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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 15, 2009

UFPT \$4.10 — (NASDAQ CM)

	FY (2007)A	FY (2008)A	FY (2009)E	FY (2010)E
Revenues (millions)	\$93.6	\$110.0	\$90.6	\$102.0
Earnings per share (diluted)	\$0.71	\$0.82	\$0.36	\$0.74
52-Week range	\$12.18 – \$3.47			Fiscal year ends: December
Shares outstanding <small>as of 4/27/09</small>	5.8 million		Revenue per share (TTM)	\$16.60
Approximate float	4.9 million		Price/Sales (TTM)	0.2X
Market capitalization	\$24 million		Price/Sales (2010)E	0.3X
Tangible book value/share	\$4.39		Price/Earnings (TTM)	5.9X
Price/tangible book	0.9X		Price/Earnings (2010)E	5.5X

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 \$7.00 per share (previously \$9.00) due to lowered earnings expectations. We believe that shares of UFPT offer an attractive investment opportunity at current levels.

On May 5, 2009, UFPT reported first quarter net sales decreased 23% to \$21.6 million from \$28.0 million. Net income decreased to \$0.3 million or \$0.06 per diluted share versus net income of \$1.1 million or \$0.19 per diluted share.

The economy affected first quarter sales much more than we expected and forecasts suggest that the economy will not improve until the latter half of 2009.

The Company's recent acquisition of Foamade should at least be somewhat accretive to earnings adding, what we believe will be approximately \$1 million per quarter to sales starting in the second quarter.

We also believe that economic forecasts support a return to the Company's historic rate of growth (12.5%) in 2010.

For fiscal 2009, we estimate UFPT's revenue will fall by 18% to \$90.6 million and the Company will report net income of \$2.2 million or \$0.36 per diluted share. Previous estimates for fiscal 2009 called for sales of \$106.0 million and net income of \$5.6 million or \$0.90 per diluted share.

For fiscal 2010, we estimate UFPT's revenue will increase approximately 12.5% to \$102.0 million and the Company will report net income of \$4.5 million or \$0.74 per diluted share.

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

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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.

First Quarter Financial Results

For the first quarter ended March 31, 2009 versus the same period in 2008:

- Net sales decreased 23% to \$21.6 million from \$28.0 million.
- Gross margins decreased to 22.9% from 24.6%.
- SG&A expenses decreased to \$4.3 million from \$4.9 million.
- Net income was \$0.3 million or \$0.06 per diluted share versus net income of \$1.1 million or \$0.19 per diluted share.

In comparison, Taglich Brothers' estimates called for first quarter net sales of \$25.5 million and net income of \$1.1 million or \$0.18 per diluted share.

Engineered packaging sales decreased to \$10.0 million from \$12.1 million and component products sales decreased to \$11.6 million from \$15.9. The overall decline in sales was due primarily to declining sales of interior trim parts to the automotive industry (component products segment) of \$3.6 million, as well as a general softening in demand for parts (across both business segments).

The decline in gross margins were primarily due to the reduced coverage of manufacturing overhead, partially offset by efficiencies gained from the consolidation of the Company's Michigan facilities in the second half of 2008.

The decline in SG&A primarily was due to the Company's efforts to reduce fixed SG&A as a result of the softened economy of approximately \$0.2 million, a reduction of variable compensation due to the reduction in sales of approximately \$0.165 million, and a gain associated with the acquisition of selected assets of Foamade Industries of approximately \$0.081 million.

Balance Sheet

As of March 31, 2009, the Company had cash of \$9.4 million, working capital of \$22.5 million, long-term debt of \$7.9 million, and a tangible book value of \$4.53 per share. The Company generated approximately \$1.4 million cash from operations in the first three months of fiscal 2009. 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.

The loans are collateralized by a first priority lien on all of the Company's assets, including its real estate located in Georgetown, Massachusetts, and in Grand Rapids, Michigan. Under the credit facility, the Company is subject to a minimum fixed-charge coverage financial covenant.

