

Taglich Brothers, Inc.

The Standard of Excellence in the Microcap Market

Member: NASD, SIPC

Research Report - Update

Investors should consider this report as only a single factor in making their investment decision.

UFP Technologies, Inc.

Rating: Buy

John Nobile

UFPT \$3.28 — (NASDAQ SC)

December 13, 2004

	FY (2002)	FY (2003)*	FY (2004)E	FY (2005)E
Revenues (millions)	\$61.2	\$60.9	\$67.9	\$78.0
Earnings per share (diluted)	\$(0.05)	\$(0.34)	\$0.10	\$0.52

52week range	\$1.44 – \$4.20	Fiscal year ends:	December
Shares outstanding (millions)	4.6	Revenue per share (TTM)	\$13.54
Trading float (millions)	2.0	Price/Sales (TTM)	0.2X
Insider + 5% ownership	57%	Price/Sales (2005)E	0.2X
Tangible book value/share	\$1.48	Price/Earnings (TTM)	NA
Price/tangible book	2.2X	Price/Earnings (2005)E	6.3X

*Includes a \$1.4 million restructuring charge.

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 Buy rating for shares of UFP Technologies (UFPT) with a twelve-month price target of \$6.00 per share.

For the third quarter ended September 30, 2004, versus the same period in 2003, net sales increased 10% to \$17.7 million from \$16.1 million. Net income was \$0.19 million or \$0.04 per diluted share versus net income of \$0.04 million or \$0.01 per diluted share in the same period in 2003. Included in the results for the third quarter of fiscal 2004 was a benefit of \$280,000 associated with the successful termination of the Company's lease obligation at its closed Visalia, California location.

We continue to believe that an investment in shares of UFPT represents good value at the current price when you consider the recent trend in earnings, the incremental revenue that the \$77 million contract should result in, and the forecasts for the markets that the Company sells to. We also believe that the Company's recent consolidation efforts should result in significant bottom-line increases with moderate increases in revenue.

For fiscal 2004, we estimate UFPT's sales will increase by 12% to \$67.9 million and the Company will report net income of \$0.5 million or \$0.10 per diluted share. For fiscal 2005, we estimate UFPT's sales will increase by 15% to \$78.0 million and the Company will report net income of \$2.6 million or \$0.52 per diluted share.

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

405 Lexington Avenue, 51st Floor, New York, N.Y. 10174
(800) 383-8464 • Fax (631) 757-1333
www.taglichbrothers.com

Business

The Company operates in two segments: Packaging Products and Component Products.

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.

Recent Financial Results

For the third quarter ended September 30, 2004, versus the same period in 2003:

- Net sales increased 10% to \$17.7 million from \$16.1 million.
- Gross margins decreased to 18.2% from 19.6%.
- SG&A expenses increased to \$3.0 million from \$2.9 million.
- Net income was \$0.19 million or \$0.04 per diluted share versus net income of \$0.04 million or \$0.01 per diluted share. Included in the results for the third quarter of fiscal 2004 was a benefit of \$280,000 associated with the successful termination of the Company's lease obligation at its closed Visalia, California location.

In comparison, Taglich Brothers' estimates called for third quarter net sales of \$17.0 million and net income of \$0.26 million or \$0.05 per diluted share.

The Company attributed the increase in net sales primarily to increased sales volume to existing customers in the medical and military markets. The decrease in gross margins was primarily due to increased start-up and launch costs related to a new large automotive program. The Company expects to launch this new program in the fourth quarter of this year.

Balance Sheet as of September 30, 2004

Cash and cash equivalents was approximately \$0.3 million. The Company has working capital of \$1.9 million, a tangible book value of \$1.48 per share and a long-term debt-to-equity ratio of 0.4X. Cash provided by operations in the third quarter of fiscal 2004 was approximately \$0.3 million. UFPT has an available balance under its line of credit of approximately \$3.5 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 and Outlook

UFPT's top line results in the third quarter beat our expectation but the bottom line was slightly below our expectation. The primary reason for the slight discrepancy in earnings was higher cost of sales than we anticipated which resulted in lower gross margins. Apparently the start-up and launch costs associated with the new automotive program exceeded our expectations; however, we believe these costs will be diminished in the coming quarters as the program launch is expected for the fourth quarter of this year.

