

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

September 4, 2007

UFPT \$5.06 — (NASDAQ CM)

	FY (2005)A	FY (2006)A	FY (2007)E	FY (2008)E
Revenues (millions)	\$84.0	\$93.7	\$89.9	\$94.4
Earnings per share (diluted)	\$0.13	\$0.45	\$0.50	\$0.74
52-Week range	\$6.43 – \$4.15		Fiscal year ends:	December
Shares outstanding <small>as of 8/2/07</small>	5.3 million		Revenue per share (TTM)	\$15.69
Approximate float	4.0 million		Price/Sales (TTM)	0.3X
Market capitalization	\$27 million		Price/Sales (2008)E	0.3X
Tangible book value/share	\$2.73		Price/Earnings (TTM)	10.5X
Price/tangible book	1.9X		Price/Earnings (2008)E	6.8X

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 for shares of UFP Technologies (NASDAQ CM: UFPT) with a twelve month price target of \$9.00 per share.

We believe that negative growth in the automotive market will more than offset the moderate growth we believe the Packaging Products segment will see resulting in a moderate decrease in revenue for 2007. We also believe that UFPT will return to positive revenue growth in fiscal 2008 as the economy continues its slow growth.

On August 8, 2007, UFPT reported that net sales in the second quarter of 2007 decreased 6% to \$23.2 million from \$24.5 million in the same period in 2006. Net income was \$1.0 million or \$0.17 per diluted share versus net income of \$0.7 million or \$0.13 per diluted share. UFPT said the decline in sales was primarily due to lower sales to the automotive market, as well as a decline in sales to the military market.

As the Company's Component Product sales are largely affected by the automotive market, we believe the outlook for that market could play an important role in forecasting UFPT's Component Product rate of growth. In a recent U.S. Department of Commerce report, it was mentioned that market analysts are forecasting U.S. vehicle sales volume in 2007 to be slightly lower than in 2006.

For fiscal 2007, we estimate UFPT's sales will be approximately \$89.9 million and the Company will report net income of \$2.9 million or \$0.50 per diluted share. Previous estimates for fiscal 2007 called for sales of \$94.0 million and net income of \$3.2 million or \$0.55 per diluted share. For fiscal 2008, we estimate UFPT's sales will grow by 5% to \$94.4 million and the Company will report net income of \$4.4 million or \$0.74 per diluted share. Previous estimates called for fiscal 2008 revenue of \$98.7 million and net income of \$4.0 million or \$0.69 per diluted share.

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

Business

The Company operates in two segments: Packaging Products and Component Products. Packaging Products made up 41% of UFPT's total sales in the first half of fiscal 2007, while Component Products made up 59%.

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

According to the packaging industry Website, packaging-gateway.com, the global packaging industry was worth an estimated \$424 billion in 2004 and is projected to grow to almost \$600 billion by 2014 for a compound annual growth rate of 3.5%. Driving this growth is stringent legislation, increasing competition and dynamic new markets that are forcing packaging executives to develop and manufacture innovative packaging more quickly, effectively and profitability than before.

Freedonia Group (a publisher of industry market research) forecasted demand for certain markets that UFP Technologies operates in. The latest forecast by Freedonia Group calls for the U.S. protective packaging market to grow by 4.7% annually to \$4 billion by 2010. Freedonia said that advances will be driven by specialized packaging applications in the electronic, medical and other industries, as well as growing Internet-based sales. Molded foam is estimated to remain dominant as a result of its shock and vibration dampening characteristics and ability to be custom molded to protect sensitive electronic and other equipment.

2nd Quarter Financial Results

For the second quarter ended June 30, 2007, versus the same period in 2006:

- Net sales decreased 6% to \$23.2 million from \$24.5 million.
- Gross margins increased to 25.0% from 21.6%.
- SG&A expenses increased to \$4.1 million from \$3.9 million.
- Net income was \$1.0 million or \$0.17 per diluted share versus net income of \$0.7 million or \$0.13 per diluted share.