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 and 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 that has continued through the first quarter of 2009, negatively impacting gross margins. Sales of interior trim parts to the automotive industry have weakened significantly due to very soft automobile sales in North America (GM, Ford and Chrysler sales were down an average of 41.5% YTD). The Company expects this trend to continue at least through the second quarter of 2009.

In the first quarter earning release, R. Jeffrey Bailly, Chairman and CEO, said that with the Company's diverse customer base, strong balance sheet, and scalable business model, he believes UFPT can not only weather the economic downturn, but can also take advantage of strategic opportunities to invest in acquisitions, equipment, and new programs that will benefit the Company in the long-term. Based on past observations, we believe the Company will not only manage to survive the current economic environment, but will be able to grow despite it.

In the Company's first quarter earnings release, it was revealed what level of sales was expected from the March 2009 acquisition of certain assets of Foamade Industries. Bailly said the acquisition brought the Company an estimated \$4 million book of business, specialized equipment, and key personnel which has already been accretive to earnings. UFPT paid \$0.375 million for Foamade's assets and recorded a \$0.081 million gain (in SG&A) in the first quarter related to the acquisition (\$0.456 net assets acquired versus \$0.375 purchase price).

As the economy has been a key element in the Company's results, the outlook for the economy could prove useful in forecasting UFPT's financial results. The latest forecast from The Conference Board suggests that while the recession will continue in the near term, if the economic indicators continue on their current track, small increases in economic activity might occur in the second half of the year. Also, the latest survey of professional forecasters released by the National Association of Business Economists expects economic growth to turn positive in the second half of this year, albeit at a more moderate pace than what is typically experienced following steep declines.

With this economic forecast in mind, we estimate UFPT's revenue in fiscal 2009 will fall by 18% to \$90.6 million and the Company will report net income of \$2.2 million or \$0.36 per diluted share. Previous estimates for fiscal 2009 called for sales of \$106.0 million and net income of \$5.6 million or \$0.90 per diluted share.

We are projecting gross margins will decline to 25.4%, the level of SG&A expenses to decrease due to the reduced level of sales we are projecting along with the Company's continuing focus on controlling costs. We are forecasting a 35% tax rate as the Company said in its 10-Q filing that the first quarter tax rate represents Management's best estimate as to the expected fiscal 2009 effective tax rate.

We are introducing estimates for fiscal 2010 with the assumption that the Company's sales will grow at the rate they have averaged over the past five years (approximately 12.5%) as the economy returns to its historical growth trend. Supporting our growth assumption is the National Association of Business Economists' latest forecast (June 2009) calling for economic growth in 2010 to return to near its historical trend.

For fiscal 2010, we estimate UFPT's revenue will increase approximately 12.5% to \$102.0 million and the Company will report net income of \$4.5 million or \$0.74 per diluted share.

We believe that the level of sales in 2010 will support gross margins of 25.0% and SG&A expenses will increase proportionate to the increased level of sales we are projecting. We are forecasting a tax rate that is in line with the average rate over the past five years (36%).

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 4.9 million in the float, liquidity issues must be considered. Average daily volume has been approximately 21,000 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).

