TAGLICHBROTHERS
The Standard of Excellence in the Microcap Market
Member: FINRA, SIPC

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 9, 2008

UFPT $9.78 — (NASDAQ CM)

	FY (2006)A	FY (2007)A	FY (2008)E	FY (2009)E
Revenues (millions)	$93.7	$93.6	$112.0	$123.0
Earnings per share (diluted)	$0.45	$0.71	$0.69	$1.14

52-Week range	$14.63 – $4.91	Fiscal year ends:	December
Shares outstanding as of 7/17/08	5.6 million	Revenue per share (TTM)	$17.18
Approximate float	4.3 million	Price/Sales (TTM)	0.6X
Market capitalization	$55 million	Price/Sales (2009)E	0.5X
Tangible book value/share	$3.93	Price/Earnings (TTM)	11.1X
Price/tangible book	2.5X	Price/Earnings (2009)E	8.6X

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 twelve-month price target of $16.00 per share.

On August 5, 2008, UFPT reported second quarter 2008 net sales increased 23% to $28.5 million from $23.2 million. Excluding sales from the recent acquisition of Stephenson & Lawyer (S&L), sales for the three-month period ended June 30, 2008, increased $2.0 million, or 8.6%. Net income increased to $1.6 million or $0.25 per diluted share versus net income of $1.0 million or $0.17 per diluted share.

Economic activity slowed as evidenced by real GDP growth at a 2.1 percent average annual rate in the first half of 2008 which is lower than the average annual growth rate of 2.3 percent in the second half of 2007. Although the economy slowed 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 an elevated chance of further economic weakening in the near term.

With the chance for further weakening of the economy in the near term, we believe that UFP Technologies' organic growth will slow in the second half of 2008 resulting in fiscal 2008 organic growth of 6%. However, with the contribution from S&L, we believe total net sales will grow by approximately 20% in fiscal 2008.

For fiscal 2008, we estimate UFPT's revenue will grow by 20% to $112.0 million and the Company will report net income of $4.4 million or $0.69 per diluted share. For fiscal 2009, we estimate UFPT's revenue will grow by 10% (a reversion back to its current core rate of growth due to an improving economy) to $123.0 million and the Company will report net income of $7.4 million or $1.14 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 42% of UFPT's total sales in the first six months of fiscal 2008, while Component Products made up 58%.

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%.

2nd Quarter Financial Results

For the second quarter ended June 30, 2008, versus the same period in 2007:

- Net sales increased 23% to $28.5 million from $23.2 million.
- Gross margins increased to 26.8% from 25.0%.
- SG&A expenses increased to $5.0 million from $4.1 million.
- Net income was $1.6 million or $0.25 per diluted share versus net income of $1.0 million or $0.17 per diluted share.

In comparison, Taglich Brothers' estimates called for second quarter net sales of $28.3 million and net income of $1.5 million or $0.24 per diluted share.

Sales for the three-month period ended June 30, 2008, included sales from the recently acquired Stephenson & Lawyer (S&L). Excluding sales of S&L, sales increased 8.6%. The increase in UFP sales was primarily due to increased sales to a key customer in the electronics industry (Packaging segment) of approximately $0.5 million and increased sales of molded fiber packaging products (Packaging segment) of approximately $0.8 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 1.4% improvement in gross margin across both business segments), as well as the leveraging of fixed overhead costs with higher sales (approximately 0.5% 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 $0.4 million, additional selling expenses of approximately $0.2 million (both business segments) as well as normal inflationary activity.

Balance Sheet

As of June 30, 2008, the Company had cash of $4.5 million, working capital of $14.2 million, long-term debt of $4.3 million, long-term capital lease obligations of $1.2 million, and a tangible book value of $3.93 per share. The Company generated approximately $5.4 million cash from operations in the first six months 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 June 30, 2008, UFPT had an available balance under its line of credit of approximately $14.1 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 January 1, 2008. Operating out of a 255,000-square-foot manufacturing plant, S&L specializes in the fabrication of technical urethane foams. UFP Technologies said that in addition to significantly adding to the Company's real estate, S&L brings to the Company access to this family of foams, modern manufacturing capabilities and a seasoned management team.

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

	Actual Q2(6/08)	Actual Q2(6/07)	Pro-forma Q2(6/07)
Net sales	$ 28,456	$ 23,180	$ 26,644
Operating income	2,644	1,727	1,576
Net Income / (Loss)	$ 1,574	$ 977	$ 975
Basic EPS	$ 0.29	$ 0.18	$ 0.18
Diluted EPS	$ 0.25	$ 0.17	$ 0.17

It appears that while the acquisition would have added approximately $3.5 million to the Company's top line in the second quarter of 2007, net income would have remained virtually unchanged 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.