We also believe that UFPT should experience continued growth in 2005 and beyond when you consider the current trend in sales and earnings, combined with a strengthening economy and the Company's reduced cost structure. Also, the \$77 million automotive contract should start to show further improvements in operating results later this year and into 2005.

The eight-year \$77 million contract calls for UFPT to provide molded door panels to a large Tier-1 automotive supplier. As mentioned above, manufacturing is expected to begin in the fourth quarter of 2004 with full rate production estimated for 2006. **We believe this should provide a significant boost to UFPT's components products sales in fiscal 2005 and beyond.**

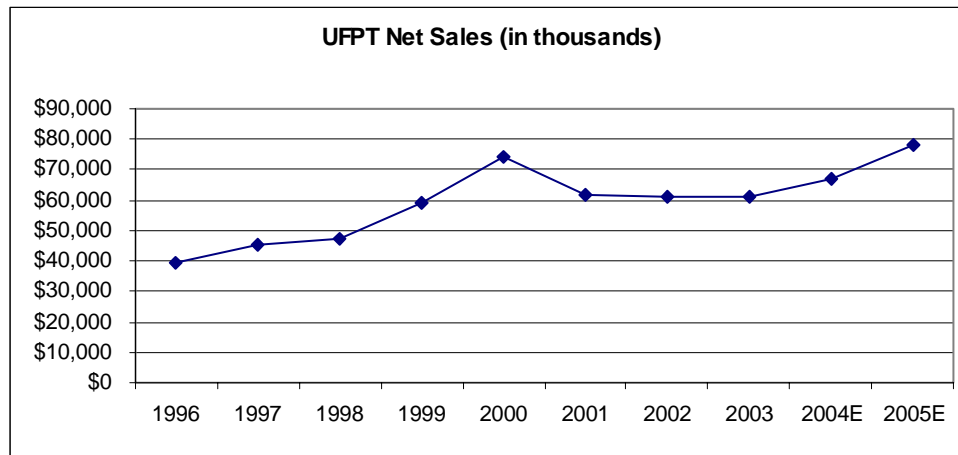
The Company has been preparing for this program for almost two years and has incurred significant operating expenses in 2003 and 2004. The Company originally committed to acquire certain equipment for a total of approximately \$3.4 million of which approximately \$2.2 million has already been incurred as of September 30, 2004. UFPT expects to procure the remaining \$1.2 million of equipment within the next six months.

We believe that there may be additional contracts for automotive trim products in the Company's future when you consider the positive outlook for this market. According to CSM Worldwide, the North American automotive interior trim market will grow to over \$10 billion by 2009 for a 33 percent increase from the \$7.5 billion market in 2004.

We believe that sales of UFP Technologies' packaging products should also do well in 2004 and 2005 when you take into consideration forecasts for the markets that the Company sells to. A significant portion of the Company's packaging products sales are to manufacturers of computer peripherals and other consumer products. According to global IT researchers Gartner, Inc., U.S. enterprises increased IT spending earlier this year and IT spending is on track for a 10% gain in 2004. **An increase in IT spending is what we believe will drive demand for UFPT's packaging products going forward.**

We believe the above information suggests that UFP Technology's sales should increase in 2004 and show stronger growth in 2005.

For fiscal 2004, we estimate UFPT's sales will increase by 12% to \$67.9 million and the Company will report net income of \$0.5 million or \$0.10 per diluted share. For fiscal 2005, we estimate UFPT's sales will increase by 15% to \$78.0 million and the Company will report net income of \$2.6 million or \$0.52 per diluted share. Our earnings estimates have decreased since our last report primarily due to the recent operating results showing lower gross margins than we originally anticipated. Once the remaining \$1.2 million of equipment related to the new automotive program is procured over the next six months, we believe that gross margins will begin to show a significant improvement. We are assuming that the \$77 million contract discussed earlier will be operating at approximately 50% of full rate production in 2005 and 100% thereafter.