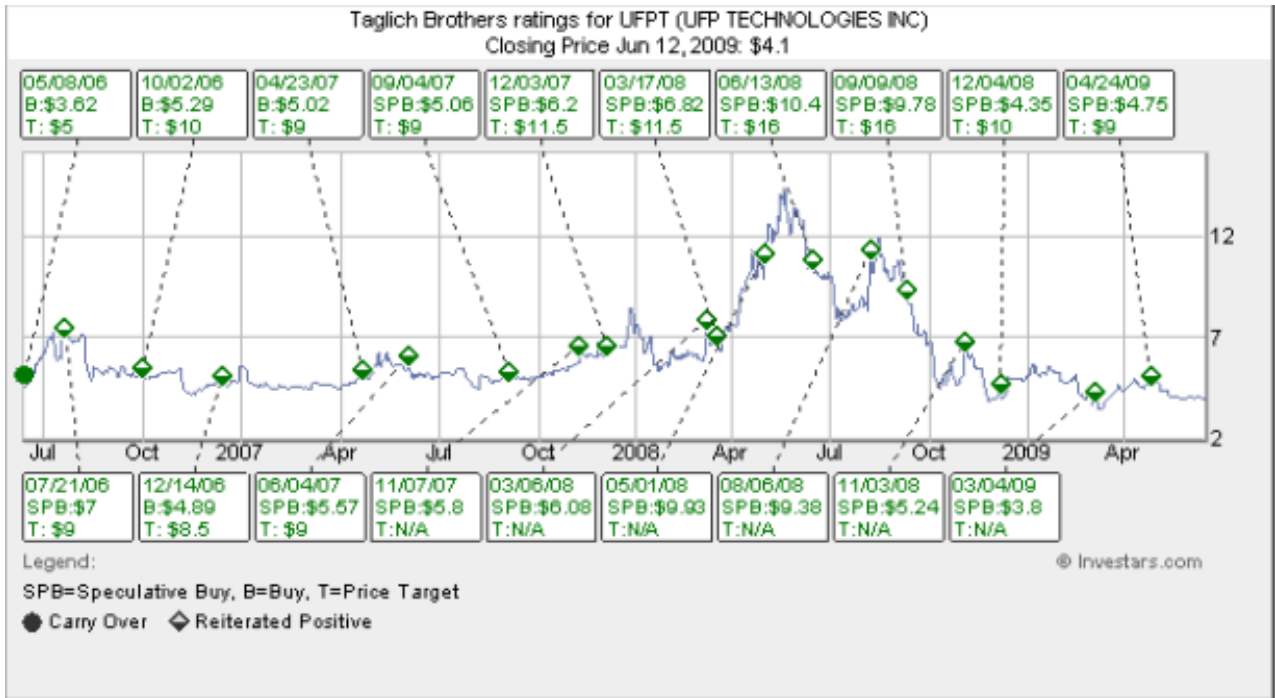
The economy affected first quarter sales much more than we expected and forecasts suggest that the economy will not improve until the latter half of 2009.

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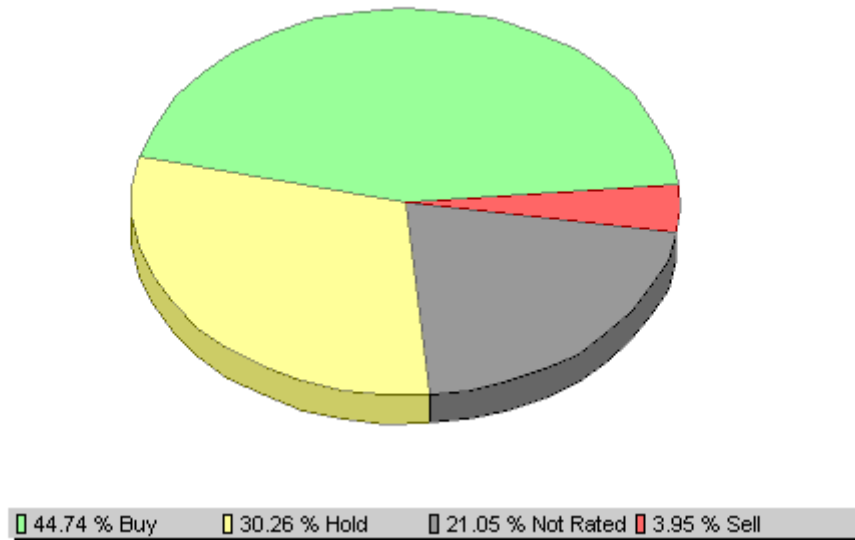
We also believe that economic forecasts support a return to the Company's historic rate of growth (12.5%) in 2010.