On August 5, 2008, the Company committed to move forward with a plan to close its Macomb Township, Michigan, automotive plant and consolidate operations into its newly acquired 250,000 square foot building in Grand Rapids, Michigan. UFP Technologies decision was in response to the continued sluggish automotive industry and takes advantage of synergies afforded by the acquisition of Grand Rapids-based Stephenson & Lawyer in January 2008.

The Company expects to incur approximately $1.4 million in one-time, pre-tax expenses over the next six months, and to invest approximately $0.3 million in building improvements. The Company expects annual cost savings of approximately $1.2 million as a result of the plant consolidation.

Projections

Economic activity slowed as evidenced by real GDP growth at a 2.1 percent average annual rate in the first half of 2008 which is lower than the average annual growth rate of 2.3 percent in the second half of 2007. Although the economy slowed 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 an elevated chance of further economic weakening in the near term.

With the chance for further weakening of the economy in the near term, we believe that UFP Technologies' organic growth will slow in the second half of 2008 resulting in fiscal 2008 organic growth of 6%. However, with the contribution from S&L, we believe total net sales will grow by approximately 20% in fiscal 2008.

For fiscal 2008, we estimate UFPT's revenue will grow by 20% to $112.0 million and the Company will report net income of $4.4 million or $0.69 per diluted share. Previous estimates for fiscal 2008 called for sales of $111.3 million and net income of $5.5 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. The decrease in our earnings estimate is primarily due to non-recurring expenses totaling approximately $1.4 million in the second half of 2008. Excluding the $1.4 million of non-recurring expenses, we believe net income would approximate $5.2 million or $0.83 per diluted share. We have included these expenses in our SG&A estimates for the second half of fiscal 2008 of which we added $0.7 million to our SG&A assumptions for both the third and fourth quarters.

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 25.7% 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 $4.3 million excluding $1.4 million of non-recurring expenses) due to the acquisition,
- Lower interest expense as the Company continues to pay down its debt, and
- A 38% tax rate.

For fiscal 2009, we estimate UFPT's revenue will grow by 10% (a reversion back to its current core rate of growth due to an improving economy) to $123.0 million and the Company will report net income of $7.4 million or $1.14 per diluted share. Previous estimates for fiscal 2009 called for sales of $122.0 million and net income of $7.0 million or $1.14 per diluted share.

Although we are projecting higher net income than our previous projections, our earnings per share estimate remains unchanged due to an increase in the amount of diluted shares outstanding. Our revenue growth estimate is in line with the current organic growth of the Company. We are projecting gross margins will improve to 26.8% with the savings from the plant consolidation, continued growth in SG&A expenses (excluding the non-recurring expenses in 2008) 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

As of August 26, 2008, insiders held approximately 23% of the Company's total shares outstanding. As a result, insiders may 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% 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 5.6 million shares outstanding and 4.3 million in the float, liquidity issues must be considered. Average daily volume has been approximately 100,000 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).

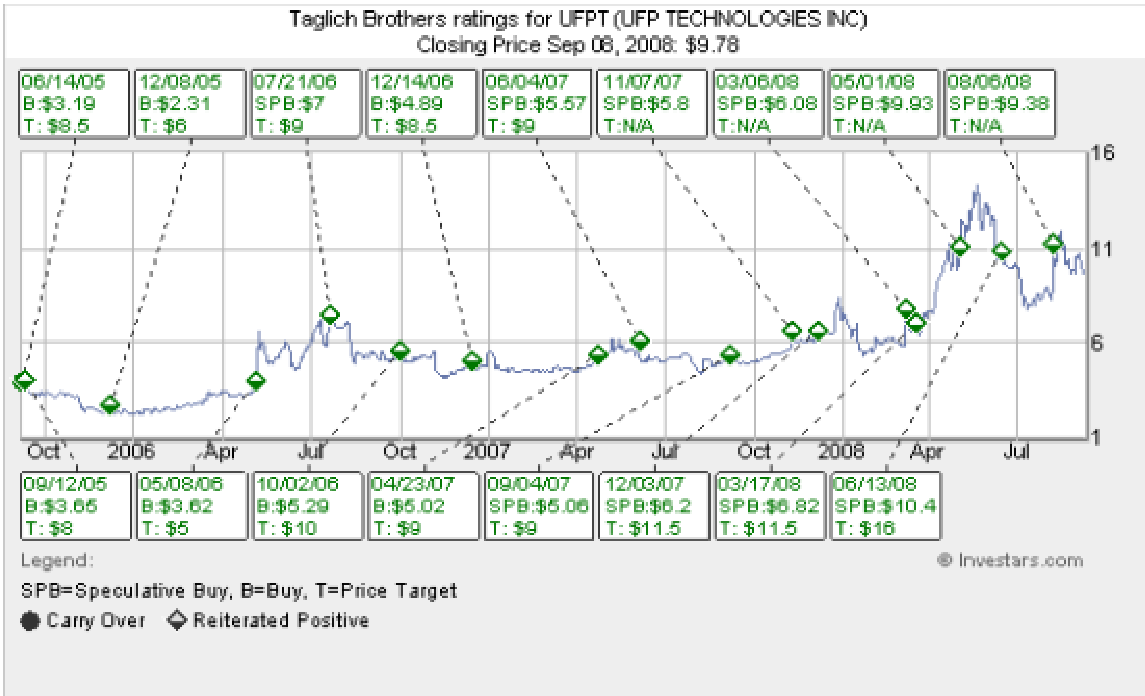
Economic activity slowed as evidenced by real GDP growth at a 2.1 percent average annual rate in the first half of 2008 which is lower than the average annual growth rate of 2.3 percent in the second half of 2007. Although the economy slowed during this time frame, UFP Technologies grew sales by an average of 10% (excluding the contribution from S&L). The latest forecast from The Conference Board is calling for an elevated chance of further economic weakening in the near term.

