UFP TECHNOLOGIES INC
Form 10-K
March 27, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2008

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from **to**

Commission file number: 001-12648

UFP Technologies, Inc.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**04-2314970** (I.R.S. Employer Identification No.)
172 East Main Street, Georgetown, Massachusetts USA (Address of principal executive offices)	**01833-2107** (Zip Code)

(978) 352-2200

(Registrant s telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Name of each exchange on which registered**
Common Stock, $0.01 par value per share	The NASDAQ Stock Market L.L.C.
Preferred Share Purchase Rights	The NASDAQ Stock Market L.L.C.

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes o No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.

Yes o No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company.

Large accelerated filer o. Accelerated filer o. Non-accelerated filer o. Smaller reporting company x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No x

As of June 30, 2008, the aggregate market value of the registrant s common stock held by non-affiliates of the registrant was $48,169,111, based on the closing price of $10.01 on that date as reported on the Nasdaq Capital Market.

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date.

As of March 3, 2009, there were 5,784,982 shares of common stock, $0.01 par value per share, of the Registrant outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Document	Parts of this Form 10-K Into Which Incorporated
Portions of the registrant s Proxy Statement for the 2008 Annual Meeting of Shareholders.	Part III

PART I

This report contains certain statements that are forward-looking statements as that term is defined under the Private Securities Litigation Reform Act of 1995 and releases issued by the Securities and Exchange Commission. The words believe, expect, anticipate, intend, estimate and o expressions which are predictions of or indicate future events and trends and which do not relate to historical matters identify forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the Company to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements.

Examples of these risks, uncertainties, and other factors include, without limitation, the following: (i) economic conditions that affect sales of the products of the Company s customers, (ii) actions by the Company s competitors and the ability of the Company to respond to such actions, (iii) the ability of UFP Technologies, Inc. (the Company or UFPT) to obtain new customers, (iv) the ability of the Company to fulfill its obligations on long-term contracts, and (v) the ability of the Company to execute and integrate favorable acquisitions. In addition to the foregoing, the Company s actual future results could differ materially from those projected in the forward-looking statements as a result of risk factors set forth elsewhere in this report and changes in general economic conditions, interest rates and the assumptions used in making such forward-looking statements. The Company s forward-looking statements set forth in this report represent estimates and assumptions only as of the date that they are made. The Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

ITEM 1. BUSINESS

The Company s principal executive offices are located at 172 East Main Street, Georgetown, Massachusetts 01833; telephone number 978-352-2200; corporate website www.ufpt.com. We make available through our website our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to these reports filed or furnished pursuant to Section 13(a) of the Securities Exchange Act of 1934 as soon as practicable after we electronically file such material with, or furnish it to the Securities and Exchange Commission. The information found on our website is not part of this or any other report we file with or furnish to the SEC.

The Company designs and manufactures engineered packaging solutions utilizing molded fiber, vacuum-formed plastics, and molded and fabricated foam plastic products. The Company also designs and manufactures engineered component products using laminating, molding, and fabricating technologies. The Company serves a myriad of manufacturing sectors, but specifically targets opportunities in the automotive, computer and electronics, medical, aerospace and defense, industrial, and consumer markets.

The Company s high-performance cushion packaging products are made primarily from polyethylene and polyurethane foams, and a wide range of sheet plastics. These products are custom designed and fabricated or molded to provide protection for fragile and valuable items, and are sold primarily to original equipment and component manufacturers. Molded fiber products are made primarily from 100% recycled paper principally derived from waste newspaper. These products are custom designed, engineered and molded into shapes for packaging high volume consumer goods, including computer components, medical devices, other light electronics, scented candles, and health and beauty products.

In addition to packaging products, the Company fabricates and molds component products made from cross-linked polyethylene foam and other materials. The Company also laminates fabrics and other materials to cross-linked polyethylene foams, polyurethane foams and other substrates. The Company s component products include automotive interior trim, athletic and industrial safety belts, components for medical equipment and devices, abrasive nail files and other beauty aids, anti-fatigue mats, and shock absorbing inserts used in athletic and leisure footwear.