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 current market conditions. With these inputs, we believe that a multiple of 10X earnings is appropriate given the improvement in results we are projecting. By applying a multiple of 10X to our fiscal 2010 earnings per diluted share estimate of \$0.74, we arrive at a value of \$7.40. Discounting this number using the Capital Asset Pricing Model gives us **twelve-month price target of approximately \$7.00 per share.**

UFP Technologies, Inc.



Taglich Brothers' Current Ratings Distribution



Investment Banking Services for Companies Covered in the Past 12 Months		
Rating	#	%
Buy	1	4.00%
Hold	1	14.29%
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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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, 2007</u>	<u>December 31, 2008</u>	<u>March 31, 2009</u>
Assets			
Current assets:			
Cash and cash equivalents	\$ 9,060	\$ 6,729	\$ 9,433
Receivables	11,796	12,755	11,026
Inventories	5,877	8,153	7,171
Prepaid expenses	821	516	1,152
Deferred income taxes	1,021	1,489	1,489
Total current assets	<u>28,575</u>	<u>29,642</u>	<u>30,271</u>
Net property, plant and equipment	9,492	11,754	11,779
Deferred income taxes	189	-	-
Goodwill	6,481	6,481	6,481
Other assets	816	846	1,076
Total Assets	<u>\$ 45,553</u>	<u>\$ 48,723</u>	<u>\$ 49,607</u>
Liabilities & stockholders' equity			
Current liabilities:			
Current portion of long-term debt	\$ 714	\$ 717	\$ 614
Current portion of capital lease obligations	705	703	-
Accounts payable	5,694	3,304	3,259
Accrued taxes and other expenses	6,510	6,230	3,934
Total current liabilities	<u>13,623</u>	<u>10,954</u>	<u>7,807</u>
Long-term debt	4,658	3,942	7,930
Capital lease obligations	1,613	910	-
Minority interest	584	523	-
Deferred income taxes	-	113	162
Other liabilities	832	914	1,016
Total liabilities	<u>21,310</u>	<u>17,356</u>	<u>16,915</u>
Total stockholders' equity	<u>24,243</u>	<u>31,367</u>	<u>32,692</u>
Total liabilities & stockholders' equity	<u>\$ 45,553</u>	<u>\$ 48,723</u>	<u>\$ 49,607</u>

UFP Technologies, Inc.

Annual Income Statements for the Years Ended
(in thousands)

	<u>FY(12/06)A</u>	<u>FY(12/07)A</u>	<u>FY(12/08)A</u>	<u>FY(12/09)E</u>	<u>FY(12/10)E</u>
Net sales	\$ 93,749	\$ 93,595	\$ 110,032	\$ 90,608	\$ 102,000
Cost of sales	<u>74,512</u>	<u>70,785</u>	<u>81,469</u>	<u>69,275</u>	<u>76,500</u>
Gross profit	19,237	22,810	28,563	21,333	25,500
<i>Gross Margin</i>	20.52%	24.37%	25.96%	23.54%	25.00%
Restructuring charge	-	-	1,315	-	-
SG&A	<u>14,183</u>	<u>15,563</u>	<u>18,823</u>	<u>17,510</u>	<u>18,000</u>
Operating income	5,054	7,247	8,425	3,823	7,500
<i>Operating Margin</i>	5.39%	7.74%	7.66%	4.22%	7.35%
Interest expense, other income and expenses	<u>(1,046)</u>	<u>(504)</u>	<u>(314)</u>	<u>(318)</u>	<u>(320)</u>
Income before taxes	4,008	6,743	8,111	3,505	7,180
Income tax	<u>1,493</u>	<u>2,584</u>	<u>2,995</u>	1,227	2,585
<i>Tax rate</i>	37.25%	38.32%	36.93%	35.01%	36.00%
Income attributable to noncontrol. interests				<u>(64)</u>	<u>(64)</u>
Net Income / (Loss)	<u>\$ 2,515</u>	<u>\$ 4,159</u>	<u>\$ 5,116</u>	<u>\$ 2,215</u>	<u>\$ 4,531</u>
Basic EPS	<u>\$ 0.50</u>	<u>\$ 0.78</u>	<u>\$ 0.92</u>	<u>\$ 0.38</u>	<u>\$ 0.78</u>
Diluted EPS	<u>\$ 0.45</u>	<u>\$ 0.71</u>	<u>\$ 0.82</u>	<u>\$ 0.36</u>	<u>\$ 0.74</u>
Basic Shares Outstanding	5,023	5,307	5,550	5,778	5,800
Diluted Shares Outstanding	5,571	5,861	6,263	6,151	6,150
<u>Percent of Revenue</u>					
Cost of goods sold	79.48%	75.63%	74.04%	76.46%	75.00%
SG&A	15.13%	16.63%	17.11%	19.33%	17.65%
<u>Year / Year Growth</u>					
Total Revenues	11.66%	-0.16%	17.56%	-17.65%	12.57%
Net Income	281.64%	65.37%	23.01%	-56.70%	104.56%
EPS	260.40%	57.19%	15.11%	-55.92%	104.59%