With the chance for further weakening of the economy in the near term, we believe that UFP Technologies’ organic growth will slow in the second half of 2008 resulting in fiscal 2008 organic growth of 6%. However, with the contribution from S&L, we believe total net sales will grow by approximately 20% in fiscal 2008.

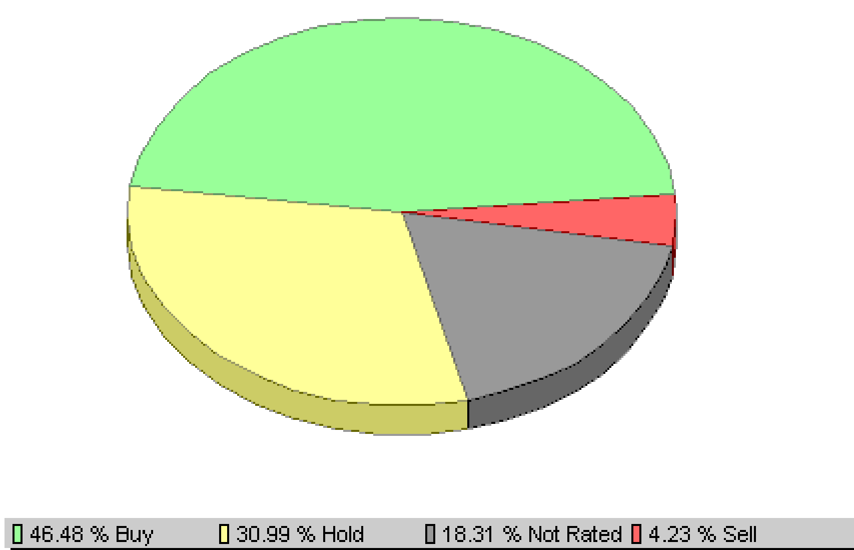
For fiscal 2008, we estimate UFPT's revenue will grow by 20% to $112.0 million and the Company will report net income of $4.4 million or $0.69 per diluted share. Previous estimates for fiscal 2008 called for sales of $111.3 million and net income of $5.5 million or $0.89 per diluted share.

For fiscal 2009, we estimate UFPT's revenue will grow by 10% (a reversion back to its current core rate of growth due to an improving economy) to $123.0 million and the Company will report net income of $7.4 million or $1.14 per diluted share. Previous estimates for fiscal 2009 called for sales of $122.0 million and net income of $7.0 million or $1.14 per diluted share.

We chose to value shares of UFPT using the Company's historic multiple of 15X earnings applied to a 12-month discounted value ($1.09) of our fiscal 2009 earnings per diluted share estimate ($1.14). We derived a discount factor of 8.1% 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.**



Taglich Brothers' Current Ratings Distribution



Investment Banking Services for Companies Covered in the Past 12 Months

Rating	#	%
Buy	0	0.00%
Hold	0	0.00%
Sell	0	0.00%
Not Rated	0	0.00%

Meaning of Ratings

Buy

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

Speculative Buy

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

Neutral

We will remain neutral pending certain developments.