In comparison, Taglich Brothers' estimates called for second quarter net sales of \$25.5 million and net income of \$1.0 million or \$0.17 per diluted share.

Component Product sales decreased 8% to \$13.8 million from \$14.9 million. Packaging sales decreased 2% to \$9.4 million from \$9.6 million. The decline in sales was primarily due to lower sales to the automotive market which has been soft lately, as well as a decline in sales to the military market which was due to excess inventories in the product's supply chain.

The increase in gross margins was primarily due to manufacturing efficiencies particularly in the Company's automotive operations.

The increase in SG&A expenses was primarily due to normal inflationary activity, as well as an investment in additional direct sellers.

Balance Sheet as of June 30, 2007

Cash and cash equivalents was approximately \$2.3 million. The Company had working capital of \$11.4 million, long-term debt of \$7.0 million which includes capital lease obligations, current portion of long-term debt of \$1.4 million, and a tangible book value of \$2.73 per share. Cash provided by operations in the first six months was approximately \$4.1 million. We define cash from operations as net income plus non-cash charges. UFPT had an available balance under its line of credit of approximately \$13.4 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.

Marketing Alliance with Zotefoams

In August 2007, UFP Technologies and Zotefoams announced they have formalized an agreement to work together to target the market for high performance insulation systems.

UFP Technologies has, using Zotefoams' ZOTEK® F fluoropolymer foams, created an advanced insulation system specifically developed for stainless steel process lines in clean environments. Branded as T-Tubes®, these insulation systems are designed to meet the exacting standards required in clean process environments in industries such as biotechnology, pharmaceutical, semiconductor, and nuclear. R. Jeffrey Bailly, Chairman, CEO, and President of UFPT, said the Company believes there is a significant unmet need for clean environment insulation solutions.

Zotefoams and UFP Technologies will work together to develop T-Tubes as a worldwide brand. UFPT will market and develop T-Tubes in North America while Zotefoams will be responsible for marketing and development in Europe, Middle East, and Asia. Initially all conversion of foam into finished products will be based in the UFP Technologies facility in Georgetown, Massachusetts, with foam supplied from Zotefoams' facility in Croydon, UK.

ZOTEK® is a registered trademark of Zotefoams plc. T-Tubes® is a registered trademark of UFP Technologies, Inc.

Discussion

During 2005, the Company absorbed costs associated with the launch of several new programs in its automotive operations in Michigan, as well as in its large, estimated \$95 million program in the Southeast that caused significant losses in its automotive business unit. These costs (associated with higher than anticipated scrap rates and additional direct labor requirements) caused significant losses in this business unit. In 2006, the Company enjoyed materially better results in its automotive business unit.

During 2006, demand remained strong from customers in the aerospace and defense and medical industries. Military efforts in Iraq and elsewhere have created demand for molded uniform and gear components from the Company's Component Products division. The aging population needing more medical care kept demand high for medical packaging products, medical device components, dental products and orthopedic components. The strong demand from customers in these markets, coupled with increased sales from the large automotive contract, generated record sales for the Company in 2006.

In its latest 10-Q filing, UFPT said that the business climate softened in early 2007, particularly within the automotive market where December holiday plant shutdowns extended well into January and customer orders continued to often be below forecast. The Company mentioned that it invested in sales resources to target opportunities in the automotive market and that currently, the pipeline of pending quotes is very strong. However, UFPT said the decline in sales to the automotive market reflected a general softness that it believes will continue for the near future.

As the Company's Component Product sales are largely affected by the automotive market, we believe the outlook for that market could play an important role in forecasting UFPT's Component Product rate of growth. In a recent U.S. Department of Commerce report (The Road Ahead for the U.S. Auto Market, March 2007), it was mentioned that market analysts are forecasting U.S. vehicle sales volume in 2007 to be slightly lower than in 2006.

