987 | 940 |
| Net Income / (Loss) | <u>\$ 1,148</u> | <u>\$ 521</u> | <u>\$ 482</u> |
| Basic EPS | <u>\$ 0.21</u> | <u>\$ 0.10</u> | <u>\$ 0.09</u> |
| Diluted EPS | <u>\$ 0.19</u> | <u>\$ 0.09</u> | <u>\$ 0.08</u> |

The proforma statement suggests that sales would have increased by 11% with net income increasing by 138%. It appears that while the acquisition would have added approximately \$3.3 million to the Company's top line in the first quarter of 2007, it would have reduced net income by \$0.04 million 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.

Projections

Economic activity during the fourth quarter of 2007 and the first quarter of 2008 declined slightly according to The Conference Board. Although the economy contracted during this time frame, UFP Technologies grew sales by an average of 10% (excluding the contribution from S&L). The latest forecast from The Conference Board is calling for economic activity to remain weak in the near-term.

We had previously forecasted flat organic growth for UFPT in fiscal 2008. However, the Company's recent financial results have resulted in an upward revision of our organic growth estimates to 5% (in an effort to remain conservative). We will be closely watching how effectively the Company can continue to grow sales during a weak economy. Including the acquisition of S&L, we believe net sales will grow by 19% in fiscal 2008.

For fiscal 2008, we estimate UFPT's revenue will grow by 19% to \$111.3 million and the Company will report net income of \$5.5 million or \$0.89 per diluted share. Previous estimates for fiscal 2008 called for sales of \$105.5 million and net income of \$5.3 million or \$0.89 per diluted share. The increase in our revenue estimate is primarily due to the strength of the Company's recent results. Our earnings per share estimate remains unchanged due to higher than originally anticipated SG&A expenses.

Our estimates for fiscal 2008 are made with the following assumptions:

- S&L will contribute approximately \$13 million in revenue (2007 level)
- Gross margins of 25% due to the effects of continued cost cutting and manufacturing efficiencies with the level of sales we are projecting,
- Continued increases in SG&A expenses (by approximately \$3 million) due to the acquisition,
- Lower interest expense as the Company continues to pay down its debt, and
- A 38% tax rate.

We are introducing estimates for fiscal 2009 calling for revenue to grow by 10% to \$122.0 million and net income of \$7.0 million or \$1.14 per diluted share. Our revenue growth estimate is in line with the current organic growth of the Company and S&L's current proforma growth. We are projecting gross margins of 26%, continued growth in SG&A expenses on an absolute level but lower as a percentage of sales, and a 38% tax rate.

Risks

Large Contract

The Company has a large automotive contract that could be worth as much as \$95 million over a period of eight years starting from late 2004. The \$95 million revenue value is an estimate, based on the automotive supplier's projected needs. UFP Technologies cannot guarantee that it will fully benefit from this contract, which is terminable by the automotive supplier for any reason. The Company's revenues from this contract are directly dependent on the ability of the automotive supplier to develop, market, and sell its products in a timely, cost-effective manner. If the automotive supplier's needs decrease over the course of the contract, UFP Technologies' estimated revenues from this contract may also decrease. Even if the Company generates revenue from the project, it cannot guarantee that the project will be profitable, particularly if revenues from the contract are less than expected.

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.

Public companies in the packaging & containers industry include large firms such as Owens-Illinois (NYSE: OI), Ball Corporation (NYSE: BLL), Sealed Air (NYSE: SEE), Crown Holdings (NYSE: CCK), and Pactiv (NYSE: PTV). Microcap companies in this industry include Intertape Polymer Group (NYSE: ITP), Constar International (NASDAQ: CNST), MOD-PAC (NASDAQ: MPAC), Peak International (NASDAQ: PEAK), and Northern Technologies (AMEX: NTI).

Significant insider ownership; sales

As of June 8, 2008, insiders held approximately 35% of the Company's total shares outstanding. As a result, insiders may control or exert substantial influence over actions requiring shareholders' approval, including elections of Directors, amendments to the Company's certificate of incorporation, mergers, sales of assets or other business acquisitions or dispositions. It is also important to note that over the past three months, insiders have sold approximately 0.4 million shares of UFPT common stock.