Source: UFPT reports and Taglich Brothers' estimates

Risks

Cash concerns

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

Competition

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

IT spending forecasts

Although recent forecasts support an increase in IT spending for 2004 and 2005, there can be no assurance that this will actually happen. Should IT spending remain at depressed levels, the operating results of UFP Technologies are likely to be adversely affected.

Liquidity

With only 4.6 million shares outstanding and 2.0 million in the float, liquidity issues must be considered. Average daily volume is approximately 10,000 shares. Any significant trading in shares of UFPT could result in large swings in the price of the stock.

Miscellaneous risks

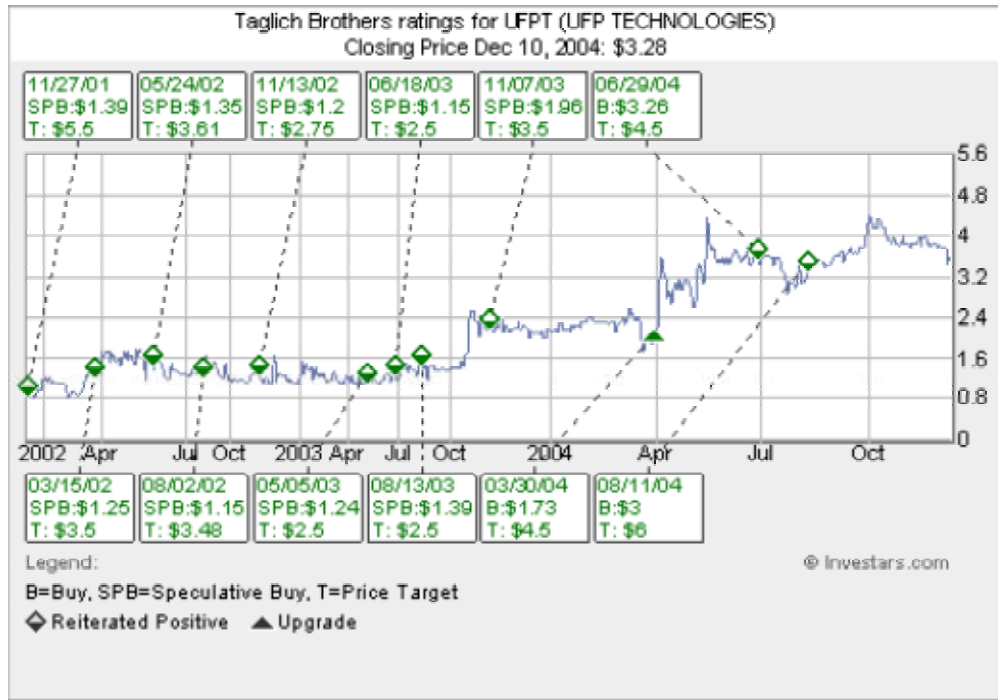
The Company's financial results and equity values are subject to other risks and uncertainties known and unknown, including but not limited to competition, operations, financial markets, regulatory risk, and/or other events. These risks may cause actual results to differ from expected results.

Conclusion and Valuation

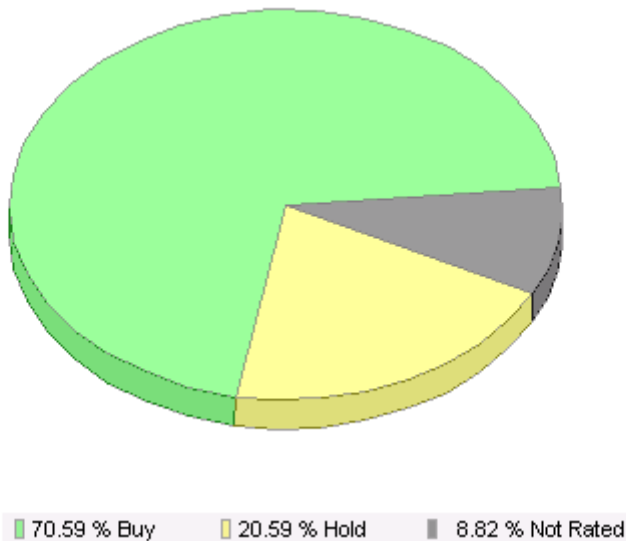
We are reiterating our **Buy** rating for shares of UFP Technologies (UFPT) with a **twelve-month price target of \$6.00**.