Underperform

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

Sell

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

Some notable Risks within the Microcap Market

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

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

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)

Balance Sheet for the Periods Ended
(in thousands)

	December 31, 2006	December 31, 2007	June 30, 2008
Assets			
Current assets:			
Cash and cash equivalents	$ 1,017	$ 9,060	$ 4,541
Receivables	11,629	11,796	14,499
Inventories	5,930	5,877	8,852
Prepaid expenses	766	821	1,010
Deferred income taxes	1,032	1,021	940
Total current assets	20,374	28,575	29,842
Net property, plant and equipment	10,137	9,492	11,701
Deferred income taxes	1,388	189	403
Goodwill	6,481	6,481	6,481
Other assets	657	816	911
Total Assets	**$ 39,037**	**$ 45,553**	**$ 49,338**
Liabilities & stockholders' equity			
Current liabilities:			
Notes payable	$ -	$ -	$ -
Current portion of long-term debt	1,078	714	717
Current portion of capital lease obligations	689	705	730
Accounts payable	4,620	5,694	5,905
Accrued taxes and other expenses	5,750	6,510	6,819
Total current liabilities	12,137	13,623	14,171
Long-term debt	4,604	4,658	4,300
Capital lease obligations	2,317	1,613	1,241
Minority interest	616	584	511
Other liabilities	738	832	936
Total liabilities	**20,412**	**21,310**	**21,159**
Total stockholders' equity	**18,625**	**24,243**	**28,179**
Total liabilities & stockholders' equity	**$ 39,037**	**$ 45,553**	**$ 49,338**

Annual Income Statements for the Years Ended
(in thousands)

	FY(12/05)A	FY(12/06)A	FY(12/07)A	FY(12/08)E	FY(12/09)E
Net sales	**$ 83,962**	**$ 93,749**	**$ 93,595**	**$ 111,964**	**$ 123,000**
Cost of sales	69,361	74,512	70,785	83,180	90,000
Gross profit	14,601	19,237	22,810	28,784	33,000
Gross Margin	*17.39%*	*20.52%*	*24.37%*	*25.71%*	*26.83%*
SG&A	12,431	14,183	15,563	21,306	20,700
Operating income	2,170	5,054	7,247	7,478	12,300
Operating Margin	*2.58%*	*5.39%*	*7.74%*	*6.68%*	*10.00%*
Interest expense, other income and expenses	(1,303)	(1,046)	(504)	(418)	(400)
Income before taxes	867	4,008	6,743	7,060	11,900
Income tax	208	1,493	2,584	2,684	4,522
Tax rate	*23.99%*	*37.25%*	*38.32%*	*38.02%*	*38.00%*
Net Income / (Loss)	**$ 659**	**$ 2,515**	**$ 4,159**	**$ 4,376**	**$ 7,378**
Basic EPS	**$ 0.14**	**$ 0.50**	**$ 0.78**	**$ 0.79**	**$ 1.32**
Diluted EPS	**$ 0.13**	**$ 0.45**	**$ 0.71**	**$ 0.69**	**$ 1.14**
Basic Shares Outstanding	4,798	5,023	5,307	5,526	5,600
Diluted Shares Outstanding	5,261	5,571	5,861	6,340	6,470
Percent of Revenue					
Cost of goods sold	82.61%	79.48%	75.63%	74.29%	73.17%
SG&A	14.81%	15.13%	16.63%	19.03%	16.83%
Year / Year Growth					
Total Revenues	22.35%	11.66%	-0.16%	19.63%	9.86%
Net Income	-24.34%	281.64%	65.37%	5.22%	68.60%
EPS	-28.17%	260.40%	57.19%	-2.73%	65.21%

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

	Q1(3/07)A	Q2(6/07)A	Q3(9/07)A	Q4(12/07)A	FY(12/07)A
Net sales	**$ 22,013**	**$ 23,180**	**$ 22,937**	**$ 25,465**	**$ 93,595**
Cost of sales	17,413	17,395	17,635	18,342	70,785
Gross profit	4,600	5,785	5,302	7,123	22,810
Gross Margin	*20.90%*	*24.96%*	*23.12%*	*27.97%*	*24.37%*
SG&A	3,613	4,058	3,753	4,139	15,563
Operating income	987	1,727	1,549	2,984	7,247
Operating Margin	*4.48%*	*7.45%*	*6.75%*	*11.72%*	*7.74%*
Interest expense, other income & expenses	(146)	(151)	(125)	(82)	(504)
Income before taxes	841	1,576	1,424	2,902	6,743
Income tax (benefit)	320	599	541	1,125	2,584
Tax rate	*38.05%*	*38.01%*	*37.99%*	*38.77%*	*38.32%*
Net Income / (Loss)	**$ 521**	**$ 977**	**$ 883**	**$ 1,777**	**$ 4,159**
Basic EPS	**$ 0.10**	**$ 0.18**	**$ 0.17**	**$ 0.33**	**$ 0.78**
Diluted EPS	**$ 0.09**	**$ 0.17**	**$ 0.15**	**$ 0.30**	**$ 0.71**
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
Percent of Revenue					
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%
Year / Year Growth					
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)