Customer mix

A limited number of customers typically represent a significant percentage of the Company's revenues in any given year. UFPT's top ten customers based on revenues represented, in the aggregate, approximately 44% of total revenues in both 2007 and 2006. The loss of a significant portion of expected future sales to any of the Company's large customers could have a material adverse effect on the Company's business, financial condition and financial results.

Patents and other proprietary rights

The Company relies upon trade secret, patent protection and trademarks to protect its technology and proprietary rights. UFP Technologies has three 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 and international patent offices. The Company also has a total of twelve U.S. patents relating to technologies including foam and packaging, rubber mat, patterned nail file, and superforming process technologies. In addition, UFP Technologies has patent applications pending in the United States with respect to superforming products and processes.

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.

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 5.5 million shares outstanding and 3.6 million in the float, liquidity issues must be considered. Average daily volume has been approximately 200,000 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

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

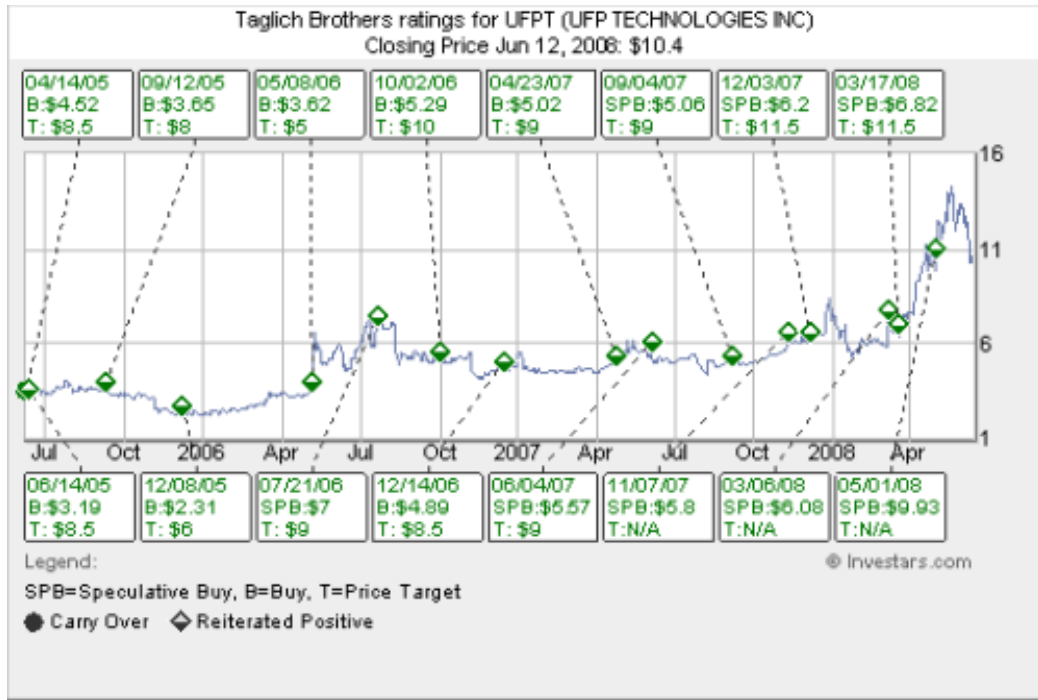
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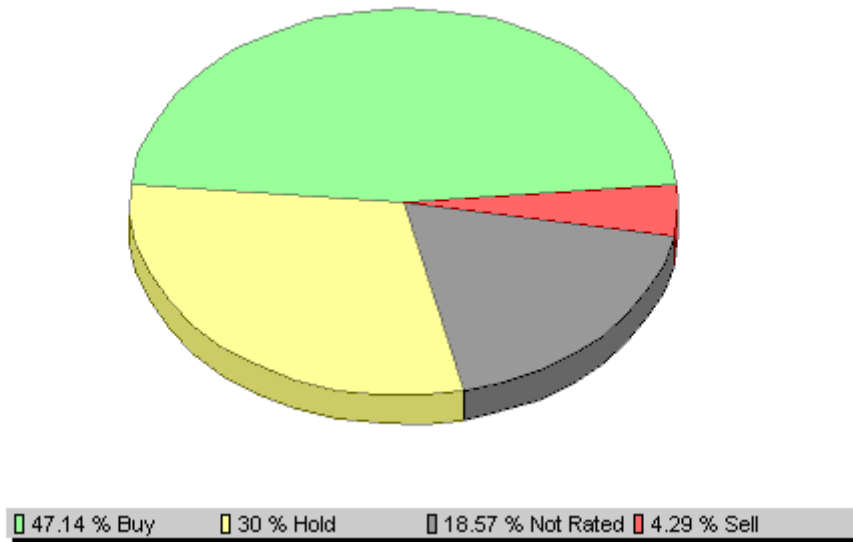
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We chose to value shares of UFPT using the Company's historic multiple of 15X earnings applied to a 12-month discounted value (\$1.07) of our fiscal 2009 earnings per diluted share estimate (\$1.14). We derived a discount factor of 8.2% using the Capital Asset Pricing Model with a beta of 0.84. With this model we arrive at a **twelve-month price target of approximately \$16.00 per share.**