We continue to believe that an investment in shares of UFPT represents good value at the current price when you consider the recent trend in earnings, the incremental revenue that the \$77 million contract should result in, and the forecasts for the markets that the Company sells to. We also believe that the Company's recent consolidation efforts should result in significant bottom-line increases with moderate increases in revenue.

For fiscal 2004, we estimate UFPT's sales will increase by 12% to \$67.9 million and the Company will report net income of \$0.5 million or \$0.10 per diluted share. For fiscal 2005, we estimate UFPT's sales will increase by 15% to \$78.0 million and the Company will report net income of \$2.6 million or \$0.52 per diluted share.



Taglich Brothers' Current Ratings Distribution



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.

The information and statistical data contained herein have been obtained from sources, which we believe to be reliable but in no way are warranted by us as to accuracy or completeness. We do not undertake to advise you as to changes in figures or our views. This is not a solicitation of any order to buy or sell. Taglich Brothers, Inc. is fully disclosed with its clearing firm, Pershing, LLC, is not a market maker and does not sell to or buy from customers on a principal basis. The above statement is the opinion of Taglich Brothers, Inc. and is not a guarantee that the target price for the stock will be met or that predicted business results for the company will occur. There may be instances when fundamental, technical and quantitative opinions contained in this report are not in concert. We, our affiliates, any officer, director or stockholder or any member of their families may from time to time purchase or sell any of the above-mentioned or related securities. Analysts and members of the Research Department are prohibited from buying or selling securities issued by the companies that Taglich Brothers, Inc. has a research relationship with, except if ownership of such securities was prior to the start of such relationship, then an Analyst or member of the Research Department may sell such securities after obtaining expressed written permission from the Director of Research. As of the date of this report, Michael Taglich, President, owns 5,000 shares of UFPT common stock and Robert Taglich, Managing Director, owns 1,000 shares of UFPT common stock. All research issued by Taglich Brothers, Inc. is based on public information. Taglich Brothers, Inc. does not currently have an Investment Banking relationship with the company mentioned in this report and was not a manager or co-manager of any offering for the company within the last three years. Since February 2000, the company pays a monthly monetary fee of \$1,000 (USD) to Taglich Brothers, Inc. for the creation and dissemination of research reports.

I, John Nobile, the research analyst of this report, hereby certify that the views expressed in this report accurately reflect my personal views about the subject securities and issuers; and that no part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this report.

UFP Technologies, Inc.

Consolidated Balance Sheets
(in thousands)

	<u>September 30, 2004</u>	<u>December 31, 2003</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 289	\$ 310
Receivables	10,867	9,139
Inventories	5,100	4,413
Prepaid expenses	<u>1,668</u>	<u>1,973</u>
Total current assets	17,924	15,835
Net property, plant and equipment	11,021	11,473
Goodwill	6,481	6,481
Other assets	<u>2,885</u>	<u>2,960</u>
Total Assets	<u>\$ 38,311</u>	<u>\$ 36,749</u>
Liabilities & stockholders' equity		
Current liabilities:		
Notes payable	\$ 7,046	\$ 6,738
Current portion of long-term debt	1,111	1,049
Current portion of capital lease obligations	399	386
Accounts payable	3,868	2,632
Accrued restructuring charge	32	765
Accrued expenses and payroll withholdings	<u>3,604</u>	<u>3,056</u>
Total current liabilities	16,060	14,626
Long-term debt	5,899	6,222
Capital lease obligations	1,747	1,897
Minority interest	416	456
Other liabilities	<u>857</u>	<u>857</u>
Total liabilities	24,979	24,058
Total stockholder's equity	<u>13,332</u>	<u>12,691</u>
Total liabilities & stockholder's equity	<u>\$ 38,311</u>	<u>\$ 36,749</u>

UFP Technologies, Inc.