Unless the context otherwise requires, the term Company or UFPT refers to UFP Technologies, Inc. and its wholly-owned subsidiaries: Moulded Fibre Technology, Inc. (MFT), Simco Technologies, Inc. and Simco Automotive Trim, Inc. (collectively Simco), and United Development Company Limited (UDT), of which the Company owns 26.32%. Effective January 18, 2008, the term Company or UFPT also includes Stephenson & Lawyer, Inc.(S&L), the Company s wholly-owned subsidiary, and Patterson Properties Corporation, S&L s wholly-owned subsidiary, pursuant to a purchase and sale agreement that was executed on January 18, 2008.

Market Overview

Packaging

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 that do not require custom-designed packaging. Packaging products are used to contain, display, and/or protect their contents during shipment, handling, storage, marketing, and use. The Company serves both the low volume, high fragility market and the high volume industrial and consumer market with a range of product offerings, but does not materially serve the commodity packaging market.

The low volume, high fragility market is generally characterized by annual production volumes of less than 50,000 pieces. Typical goods in this market include precision instruments, medical devices, sensitive electronic components, and other high value industrial products that are very sensitive to shock, vibration, and other damage that may occur during shipment and distribution. The principal materials used to package these goods include polyethylene and polyurethane foams, foam-in-place polyurethane, and molded expanded polystyrene. Polyurethane and polyethylene foams have high shock absorbency, high resiliency, and vibration damping characteristics.

The higher volume consumer packaging market is generally characterized by annual production volumes in excess of 50,000 pieces. Typical goods in this market include toys, light electronics, computers and computer peripherals, stereo equipment, and small appliances. These goods generally do not require as high a level of shock and vibration protection as goods in the low volume, high fragility market. The principal materials used to package these goods include various molded, rigid and foamed plastics, such as expanded polystyrene foam (EPS), vacuum-formed polystyrene (PS) and polyvinyl chloride (PVC), and corrugated die-cut inserts that generally are less protective and less expensive than resilient foams and molded fiber.

Component Products

Component Products applications of foam and other types of plastics are numerous and diverse. Examples include automotive interior components, medical devices, toys, gaskets, health and beauty products, and carrying cases. Cross-linked polyethylene foams have many of the same properties as traditional polyethylene foams, including light weight, durability, resiliency, and flexibility. Cross-linked foams have many advantages over traditional foams, including the ability to be thermoformed (molded), availability in vibrant colors, a fine cell structure providing improved esthetics and lower abrasiveness, and enhanced resistance to chemicals and ultraviolet light. Certain grades of cross-linked foams can be radiation-sterilized and have been approved by the U.S. Food and Drug Administration for open wound skin contact.

Cross-linked foam can be combined with other materials to increase product applications and market applications. For example, cross-linked foams can be laminated to fabrics to produce light weight, flexible and durable insoles for athletic and walking shoes, weight lifting and industrial safety belts, gun holsters, backpacks, and other products for the leisure, athletic and retail markets. The Company believes that, as a result of their many advantages, cross-linked foam and cross-linked foam laminated products are being used in a wide range of markets as substitutes for traditional rubber, leather, and other product material alternatives.

Regulatory Climate

The packaging industry has been subject to user, industry, and legislative pressure to develop environmentally responsible packaging alternatives that reduce, reuse, and recycle packaging materials. Government authorities have enacted legislation relating to source reduction, specific product bans, recycled content, recyclability requirements, and green marketing restrictions.

In order to provide packaging that complies with all regulations regardless of a product s destination, manufacturers seek packaging materials that meet both environmentally related demands and performance specifications. Some packaging manufacturers have responded by reducing product volume and ultimate waste product disposal through reengineering traditional packaging products; adopting new manufacturing processes; participating in recovery and reuse systems for resilient materials that are inherently reusable; creating programs to recycle packaging following its useful life; and developing materials that use a high percentage of recycled content in their manufacture. Wherever feasible, the Company employs one or more of these techniques to create environmentally responsible packaging products.

Products

The Company s products include foam, plastic, and fiber packaging products, and component products.

Packaging Products

The Company designs, manufactures, and markets a broad range of packaging products primarily using polyethylene, polyurethane and cross-linked polyethylene foams, and rigid plastics. These products are custom-designed and fabricated or molded to provide protection for less durable, higher value items, and are primarily sold to original equipment and component manufacturers. 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 or routed inserts for cases and plastic trays for medical devices and components. Markets for these products are typically characterized by lower to moderate volumes where performance, such as shock absorbency and vibration damping, is valued.