We continue to believe that UFP Technologies is in a position to grow by acquisition. In its latest earnings release, R. Jeffrey Bailly, President and CEO of UFP Technologies, said that the Company's strong balance sheet has positioned UFPT to invest in growth opportunities, including new products and promising acquisition candidates.

Projections

Typically, the Company's strongest quarters are its second and fourth quarters. With second quarter revenue coming in below our expectation, we are lowering our revenue estimates. We believe that negative growth in the automotive market will more than offset the moderate growth we believe the Packaging Products segment will see resulting in a moderate decrease in revenue for 2007.

We are forecasting moderate growth in the Company's packaging Products Segment based on slow economic growth. In August 2007, The Conference Board said that the performance of the leading index so far in the first half of 2007 continues to suggest that the economy is likely to grow in the near term, albeit at a slow pace.

For fiscal 2007, we estimate UFPT's sales will be approximately \$89.9 million and the Company will report net income of \$2.9 million or \$0.50 per diluted share. Previous estimates for fiscal 2007 called for sales of \$94.0 million and net income of \$3.2 million or \$0.55 per diluted share. The decrease in our estimates is primarily due to one of the typically strongest quarters (Q2) coming in below our top line expectations causing us to realign our estimates. Also, higher than anticipated SG&A expenses due to the hiring of additional direct sellers in the second quarter of 2007 helped to lower our earnings estimates.

Although we are projecting a decrease in revenue for fiscal 2007, we believe that margins will increase as automotive sales, with typically lower margins, will make up a smaller percentage of total revenue. We are also assuming lower interest expense due to lower levels of debt and a 38% tax rate which is in line with the first half of 2007.

Our estimates for fiscal 2008 are made with the assumption that UFPT will begin to return to its historic rate of revenue growth (average of 9% over the past five years). For fiscal 2008, we estimate UFPT's revenue will grow by 5% to \$94.4 million and the Company will report net income of \$4.4 million or \$0.74 per diluted share. Previous estimates for fiscal 2008 called for sales of \$98.7 million and net income of \$4.0 million or \$0.69 per diluted share. The decrease in our fiscal 2008 revenue estimate is primarily due to our lowered fiscal 2007 revenue assumptions. Our increased earnings estimates for fiscal 2008 are primarily due to larger gross margins than we originally assumed in the first half of 2007.

Other assumptions include:

- continued growth in SG&A expenses as revenues grow,
- lower interest expense as the Company continues to pay down its debt, 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

As of April 27, 2007, insiders held approximately 32% 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.

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% and 46% in 2006 and 2005, respectively, of total revenues. 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.

Share-based compensation

In December 2004, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123(R) (SFAS 123(R) "Share-Based Payment". SFAS 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values at the date of grant. Pro forma disclosure is no longer an alternative. SFAS 123(R) is effective for public companies at the beginning of the first fiscal year beginning after June 15, 2005.

UFP Technologies adopted SFAS 123(R) in the first quarter of fiscal 2006 and believes the effect will be comparable to the pro forma effect it has shown in the past. For fiscal 2005, UFP Technologies' pro forma stock-based compensation expense was \$0.553 million. UFP Technologies recorded stock-based compensation expense of \$0.459 million in fiscal 2006 and \$0.365 million in the first half of fiscal 2007.

Liquidity

With only 5.3 million shares outstanding and 4.0 million in the float, liquidity issues must be considered. Average daily volume has been approximately 40,000 shares. Any significant trading in shares of UFPT could result in large swings in the price of the stock.