Annual Income Statements for the Years Ended
(in thousands)

	<u>FY(12/01)</u>	<u>FY(12/02)</u>	<u>FY(12/03)</u>	<u>FY(12/04)E</u>	<u>FY(12/05)E</u>
Net sales	\$ 61,574	\$ 61,189	\$ 60,902	\$ 67,919	\$ 78,000
Cost of sales	<u>50,649</u>	<u>49,084</u>	<u>50,178</u>	<u>54,561</u>	<u>60,000</u>
Gross profit	10,925	12,105	10,724	13,358	18,000
<i>Gross Margin</i>	<i>17.74%</i>	<i>19.78%</i>	<i>17.61%</i>	<i>19.67%</i>	<i>23.08%</i>
Restructuring charge	1,016	-	1,405	(280)	-
SG&A	<u>13,649</u>	<u>11,639</u>	<u>10,827</u>	<u>12,089</u>	<u>13,000</u>
Operating income	(3,740)	466	(1,508)	1,549	5,000
<i>Operating Margin</i>	<i>-6.07%</i>	<i>0.76%</i>	<i>-2.48%</i>	<i>2.28%</i>	<i>6.41%</i>
Interest expense, other income and expenses	<u>(1,014)</u>	<u>(843)</u>	<u>(847)</u>	<u>(773)</u>	<u>(800)</u>
Income before taxes	(4,754)	(377)	(2,355)	776	4,200
Income tax	<u>(1,711)</u>	<u>(143)</u>	<u>(839)</u>	<u>293</u>	<u>1,596</u>
<i>Tax rate</i>	<i>35.99%</i>	<i>37.93%</i>	<i>35.63%</i>	<i>37.76%</i>	<i>38.00%</i>
Net Income / (Loss)	<u>\$ (3,043)</u>	<u>\$ (234)</u>	<u>\$ (1,516)</u>	<u>\$ 483</u>	<u>\$ 2,604</u>
Basic EPS	<u>\$ (0.72)</u>	<u>\$ (0.05)</u>	<u>\$ (0.34)</u>	<u>\$ 0.10</u>	<u>\$ 0.56</u>
Diluted EPS	<u>\$ (0.72)</u>	<u>\$ (0.05)</u>	<u>\$ (0.34)</u>	<u>\$ 0.10</u>	<u>\$ 0.52</u>
Basic Shares Outstanding	4,248	4,343	4,490	4,709	4,630
Diluted Shares Outstanding	4,248	4,343	4,490	4,982	5,050
<u>Percent of Revenue</u>					
Cost of goods sold	82.26%	80.22%	82.39%	80.33%	76.92%
SG&A	22.17%	19.02%	17.78%	17.80%	16.67%
<u>Year / Year Growth</u>					
Total Revenues	-17.34%	-0.63%	-0.47%	11.52%	14.84%
Net Income	NA	NA	NA	131.86%	439.13%
EPS	NA	NA	NA	128.71%	431.87%

UFP Technologies, Inc.

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

	<u>Q1(3/03)</u>	<u>Q2(6/03)</u>	<u>Q3(9/03)</u>	<u>Q4(12/03)</u>	<u>FY(12/03)</u>
Net sales	\$ 14,245	\$ 15,353	\$ 16,056	\$ 15,248	\$ 60,902
Cost of sales	<u>11,985</u>	<u>12,614</u>	<u>12,904</u>	<u>12,676</u>	<u>50,178</u>
Gross profit	2,260	2,739	3,152	2,572	10,724
<i>Gross Margin</i>	<i>15.87%</i>	<i>17.84%</i>	<i>19.63%</i>	<i>16.87%</i>	<i>17.61%</i>
Restructuring charge	-	-	-	1,405	1,405
SG&A	<u>2,686</u>	<u>2,640</u>	<u>2,906</u>	<u>2,595</u>	<u>10,827</u>
Operating income	(426)	99	246	(1,428)	(1,508)
<i>Operating Margin</i>	<i>-2.99%</i>	<i>0.64%</i>	<i>1.53%</i>	<i>-9.37%</i>	<i>-2.48%</i>
Interest expense, other income & expenses	<u>(168)</u>	<u>(208)</u>	<u>(184)</u>	<u>(288)</u>	<u>(847)</u>
Income before taxes	(594)	(109)	62	(1,716)	(2,355)
Income tax	<u>(226)</u>	<u>(13)</u>	<u>21</u>	<u>(621)</u>	<u>(839)</u>
<i>Tax rate</i>	<i>38.05%</i>	<i>11.93%</i>	<i>33.87%</i>	<i>36.19%</i>	<i>35.63%</i>
Net Income / (Loss)	<u>\$ (368)</u>	<u>\$ (96)</u>	<u>\$ 41</u>	<u>\$ (1,095)</u>	<u>\$ (1,516)</u>
Basic EPS	<u>\$ (0.08)</u>	<u>\$ (0.02)</u>	<u>\$ 0.01</u>	<u>\$ (0.24)</u>	<u>\$ (0.34)</u>
Diluted EPS	<u>\$ (0.08)</u>	<u>\$ (0.02)</u>	<u>\$ 0.01</u>	<u>\$ (0.24)</u>	<u>\$ (0.34)</u>
Basic Shares Outstanding	4,429	4,492	4,601	4,520	4,490
Diluted Shares Outstanding	4,429	4,492	4,601	4,520	4,490
<u>Percent of Revenue</u>					
Cost of goods sold	84.13%	82.16%	80.37%	83.13%	82.39%
SG&A	18.86%	17.20%	18.10%	17.02%	17.78%
<u>Year / Year Growth</u>					
Total Revenues	-8.28%	-7.78%	5.06%	11.08%	-0.47%
Net Income	NA	NA	NA	NMF	NA
EPS	NA	NA	NA	NMF	NA