UFP Technologies, Inc.

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

	<u>Q1(3/08)A</u>	<u>Q2(6/08)A</u>	<u>Q3(9/08)A</u>	<u>Q4(12/08)A</u>	<u>FY(12/08)A</u>
Net sales	\$ 28,008	\$ 28,456	\$ 27,501	\$ 26,066	\$ 110,032
Cost of sales	<u>21,120</u>	<u>20,828</u>	<u>20,091</u>	<u>19,429</u>	<u>81,469</u>
Gross profit	6,888	7,628	7,410	6,637	28,563
<i>Gross Margin</i>	24.59%	26.81%	26.94%	25.46%	25.96%
SG&A	4,922	4,984	4,935	3,982	18,823
Restructuring charge	<u>-</u>	<u>-</u>	<u>406</u>	<u>909</u>	<u>1,315</u>
Operating income	1,966	2,644	2,069	1,746	8,425
<i>Operating Margin</i>	7.02%	9.29%	7.52%	6.70%	7.66%
Interest expense, other income & expenses	<u>(114)</u>	<u>(104)</u>	<u>(58)</u>	<u>(38)</u>	<u>(314)</u>
Income before taxes	1,852	2,540	2,011	1,708	8,111
Income tax (benefit)	<u>704</u>	<u>966</u>	<u>764</u>	<u>562</u>	<u>2,995</u>
<i>Tax rate</i>	38.01%	38.03%	37.99%	32.90%	36.93%
Net Income / (Loss)	<u>\$ 1,148</u>	<u>\$ 1,574</u>	<u>\$ 1,247</u>	<u>\$ 1,146</u>	<u>\$ 5,116</u>
Basic EPS	<u>\$ 0.21</u>	<u>\$ 0.29</u>	<u>\$ 0.22</u>	<u>\$ 0.20</u>	<u>\$ 0.92</u>
Diluted EPS	<u>\$ 0.19</u>	<u>\$ 0.25</u>	<u>\$ 0.20</u>	<u>\$ 0.19</u>	<u>\$ 0.82</u>
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
<u>Percent of Revenue</u>					
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%
<u>Year / Year Growth</u>					
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%

UFP Technologies, Inc.