UFP Technologies, Inc.



Taglich Brothers' Current Ratings Distribution



| Investment Banking Services for Companies Covered in the Past 12 Months | | |
|---|---|-------|
| Rating | # | % |
| Buy | 0 | 0.00% |
| Hold | 1 | 6.67% |
| Sell | 0 | 0.00% |
| Not Rated | 0 | 0.00% |

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.

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.

Public companies mentioned in this report:

Ball Corporation (NYSE: BLL)
Constar International (NASDAQ: CNST)
Crown Holdings (NYSE: CCK)
Intertape Polymer Group (NYSE: ITP)
MOD-PAC (NASDAQ: MPAC)
Northern Technologies (AMEX: NTI)
Owens-Illinois (NYSE: OI)
Pactiv (NYSE: PTV)
Peak International (NASDAQ: PEAK)
Sealed Air (NYSE: SEE)

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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.

UFP Technologies, Inc.

Balance Sheet for the Periods Ended
(in thousands)

| | <u>December 31, 2006</u> | <u>December 31, 2007</u> | <u>March 31, 2008</u> |
|---|--------------------------|--------------------------|-------------------------|
| Assets | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 1,017 | \$ 9,060 | \$ 2,483 |
| Receivables | 11,629 | 11,796 | 14,991 |
| Inventories | 5,930 | 5,877 | 8,050 |
| Prepaid expenses | 766 | 821 | 1,337 |
| Deferred income taxes | <u>1,032</u> | <u>1,021</u> | <u>1,077</u> |
| Total current assets | 20,374 | 28,575 | 27,938 |
| Net property, plant and equipment | 10,137 | 9,492 | 11,978 |
| Deferred income taxes | 1,388 | 189 | 329 |
| Goodwill | 6,481 | 6,481 | 6,481 |
| Other assets | <u>657</u> | <u>816</u> | <u>1,177</u> |
| Total Assets | <u>\$ 39,037</u> | <u>\$ 45,553</u> | <u>\$ 47,903</u> |
| Liabilities & stockholders' equity | | | |
| Current liabilities: | | | |
| Notes payable | \$ - | \$ - | \$ - |
| Current portion of long-term debt | 1,078 | 714 | 716 |
| Current portion of capital lease obligations | 689 | 705 | 717 |
| Accounts payable | 4,620 | 5,694 | 6,063 |
| Accrued taxes and other expenses | <u>5,750</u> | <u>6,510</u> | <u>6,608</u> |
| Total current liabilities | 12,137 | 13,623 | 14,104 |
| Long-term debt | 4,604 | 4,658 | 4,480 |
| Capital lease obligations | 2,317 | 1,613 | 1,428 |
| Minority interest | 616 | 584 | 599 |
| Other liabilities | <u>738</u> | <u>832</u> | <u>1,206</u> |
| Total liabilities | 20,412 | 21,310 | 21,817 |
| Total stockholders' equity | <u>18,625</u> | <u>24,243</u> | <u>26,086</u> |
| Total liabilities & stockholders' equity | <u>\$ 39,037</u> | <u>\$ 45,553</u> | <u>\$ 47,903</u> |

UFP Technologies, Inc.