UFP Technologies, Inc.

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

	<u>Q1(3/04)</u>	<u>Q2(6/04)</u>	<u>Q3(9/04)</u>	<u>Q4(12/04)E</u>	<u>FY(12/04)E</u>
Net sales	\$ 15,934	\$ 16,827	\$ 17,658	\$ 17,500	\$ 67,919
Cost of sales	<u>12,692</u>	<u>13,166</u>	<u>14,440</u>	<u>14,263</u>	<u>54,561</u>
Gross profit	3,242	3,661	3,218	3,238	13,359
<i>Gross Margin</i>	20.35%	21.76%	18.22%	18.50%	19.67%
Restructuring charge	-	-	(280)	-	(280)
SG&A	<u>2,981</u>	<u>3,118</u>	<u>2,990</u>	<u>3,000</u>	<u>12,089</u>
Operating income	261	543	508	238	1,550
<i>Operating Margin</i>	1.64%	3.23%	2.88%	1.36%	2.28%
Interest expense, other income & expenses	<u>(174)</u>	<u>(198)</u>	<u>(201)</u>	<u>(200)</u>	<u>(773)</u>
Income before taxes	87	345	307	38	777
Income tax	<u>33</u>	<u>129</u>	<u>117</u>	<u>14</u>	<u>293</u>
<i>Tax rate</i>	37.93%	37.39%	38.11%	38.00%	37.77%
Net Income / (Loss)	<u>\$ 54</u>	<u>\$ 216</u>	<u>\$ 190</u>	<u>\$ 23</u>	<u>\$ 483</u>
Basic EPS	<u>\$ 0.01</u>	<u>\$ 0.04</u>	<u>\$ 0.04</u>	<u>\$ 0.01</u>	<u>\$ 0.10</u>
Diluted EPS	<u>\$ 0.01</u>	<u>\$ 0.04</u>	<u>\$ 0.04</u>	<u>\$ 0.00</u>	<u>\$ 0.10</u>
Basic Shares Outstanding	4,574	5,006	4,627	4,630	4,709
Diluted Shares Outstanding	4,821	5,006	5,049	5,050	4,982
<u>Percent of Revenue</u>					
Cost of goods sold	79.65%	78.24%	81.78%	81.50%	80.33%
SG&A	18.71%	18.53%	16.93%	17.14%	17.80%
<u>Year / Year Growth</u>					
Total Revenues	11.86%	9.60%	9.98%	14.77%	11.52%
Net Income	114.67%	325.00%	-363.41%	-102.12%	131.88%
EPS	114.21%	301.90%	-322.30%	-101.90%	128.73%

UFP Technologies, Inc.