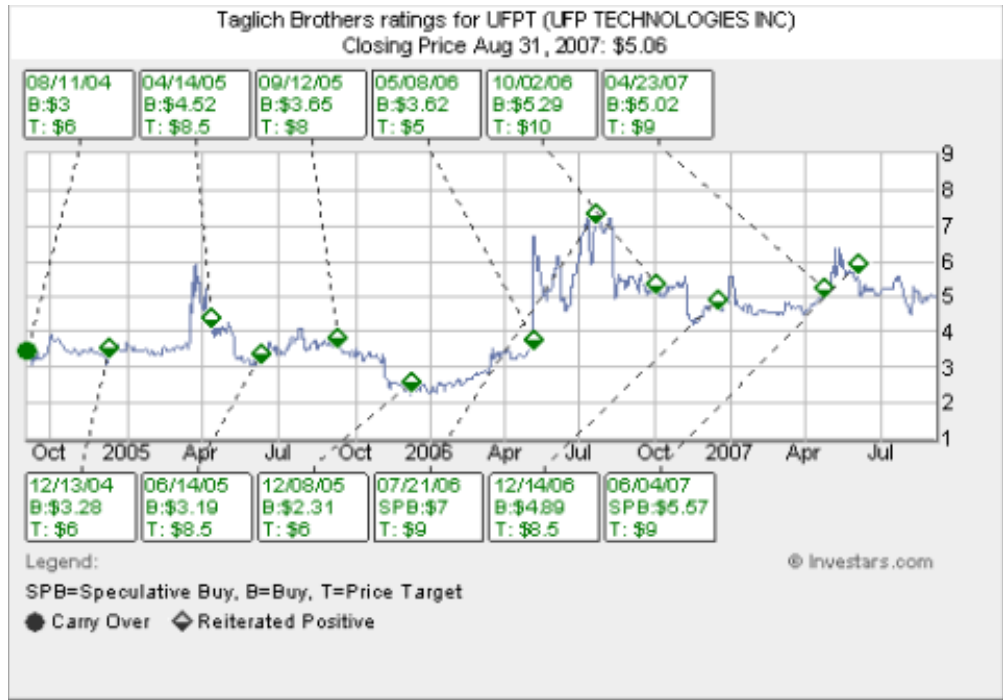
Miscellaneous risks

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.

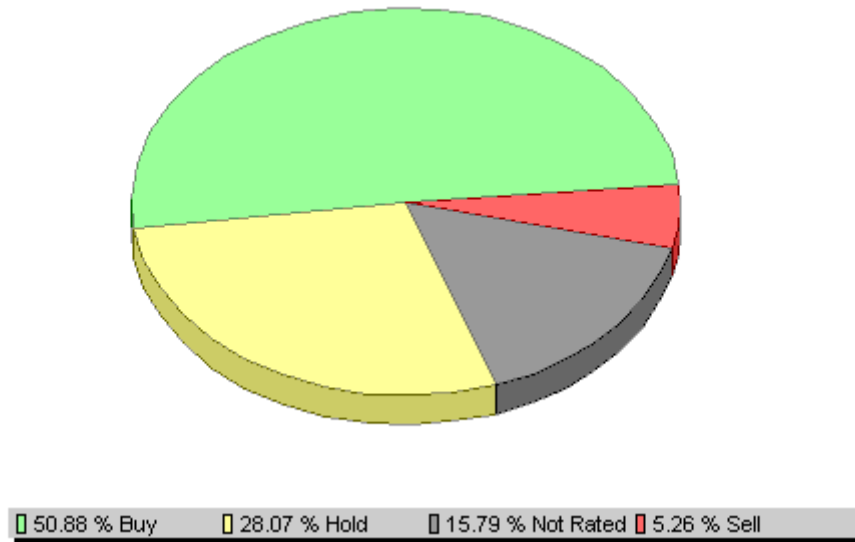
Conclusion

We are reiterating our Speculative Buy rating for shares of UFP Technologies (NASDAQ CM: UFPT) with a twelve month price target of \$9.00 per share. We believe that negative growth in the automotive market will more than offset the moderate growth we believe the Packaging Products segment will see resulting in a moderate decrease in revenue for 2007. We also believe that UFPT will return to positive revenue growth in fiscal 2008 as the economy continues its slow growth.

UFP Technologies, Inc.