Annual Income Statements for the Years Ended
(in thousands)

| | <u>FY(12/05)A</u> | <u>FY(12/06)A</u> | <u>FY(12/07)A</u> | <u>FY(12/08)E</u> | <u>FY(12/09)E</u> |
|---|-----------------------|------------------------|------------------------|------------------------|------------------------|
| Net sales | \$ 83,962 | \$ 93,749 | \$ 93,595 | \$ 111,308 | \$ 122,000 |
| Cost of sales | <u>69,361</u> | <u>74,512</u> | <u>70,785</u> | <u>83,519</u> | <u>90,280</u> |
| Gross profit | 14,601 | 19,237 | 22,810 | 27,790 | 31,720 |
| <i>Gross Margin</i> | <i>17.39%</i> | <i>20.52%</i> | <i>24.37%</i> | <i>24.97%</i> | <i>26.00%</i> |
| SG&A | <u>12,431</u> | <u>14,183</u> | <u>15,563</u> | <u>18,572</u> | <u>20,000</u> |
| Operating income | 2,170 | 5,054 | 7,247 | 9,218 | 11,720 |
| <i>Operating Margin</i> | <i>2.58%</i> | <i>5.39%</i> | <i>7.74%</i> | <i>8.28%</i> | <i>9.61%</i> |
| Interest expense, other income and expenses | <u>(1,303)</u> | <u>(1,046)</u> | <u>(504)</u> | <u>(414)</u> | <u>(400)</u> |
| Income before taxes | 867 | 4,008 | 6,743 | 8,804 | 11,320 |
| Income tax | <u>208</u> | <u>1,493</u> | <u>2,584</u> | <u>3,346</u> | <u>4,302</u> |
| <i>Tax rate</i> | <i>23.99%</i> | <i>37.25%</i> | <i>38.32%</i> | <i>38.01%</i> | <i>38.00%</i> |
| Net Income / (Loss) | <u>\$ 659</u> | <u>\$ 2,515</u> | <u>\$ 4,159</u> | <u>\$ 5,458</u> | <u>\$ 7,018</u> |
| Basic EPS | <u>\$ 0.14</u> | <u>\$ 0.50</u> | <u>\$ 0.78</u> | <u>\$ 0.99</u> | <u>\$ 1.28</u> |
| Diluted EPS | <u>\$ 0.13</u> | <u>\$ 0.45</u> | <u>\$ 0.71</u> | <u>\$ 0.89</u> | <u>\$ 1.14</u> |
| Basic Shares Outstanding | 4,798 | 5,023 | 5,307 | 5,488 | 5,500 |
| Diluted Shares Outstanding | 5,261 | 5,571 | 5,861 | 6,135 | 6,150 |
| <u>Percent of Revenue</u> | | | | | |
| Cost of goods sold | 82.61% | 79.48% | 75.63% | 75.03% | 74.00% |
| SG&A | 14.81% | 15.13% | 16.63% | 16.69% | 16.39% |
| <u>Year / Year Growth</u> | | | | | |
| Total Revenues | 22.35% | 11.66% | -0.16% | 18.93% | 9.61% |
| Net Income | 11.51% | 281.64% | 65.37% | 31.23% | 28.58% |
| EPS | 5.87% | 260.40% | 57.19% | 25.37% | 28.27% |

UFP Technologies, Inc.

Quarterly Income Statement for the Year Ended 2007
(in thousands)