Quarterly Income Statement for the Year Ending 2005
(in thousands)

	<u>Q1(3/05)E</u>	<u>Q2(6/05)E</u>	<u>Q3(9/05)E</u>	<u>Q4(12/05)E</u>	<u>FY(12/05)E</u>
Net sales	\$ 18,000	\$ 19,000	\$ 20,000	\$ 21,000	\$ 78,000
Cost of sales	<u>14,400</u>	<u>14,440</u>	<u>15,200</u>	<u>15,960</u>	<u>60,000</u>
Gross profit	3,600	4,560	4,800	5,040	18,000
<i>Gross Margin</i>	20.00%	24.00%	24.00%	24.00%	23.08%
SG&A	<u>3,100</u>	<u>3,200</u>	<u>3,300</u>	<u>3,400</u>	<u>13,000</u>
Operating income	500	1,360	1,500	1,640	5,000
<i>Operating Margin</i>	2.78%	7.16%	7.50%	7.81%	6.41%
Interest expense, other income & expenses	<u>(200)</u>	<u>(200)</u>	<u>(200)</u>	<u>(200)</u>	<u>(800)</u>
Income before taxes	300	1,160	1,300	1,440	4,200
Income tax	<u>114</u>	<u>441</u>	<u>494</u>	<u>547</u>	<u>1,596</u>
<i>Tax rate</i>	38.00%	38.00%	38.00%	38.00%	38.00%
Net Income / (Loss)	<u>\$ 186</u>	<u>\$ 719</u>	<u>\$ 806</u>	<u>\$ 893</u>	<u>\$ 2,604</u>
Basic EPS	<u>\$ 0.04</u>	<u>\$ 0.16</u>	<u>\$ 0.17</u>	<u>\$ 0.19</u>	<u>\$ 0.56</u>
Diluted EPS	<u>\$ 0.04</u>	<u>\$ 0.14</u>	<u>\$ 0.16</u>	<u>\$ 0.18</u>	<u>\$ 0.52</u>
Basic Shares Outstanding	4,630	4,630	4,630	4,630	4,630
Diluted Shares Outstanding	5,050	5,050	5,050	5,050	5,050
<u>Percent of Revenue</u>					
Cost of goods sold	80.00%	76.00%	76.00%	76.00%	76.92%
SG&A	17.22%	16.84%	16.50%	16.19%	16.67%
<u>Year / Year Growth</u>					
Total Revenues	12.97%	12.91%	13.26%	20.00%	14.84%
Net Income	244.44%	232.96%	324.21%	3740.00%	438.85%
EPS	240.28%	260.00%	323.94%	3740.00%	448.07%

Statement of Cash Flows for the Nine Months Ended
(in thousands)

	<u>September 30, 2004</u>	<u>September 30, 2003</u>
<i>Cash Flows from Operating Activities</i>		
Net income (loss)	\$ 461	\$ (422)
Depreciation & amortization	1,803	1,970
Minority interest earnings	65	-
Equity in income of uncons. affiliate and partnership	(12)	(17)
Stock issued in lieu of compensation	132	109
<i>Changes in assets and liabilities</i>		
Receivables	(1,728)	(1,274)
Inventories	(687)	(215)
Prepaid expenses and other	305	(427)
Accounts payable	901	634
Accrued restructuring charge, net	(733)	(142)
Accrued expenses and payroll	548	(438)
Retirement and other liabilities	-	(15)
Other assets	49	(13)
Net Cash Provided by Operations	1,104	(250)
<i>Cash Flows from Investing Activities</i>		
Additions to property, plant and equipment	(1,096)	(901)
Payments from affiliated company	13	52
Proceeds from surrendering life insurance	-	124
Net Cash Used in Investing	(1,083)	(725)
<i>Cash Flows from Financing Activities</i>		
Borrowings of notes payable	309	757
Change in book overdrafts	335	(68)
Principal repayments of long-term debt	(773)	(7,098)
Principle repayments of capital lease obligations	(368)	(167)
Proceeds from long-term borrowings	512	7,500
Distribution to United Development Company partners	(105)	-
Net proceeds from sale of common stock	48	48
Net cash Provided Financing	(42)	972
Net change in Cash	(21)	(3)
Cash - Beginning of Period	310	26
Cash - End of Period	\$ 289	\$ 23