



TAGLICH BROTHERS

The Standard of Excellence in the Microcap Market

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Earnings Note

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

UFP Technologies, Inc.

Rating: Speculative Buy

John Nobile

UFPT \$9.38 — (Nasdaq CM)

August 6, 2008

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)

On August 5, 2008, UFP Technologies reported fiscal 2008 second quarter results. The following table compares these results to Taglich Brothers' estimates (in thousands).

	<u>Q2(6/08)A</u>	<u>Q2(6/08)E</u>
Net sales	\$ 28,456	\$ 28,300
Cost of sales	<u>20,828</u>	<u>21,084</u>
Gross profit	7,628	7,216
<i>Gross Margin</i>	26.81%	25.50%
SG&A	<u>4,984</u>	<u>4,700</u>
Operating income	2,644	2,516
<i>Operating Margin</i>	9.29%	8.89%
Interest expense, other income & expenses	<u>(104)</u>	<u>(100)</u>
Income before taxes	2,540	2,416
Income tax (benefit)	<u>966</u>	<u>918</u>
<i>Tax rate</i>	38.03%	38.00%
Net Income / (Loss)	<u>\$ 1,574</u>	<u>\$ 1,498</u>
Basic EPS	<u>\$ 0.29</u>	<u>\$ 0.27</u>
Diluted EPS	<u>\$ 0.25</u>	<u>\$ 0.24</u>
Basic Shares Outstanding	5,515	5,500
Diluted Shares Outstanding	6,389	6,150
<u>Percent of Revenue</u>		
Cost of goods sold	73.19%	74.50%
SG&A	17.51%	16.61%
<u>Year / Year Growth</u>		
Total Revenues	22.76%	22.09%
Net Income	61.11%	53.33%
EPS	54.53%	47.47%

** Please view our disclaimer located on page 5.*

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

(800) 383-8464 • Fax (631) 757-1333

www.taglichbrothers.com

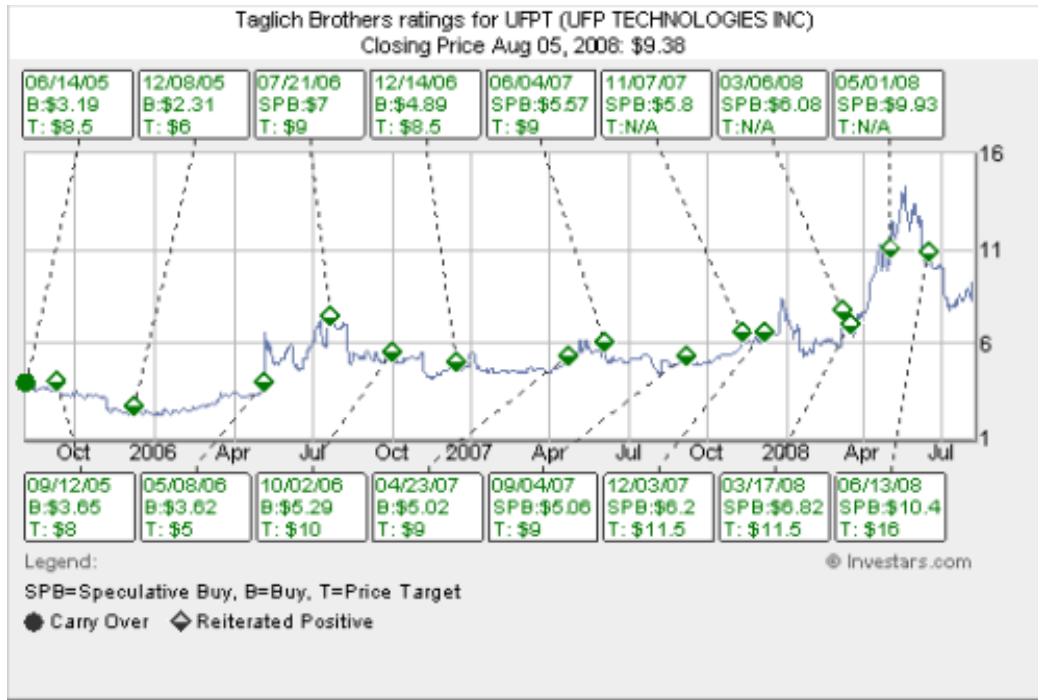
Earnings Comment: Earnings were better than we expected due to slightly higher than anticipated sales and gross margins that exceeded our expectations by 1.3%. UFP grew sales by 23% and gross margins firmed to 26.8% from 25.0%. Management said the sales increase included 9% internal growth coupled with gains from the January 2008 acquisition of Stephenson & Lawyer.

The Company anticipates the integration of Stephenson & Lawyer will bring further efficiencies as the process continues. Management said that it plans to consolidate its Detroit area automotive plant into Stephenson & Lawyer's 250,000 square foot Grand Rapids facility. Management estimates this move will cost approximately \$1.6 million and save the Company approximately \$1.2 million annually.

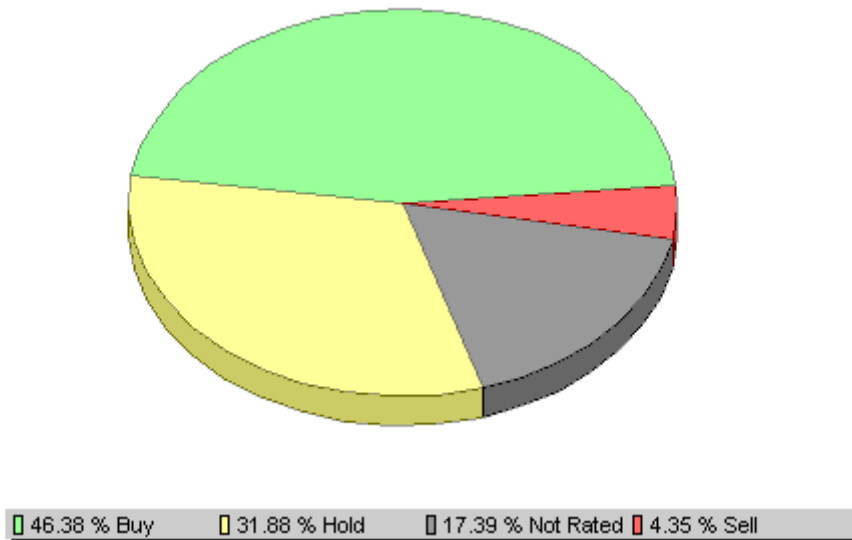
The Company said that recently, UFP Technologies, Armstrong Tools, and Pelican Case were jointly awarded a significant contract from the U.S. Army and Marines to build mobile tool kits. The five-year program is expected to generate approximately \$6 million in revenue for UFPT.

Rating: We are maintaining our Speculative Buy rating on UFP Technologies.

Risks: Please review our latest research report (June 13, 2008) for a summary of the principal risks underlying the stock.



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.

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