Taglich Brothers' Current Ratings Distribution



Investment Banking Services for Companies Covered in the Past 12 Months		
Rating	#	%
Buy	1	3.23%
Hold	0	0.00%
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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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, 2005</u>	<u>December 31, 2006</u>	<u>June 30, 2007</u>
Assets			
Current assets:			
Cash and cash equivalents	\$ 265	\$ 1,017	\$ 2,313
Receivables	15,300	11,629	12,539
Inventories	6,441	5,930	5,664
Prepaid expenses	792	766	1,035
Deferred income taxes	<u>782</u>	<u>1,032</u>	<u>1,032</u>
Total current assets	23,580	20,374	22,583
Net property, plant and equipment	10,973	10,137	10,021
Cash surrender value of officers life insurance	140	158	158
Deferred income taxes	2,494	1,388	768
Goodwill	6,481	6,481	6,481
Other assets	<u>332</u>	<u>499</u>	<u>596</u>
Total Assets	<u>\$ 44,000</u>	<u>\$ 39,037</u>	<u>\$ 40,607</u>
Liabilities & stockholders' equity			
Current liabilities:			
Notes payable	\$ 7,991	\$ -	\$ -
Current portion of long-term debt	1,087	1,078	713
Current portion of capital lease obligations	639	689	668
Accounts payable	6,063	4,620	4,568
Accrued taxes and other expenses	<u>4,480</u>	<u>5,750</u>	<u>5,218</u>
Total current liabilities	20,260	12,137	11,167
Long-term debt	5,286	4,604	5,016
Capital lease obligations	2,363	2,317	1,983
Minority interest	634	616	554
Other liabilities	<u>696</u>	<u>738</u>	<u>849</u>
Total liabilities	29,239	20,412	19,569
Total stockholders' equity	<u>14,761</u>	<u>18,625</u>	<u>21,038</u>
Total liabilities & stockholders' equity	<u>\$ 44,000</u>	<u>\$ 39,037</u>	<u>\$ 40,607</u>

UFP Technologies, Inc.

Annual Income Statements for the Years Ended
(in thousands)

	<u>FY(12/04)A</u>	<u>FY(12/05)A</u>	<u>FY(12/06)A</u>	<u>FY(12/07)E</u>	<u>FY(12/08)E</u>
Net sales	\$ 68,624	\$ 83,962	\$ 93,749	\$ 89,893	\$ 94,400
Cost of sales	<u>54,653</u>	<u>69,361</u>	<u>74,512</u>	<u>69,349</u>	<u>71,270</u>
Gross profit	13,971	14,601	19,237	20,545	23,130
<i>Gross Margin</i>	20.36%	17.39%	20.52%	22.85%	24.50%
Restructuring charge	(280)	-	-	-	-
SG&A	<u>12,106</u>	<u>12,431</u>	<u>14,183</u>	<u>15,271</u>	<u>15,725</u>
Operating income	2,145	2,170	5,054	5,274	7,405
<i>Operating Margin</i>	3.13%	2.58%	5.39%	5.87%	7.84%
Interest expense, other income and expenses	<u>(786)</u>	<u>(1,303)</u>	<u>(1,046)</u>	<u>(522)</u>	<u>(250)</u>
Income before taxes	1,359	867	4,008	4,752	7,155
Income tax	<u>488</u>	<u>208</u>	<u>1,493</u>	<u>1,806</u>	<u>2,774</u>
<i>Tax rate</i>	35.91%	23.99%	37.25%	38.01%	38.77%
Net Income / (Loss)	<u>\$ 871</u>	<u>\$ 659</u>	<u>\$ 2,515</u>	<u>\$ 2,945</u>	<u>\$ 4,381</u>
Basic EPS	<u>\$ 0.19</u>	<u>\$ 0.14</u>	<u>\$ 0.50</u>	<u>\$ 0.55</u>	<u>\$ 0.81</u>
Diluted EPS	<u>\$ 0.17</u>	<u>\$ 0.13</u>	<u>\$ 0.45</u>	<u>\$ 0.50</u>	<u>\$ 0.74</u>
Basic Shares Outstanding	4,617	4,798	5,023	5,312	5,400
Diluted Shares Outstanding	4,995	5,261	5,571	5,875	5,900
<u>Percent of Revenue</u>					
Cost of goods sold	79.64%	82.61%	79.48%	77.15%	75.50%
SG&A	17.64%	14.81%	15.13%	16.99%	16.66%
<u>Year / Year Growth</u>					
Total Revenues	12.68%	22.35%	11.66%	-4.11%	5.01%
Net Income	157.45%	-24.34%	281.64%	17.10%	48.76%
EPS	151.65%	-28.17%	260.40%	11.04%	48.13%