| | <u>Q1(3/07)A</u> | <u>Q2(6/07)A</u> | <u>Q3(9/07)A</u> | <u>Q4(12/07)A</u> | <u>FY(12/07)A</u> |
|---|-----------------------|-----------------------|-----------------------|------------------------|------------------------|
| Net sales | \$ 22,013 | \$ 23,180 | \$ 22,937 | \$ 25,465 | \$ 93,595 |
| Cost of sales | <u>17,413</u> | <u>17,395</u> | <u>17,635</u> | <u>18,342</u> | <u>70,785</u> |
| Gross profit | 4,600 | 5,785 | 5,302 | 7,123 | 22,810 |
| <i>Gross Margin</i> | 20.90% | 24.96% | 23.12% | 27.97% | 24.37% |
| SG&A | <u>3,613</u> | <u>4,058</u> | <u>3,753</u> | <u>4,139</u> | <u>15,563</u> |
| Operating income | 987 | 1,727 | 1,549 | 2,984 | 7,247 |
| <i>Operating Margin</i> | 4.48% | 7.45% | 6.75% | 11.72% | 7.74% |
| Interest expense, other income & expenses | <u>(146)</u> | <u>(151)</u> | <u>(125)</u> | <u>(82)</u> | <u>(504)</u> |
| Income before taxes | 841 | 1,576 | 1,424 | 2,902 | 6,743 |
| Income tax (benefit) | <u>320</u> | <u>599</u> | <u>541</u> | <u>1,125</u> | <u>2,584</u> |
| <i>Tax rate</i> | 38.05% | 38.01% | 37.99% | 38.77% | 38.32% |
| Net Income / (Loss) | <u>\$ 521</u> | <u>\$ 977</u> | <u>\$ 883</u> | <u>\$ 1,777</u> | <u>\$ 4,159</u> |
| Basic EPS | <u>\$ 0.10</u> | <u>\$ 0.18</u> | <u>\$ 0.17</u> | <u>\$ 0.33</u> | <u>\$ 0.78</u> |
| Diluted EPS | <u>\$ 0.09</u> | <u>\$ 0.17</u> | <u>\$ 0.15</u> | <u>\$ 0.30</u> | <u>\$ 0.71</u> |
| Basic Shares Outstanding | 5,206 | 5,290 | 5,358 | 5,375 | 5,307 |
| Diluted Shares Outstanding | 5,747 | 5,861 | 5,909 | 6,022 | 5,861 |
| <u>Percent of Revenue</u> | | | | | |
| Cost of goods sold | 79.10% | 75.04% | 76.88% | 72.03% | 75.63% |
| SG&A | 16.41% | 17.51% | 16.36% | 16.25% | 16.63% |
| <u>Year / Year Growth</u> | | | | | |
| Total Revenues | -8.81% | -5.52% | 5.52% | 9.12% | -0.16% |
| Net Income | -9.23% | 39.57% | 122.98% | 110.30% | 65.37% |
| EPS | -15.02% | 31.23% | 118.85% | 101.53% | 56.51% |

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

| | <u>Q1(3/08)A</u> | <u>Q2(6/08)E</u> | <u>Q3(9/08)E</u> | <u>Q4(12/08)E</u> | <u>FY(12/08)E</u> |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|
| Net sales | \$ 28,008 | \$ 28,300 | \$ 27,000 | \$ 28,000 | \$ 111,308 |
| Cost of sales | <u>21,120</u> | <u>21,084</u> | <u>20,385</u> | <u>20,930</u> | <u>83,519</u> |
| Gross profit | 6,888 | 7,217 | 6,615 | 7,070 | 27,790 |
| <i>Gross Margin</i> | 24.59% | 25.50% | 24.50% | 25.25% | 24.97% |
| SG&A | <u>4,922</u> | <u>4,700</u> | <u>4,550</u> | <u>4,400</u> | <u>18,572</u> |
| Operating income | 1,966 | 2,517 | 2,065 | 2,670 | 9,218 |
| <i>Operating Margin</i> | 7.02% | 8.89% | 7.65% | 9.54% | 8.28% |
| Interest expense, other income & expenses | <u>(114)</u> | <u>(100)</u> | <u>(100)</u> | <u>(100)</u> | <u>(414)</u> |
| Income before taxes | 1,852 | 2,417 | 1,965 | 2,570 | 8,804 |
| Income tax (benefit) | <u>704</u> | <u>918</u> | <u>747</u> | <u>977</u> | <u>3,346</u> |
| <i>Tax rate</i> | 38.01% | 38.00% | 38.00% | 38.00% | 38.00% |
| Net Income / (Loss) | <u>\$ 1,148</u> | <u>\$ 1,498</u> | <u>\$ 1,218</u> | <u>\$ 1,593</u> | <u>\$ 5,458</u> |
| Basic EPS | <u>\$ 0.21</u> | <u>\$ 0.27</u> | <u>\$ 0.17</u> | <u>\$ 0.29</u> | <u>\$ 0.99</u> |
| Diluted EPS | <u>\$ 0.19</u> | <u>\$ 0.24</u> | <u>\$ 0.20</u> | <u>\$ 0.26</u> | <u>\$ 0.89</u> |
| Basic Shares Outstanding | 5,450 | 5,500 | 5,500 | 5,500 | 5,488 |
| Diluted Shares Outstanding | 6,091 | 6,150 | 6,150 | 6,150 | 6,135 |
| <u>Percent of Revenue</u> | | | | | |
| Cost of goods sold | 75.41% | 74.50% | 75.50% | 74.75% | 75.03% |
| SG&A | 17.57% | 16.61% | 16.85% | 15.71% | 16.69% |
| <u>Year / Year Growth</u> | | | | | |
| Total Revenues | 27.23% | 22.09% | 17.71% | 9.95% | 18.93% |
| Net Income | 120.35% | 53.35% | 37.97% | -10.33% | 31.23% |
| EPS | 110.48% | 47.49% | 0.00% | -12.37% | 26.92% |