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

	<u>Q1(3/09)A</u>	<u>Q2(6/09)E</u>	<u>Q3(9/09)E</u>	<u>Q4(12/09)E</u>	<u>FY(12/09)E</u>
Net sales	\$ 21,608	\$ 23,000	\$ 22,500	\$ 23,500	\$ 90,608
Cost of sales	16,665	17,538	17,213	17,860	69,275
Gross profit	4,943	5,463	5,288	5,640	21,333
<i>Gross Margin</i>	22.88%	23.75%	23.50%	24.00%	23.54%
SG&A	4,310	4,400	4,400	4,400	17,510
Operating income	633	1,063	888	1,240	3,823
<i>Operating Margin</i>	2.93%	4.62%	3.94%	5.28%	4.22%
Interest expense, other income & expenses	(78)	(80)	(80)	(80)	(318)
Income before taxes	555	983	808	1,160	3,505
Income tax (benefit)	194	344	283	406	1,227
<i>Tax rate</i>	34.95%	35.00%	35.00%	35.00%	34.99%
Income attributable to noncontrol. interests	(16)	(16)	(16)	(16)	(64)
Net Income / (Loss)	\$ 345	\$ 623	\$ 509	\$ 738	\$ 2,215
Basic EPS	\$ 0.06	\$ 0.11	\$ 0.09	\$ 0.13	\$ 0.38
Diluted EPS	\$ 0.06	\$ 0.10	\$ 0.08	\$ 0.12	\$ 0.36
Basic Shares Outstanding	5,713	5,800	5,800	5,800	5,778
Diluted Shares Outstanding	6,153	6,150	6,150	6,150	6,151
<u>Percent of Revenue</u>					
Cost of goods sold	77.12%	76.25%	76.50%	76.00%	76.46%
SG&A	19.95%	19.13%	19.56%	18.72%	19.33%
<u>Year / Year Growth</u>					
Total Revenues	-22.85%	-19.17%	-18.18%	-9.84%	-17.65%
Net Income	-69.95%	-60.44%	-59.19%	-35.60%	-56.71%
EPS	-71.33%	-62.39%	-60.65%	-37.38%	-58.43%

UFP Technologies, Inc.

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

	FY2007	FY2008	3mos2009
<i>Cash Flows from Operating Activities</i>			
Net income	\$ 4,159	\$ 5,116	\$ 345
Depreciation & amortization	2,815	2,977	640
Restructuring leasehold improvement write-off	-	170	-
Equity in net income of unconsolidated affiliate	(15)	(7)	-
Minority interest	72	44	16
Gain on acquisition	-	-	(81)
(Gain) loss on disposal of property, plant and equipment	(33)	(57)	(4)
Share-based compensation	692	1,306	258
Stock issued in lieu of compensation	256	344	184
Deferred income taxes	1,210	16	-
<i>Changes in assets and liabilities</i>			
Receivables	(167)	777	1,728
Inventories	53	(435)	1,164
Prepaid expenses	(55)	350	(635)
Accounts payable	1,074	(2,777)	(46)
Accrued expenses and other	760	(937)	(2,266)
Retirement and other liabilities	95	(119)	102
Other assets	(213)	(83)	(145)
Net Cash Provided by Operations	10,703	6,685	1,260
<i>Cash Flows from Investing Activities</i>			
Additions to property, plant and equipment	(2,101)	(2,763)	(458)
Cash surrender value of officers' life insurance	(15)	(15)	-
Payments from affiliated company	15	7	-
Proceeds from sale of property, plant and equipment	33	101	4
Acquisitions	-	(5,181)	(375)
Net Cash Used in Investing	(2,068)	(7,851)	(829)
<i>Cash Flows from Financing Activities</i>			
Borrowings (payments) of notes payable	-	-	-
Proceeds from long-term borrowings	786	-	4,000
Distribution to United Development Company partners	(105)	(105)	-
Tax benefit from exercise of non-qualified stock options	215	211	-
Net proceeds from sale of common stock	24	20	-
Proceeds from exercise of stock options	272	333	-
Principal repayments of long-term debt	(1,095)	(714)	(114)
Principle repayments of capital lease obligations	(689)	(704)	(1,613)
Proceeds from refinancing capital leases	-	-	-
Cash settlement of restricted stock units	-	(206)	-
Net cash Provided Financing	(592)	(1,165)	2,273
Net change in Cash	8,043	(2,331)	2,704
Cash - Beginning of Period	1,017	9,060	6,729
Cash - End of Period	\$ 9,060	\$ 6,729	\$ 9,433

Taglich Brothers, Inc.