Quarterly Income Statement for the Year Ended 2006
(in thousands)

	<u>Q1(3/06)A</u>	<u>Q2(6/06)A</u>	<u>Q3(9/06)A</u>	<u>Q4(12/06)A</u>	<u>FY(12/06)A</u>
Net sales	\$ 24,141	\$ 24,534	\$ 21,737	\$ 23,337	\$ 93,749
Cost of sales	<u>19,262</u>	<u>19,245</u>	<u>17,561</u>	<u>18,445</u>	<u>74,513</u>
Gross profit	4,879	5,289	4,176	4,892	19,236
<i>Gross Margin</i>	20.21%	21.56%	19.21%	20.96%	20.52%
SG&A	<u>3,657</u>	<u>3,872</u>	<u>3,293</u>	<u>3,360</u>	<u>14,182</u>
Operating income	1,222	1,417	883	1,532	5,054
<i>Operating Margin</i>	5.06%	5.78%	4.06%	6.56%	5.39%
Interest expense, other income & expenses	<u>(295)</u>	<u>(289)</u>	<u>(245)</u>	<u>(217)</u>	<u>(1,046)</u>
Income before taxes	927	1,128	638	1,315	4,008
Income tax (benefit)	<u>353</u>	<u>428</u>	<u>242</u>	<u>470</u>	<u>1,493</u>
<i>Tax rate</i>	38.08%	37.94%	37.93%	35.74%	37.25%
Net Income / (Loss)	\$ 574	\$ 700	\$ 396	\$ 845	\$ 2,515
Basic EPS	\$ 0.12	\$ 0.14	\$ 0.08	\$ 0.16	\$ 0.50
Diluted EPS	\$ 0.11	\$ 0.13	\$ 0.07	\$ 0.15	\$ 0.45
Basic Shares Outstanding	4,874	4,974	5,098	5,151	5,023
Diluted Shares Outstanding	5,233	5,568	5,722	5,686	5,571
<u>Percent of Revenue</u>					
Cost of goods sold	79.79%	78.44%	80.79%	79.04%	79.48%
SG&A	15.15%	15.78%	15.15%	14.40%	15.13%
<u>Year / Year Growth</u>					
Total Revenues	32.70%	17.29%	0.41%	0.58%	11.66%
Net Income	575.29%	122.93%	365.77%	107.11%	281.64%
EPS	555.48%	115.76%	351.28%	93.96%	264.54%

UFP Technologies, Inc.