UFP Technologies, Inc.

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

| | FY2006 | FY2007 | 3mos2008 |
|--|-----------------|-----------------|-----------------|
| <i>Cash Flows from Operating Activities</i> | | | |
| Net income | \$ 2,515 | \$ 4,159 | \$ 1,148 |
| Depreciation & amortization | 3,060 | 2,815 | 758 |
| Equity in net income of unconsolidated affiliate | (15) | (15) | - |
| Minority interest | 87 | 72 | 16 |
| (Gain) loss on disposal of property, plant and equipment | 10 | (33) | - |
| Share-based compensation | 459 | 692 | 247 |
| Stock issued in lieu of compensation | 144 | 256 | 344 |
| Deferred income taxes | 857 | 1,210 | (14) |
| <i>Changes in assets and liabilities</i> | | | |
| Receivables | 3,768 | (167) | (1,458) |
| Inventories | 598 | 53 | (332) |
| Prepaid expenses | 25 | (55) | (471) |
| Accounts payable | (647) | 532 | 223 |
| Accrued taxes and other | 1,270 | 760 | (560) |
| Retirement and other liabilities | 42 | 95 | 173 |
| Cash surrender value of officers' life insurance | (18) | (15) | - |
| Other assets | (61) | (213) | (378) |
| Net Cash Provided by Operations | 12,094 | 10,146 | (304) |
| <i>Cash Flows from Investing Activities</i> | | | |
| Additions to property, plant and equipment | (1,516) | (2,101) | (606) |
| Payments from affiliated company | 15 | 15 | - |
| Proceeds from sale of property, plant and equipment | 30 | 33 | - |
| Acquisition of assets of Stephens Packaging | (309) | - | (5,181) |
| Net Cash Used in Investing | (1,780) | (2,053) | (5,787) |
| <i>Cash Flows from Financing Activities</i> | | | |
| Borrowings (payments) of notes payable | (7,991) | - | - |
| Change in book overdrafts | (832) | 542 | (241) |
| Proceeds from long-term borrowings | - | 786 | - |
| Distribution to United Development Company partners | (105) | (105) | - |
| Proceeds from exercise of stock options | - | - | 74 |
| Tax benefit from exercise of non-qualified stock options | 177 | 215 | 15 |
| Net proceeds from sale of common stock | 568 | 296 | 15 |
| Principal repayments of long-term debt | (691) | (1,095) | (178) |
| Principle repayments of capital lease obligations | (2,047) | (689) | (171) |
| Proceeds from refinancing capital leases | 1,359 | - | - |
| Net cash Provided Financing | (9,562) | (50) | (486) |
| Net change in Cash | 752 | 8,043 | (6,577) |
| Cash - Beginning of Period | 265 | 1,017 | 9,060 |
| Cash - End of Period | \$ 1,017 | \$ 9,060 | \$ 2,483 |

Taglich Brothers, Inc.