	Q1(3/08)A	Q2(6/08)A	Q3(9/08)E	Q4(12/08)E	FY(12/08)E
Net sales	**$ 28,008**	**$ 28,456**	**$ 27,250**	**$ 28,250**	**$ 111,964**
Cost of sales	21,120	20,828	20,383	20,849	83,180
Gross profit	6,888	7,628	6,867	7,402	28,785
Gross Margin	*24.59%*	*26.81%*	*25.20%*	*26.20%*	*25.71%*
SG&A	4,922	4,984	5,700	5,700	21,306
Operating income	1,966	2,644	1,167	1,702	7,479
Operating Margin	*7.02%*	*9.29%*	*4.28%*	*6.02%*	*6.68%*
Interest expense, other income & expenses	(114)	(104)	(100)	(100)	(418)
Income before taxes	1,852	2,540	1,067	1,602	7,061
Income tax (benefit)	704	966	405	609	2,684
Tax rate	*38.01%*	*38.03%*	*38.00%*	*38.00%*	*38.01%*
Net Income / (Loss)	**$ 1,148**	**$ 1,574**	**$ 662**	**$ 993**	**$ 4,376**
Basic EPS	**$ 0.21**	**$ 0.29**	**$ 0.17**	**$ 0.18**	**$ 0.79**
Diluted EPS	**$ 0.19**	**$ 0.25**	**$ 0.10**	**$ 0.15**	**$ 0.69**
Basic Shares Outstanding	5,450	5,515	5,570	5,570	5,526
Diluted Shares Outstanding	6,091	6,389	6,440	6,440	6,340
Percent of Revenue					
Cost of goods sold	75.41%	73.19%	74.80%	73.80%	74.29%
SG&A	17.57%	17.51%	20.92%	20.18%	19.03%
Year / Year Growth					
Total Revenues	27.23%	22.76%	18.80%	10.94%	19.63%
Net Income	120.35%	61.11%	-25.08%	-44.12%	5.23%
EPS	110.48%	54.53%	0.00%	-46.08%	1.06%

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

	FY2006	FY2007	6mos2008
Cash Flows from Operating Activities			
Net income	$ 2,515	$ 4,159	$ 2,722
Depreciation & amortization	3,060	2,815	1,527
Equity in net income of unconsolidated affiliate	(15)	(15)	(7)
Minority interest	87	72	32
(Gain) loss on disposal of property, plant and equipment	10	(33)	-
Share-based compensation	459	692	690
Stock issued in lieu of compensation	144	256	344
Deferred income taxes	857	1,210	48
Changes in assets and liabilities			
Receivables	3,768	(167)	(967)
Inventories	598	53	(1,134)
Prepaid expenses	25	(55)	(143)
Accounts payable	(647)	532	274
Accrued expenses and other	1,270	760	(348)
Retirement and other liabilites	42	95	(97)
Cash surrender value of officers' life insurance	(18)	(15)	-
Other assets	(61)	(213)	(129)
Net Cash Provided by Operations	**12,094**	**10,146**	**2,812**
Cash Flows from Investing Activities			
Additions to property, plant and equipment	(1,516)	(2,101)	(1,081)
Payments from affiliated company	15	15	7
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)**	**(6,255)**
Cash Flows from Financing Activities			
Borrowings (payments) of notes payable	(7,991)	-	-
Change in book overdrafts	(832)	542	(450)
Proceeds from long-term borrowings	-	786	-
Distribution to United Development Company partners	(105)	(105)	(105)
Proceeds from exercise of stock options	-	-	139
Tax benefit from exercise of non-qualified stock options	177	215	26
Net proceeds from sale of common stock	568	296	15
Principal repayments of long-term debt	(691)	(1,095)	(356)
Principle repayments of capital lease obligations	(2,047)	(689)	(346)
Proceeds from refinancing capital leases	1,359	-	-
Net cash Provided Financing	**(9,562)**	**(50)**	**(1,077)**
Net change in Cash	**752**	**8,043**	**(4,520)**
Cash - Beginning of Period	**265**	**1,017**	**9,060**
Cash - End of Period	**$ 1,017**	**$ 9,060**	**$ 4,540**