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

	<u>Q1(3/07)A</u>	<u>Q2(6/07)A</u>	<u>Q3(9/07)E</u>	<u>Q4(12/07)E</u>	<u>FY(12/07)E</u>
Net sales	\$ 22,013	\$ 23,180	\$ 22,000	\$ 22,700	\$ 89,893
Cost of sales	<u>17,413</u>	<u>17,395</u>	<u>17,402</u>	<u>17,139</u>	<u>69,349</u>
Gross profit	4,600	5,785	4,598	5,562	20,545
<i>Gross Margin</i>	20.90%	24.96%	20.90%	24.50%	22.85%
SG&A	<u>3,613</u>	<u>4,058</u>	<u>3,650</u>	<u>3,950</u>	<u>15,271</u>
Operating income	987	1,727	948	1,612	5,274
<i>Operating Margin</i>	4.48%	7.45%	4.31%	7.10%	5.87%
Interest expense, other income & expenses	<u>(146)</u>	<u>(151)</u>	<u>(125)</u>	<u>(100)</u>	<u>(522)</u>
Income before taxes	841	1,576	823	1,512	4,752
Income tax (benefit)	<u>320</u>	<u>599</u>	<u>313</u>	<u>574</u>	<u>1,806</u>
<i>Tax rate</i>	38.05%	38.01%	38.00%	38.00%	38.01%
Net Income / (Loss)	<u>\$ 521</u>	<u>\$ 977</u>	<u>\$ 510</u>	<u>\$ 937</u>	<u>\$ 2,945</u>
Basic EPS	<u>\$ 0.10</u>	<u>\$ 0.18</u>	<u>\$ 0.10</u>	<u>\$ 0.17</u>	<u>\$ 0.55</u>
Diluted EPS	<u>\$ 0.09</u>	<u>\$ 0.17</u>	<u>\$ 0.09</u>	<u>\$ 0.16</u>	<u>\$ 0.50</u>
Basic Shares Outstanding	5,206	5,290	5,350	5,400	5,312
Diluted Shares Outstanding	5,747	5,861	5,920	5,970	5,875
<u>Percent of Revenue</u>					
Cost of goods sold	79.10%	75.04%	79.10%	75.50%	77.15%
SG&A	16.41%	17.51%	16.59%	17.40%	16.99%
<u>Year / Year Growth</u>					
Total Revenues	-8.81%	-5.52%	1.21%	-2.73%	-4.11%
Net Income	-9.23%	39.57%	28.85%	10.90%	17.11%
EPS	-15.02%	31.23%	22.78%	5.79%	10.75%

UFP Technologies, Inc.

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

	FY2005	FY2006	6mos2007
<i>Cash Flows from Operating Activities</i>			
Net income	\$ 659	\$ 2,515	\$ 1,498
Depreciation & amortization	2,937	3,060	1,410
Equity in net income of unconsolidated affiliate	(13)	(15)	(15)
Minority interest	305	87	43
(Gain) loss on disposal of property, plant and equipment	-	10	(33)
Share-based compensation	-	459	365
Stock issued in lieu of compensation	240	144	256
Deferred income taxes	(98)	857	619
<i>Changes in assets and liabilities</i>			
Receivables	(3,481)	3,768	(911)
Inventories	(1,205)	598	266
Prepaid expenses	(81)	25	(268)
Accounts payable	1,336	(647)	(87)
Accrued taxes and other	495	1,270	(532)
Retirement and other liabilities	(85)	42	112
Cash surrender value of officers' life insurance	(14)	(18)	-
Other assets	13	(61)	(131)
Net Cash Provided by Operations	1,008	12,094	2,592
<i>Cash Flows from Investing Activities</i>			
Additions to property, plant and equipment	(1,110)	(1,516)	(1,259)
Payments from affiliated company	13	15	15
Proceeds from sale of property, plant and equipment	-	30	32
Acquisition of assets of Stephens Packaging	-	(309)	-
Net Cash Used in Investing	(1,097)	(1,780)	(1,212)
<i>Cash Flows from Financing Activities</i>			
Borrowings (payments) of notes payable	67	(7,991)	-
Change in book overdrafts	1,062	(832)	35
Proceeds from long-term borrowings	731	-	786
Distribution to United Development Company partners	(105)	(105)	(105)
Proceeds from exercise of stock options	-	-	202
Tax benefit from exercise of non-qualified stock options	-	177	81
Net proceeds from sale of common stock	75	568	12
Principal repayments of long-term debt	(1,367)	(691)	(739)
Principle repayments of capital lease obligations	(427)	(2,047)	(356)
Proceeds from refinancing capital leases	-	1,359	-
Net cash Provided Financing	36	(9,562)	(84)
Net change in Cash	(53)	752	1,296
Cash - Beginning of Period	318	265	1,017
Cash - End of Period	\$ 265	\$ 1,017	\$ 2,313