The Company s engineering personnel collaborate directly with customers to study and evaluate specific customer requirements. Based on the results of this evaluation, packaging products are engineered to customer specifications using various types and densities of materials with the goal of providing the desired protection for the lowest cost and with the lowest physical package volume. The Company believes that its engineering expertise and breadth of product and manufacturing capabilities have enabled it to provide unique solutions to achieve these goals.

The markets for the Company s molded fiber packaging and vacuum-formed trays are characterized by high volume production runs and require rapid manufacturing turnaround times. Raw materials used in the manufacture of molded fiber are primarily recycled newspaper, a variety of other grades of recycled paper and water. Raw materials used in vacuum-formed plastics include polystyrene (PS) and polyvinyl chloride (PVC). These products compete with expanded polystyrene (EPS) and manually assembled corrugated die-cut inserts.

The Company s molded fiber products provide customers with packaging solutions that are more responsive to stringent environmental packaging regulations worldwide and meet the demands of environmentally-aware consumers while simultaneously meeting customer cost and performance objectives.

Component Products

The Company specializes in engineered products that use the Company s close tolerance manufacturing capabilities and its expertise in various foam materials and lamination techniques, and the Company s ability to manufacture in clean room environments. The Company s component products are sold primarily to customers in the automotive, sporting goods, medical, beauty, leisure, and footwear industries. These products include automotive interior trim, athletic and industrial safety belts, components for medical equipment and devices, abrasive nail files and other beauty aids, anti-fatigue mats, and shock absorbing inserts used in athletic and leisure footwear.

The Company believes that it is one of the largest purchasers of cross-linked foam in the United States and as a result it has been able to establish important relationships with the relatively small number of suppliers of this product. Through its strong relationships with cross-linked foam suppliers, the Company believes that it is able to offer customers a wide range of cross-linked foam products.

The Company benefits from its ability to custom design its own proprietary manufacturing equipment in conjunction with its machinery suppliers. For example, the Company has custom-designed its own lamination machines, allowing the Company to achieve adhesive bonds between cross-linked foam and fabric and other materials that do not easily combine. These specialty laminates typically command higher prices than traditional foam products.

Marketing and Sales

The Company markets and sells its packaging and component products in the United States principally through direct regional sales forces comprised of skilled engineers. The Company also uses independent manufacturer representatives to sell its products. The Company s sales engineers collaborate with customers and the Company s design and manufacturing experts to develop custom engineered solutions on a cost-effective basis. The Company also markets its products through attendance by in-house market specialists at trade shows and expositions. The Company markets a line of products to the health and beauty industry, primarily through distributors. The Company believes that its sales are somewhat seasonal, with increased sales in the second and fourth quarters.

The top customer in the Company s Component Products segment, Recticel Interiors North America, comprised 23% of that segment s total sales and 13% of the Company s total sales for the year ended December 31, 2008. The top customer in the Packaging segment, Stephen Gould Corporation, comprised 11% of that segment s total sales and 5% of the Company s total sales for the year ended December 31, 2008. The loss of either Recticel or Stephen Gould Corp. as a customer could have a material adverse effect on the Company.

Manufacturing

The Company s manufacturing operations consist primarily of cutting, molding, vacuum forming, laminating, and assembly. For custom molded foam products, the Company s skilled engineering personnel analyze specific customer requirements to design and build prototype products to determine product functionality. Upon customer approval, prototypes are converted to final designs for commercial production runs.

Molded cross-linked foam products are produced in a thermoforming process using heat, pressure, and precision metal tooling.

Cushion foam packaging products that do not utilize cross-linked foam are fabricated by cutting shapes from blocks of foam using specialized cutting tools, routers, waterjets and hot wire equipment, and assembling these shapes into the final product using a variety of foam welding or gluing techniques. Products can be used on a stand-alone basis or bonded to another foam product or other material such as a corrugated medium.

Laminated products are produced through a process whereby the foam medium is heated to the melting point. The heated foam is then typically bonded to a non-foam material through the application of mechanical pressure.

Molded fiber products are manufactured by vacuum forming a pulp of recycled or virgin paper materials onto custom engineered molds. With the application of vacuum and air, the molded parts are pressed and transferred to an in-line conveyorized dryer from which they exit ready for packing or subsequent value-added operations.

The Company does not manufacture any of the raw materials used in its products. With the exception of certain grades of cross-linked foam and technical polyurethane foams, these raw materials are available from multiple supply sources. Although the Company relies upon a limited number of suppliers for cross-linked foam, the Company s relationships with such suppliers are good, and the Company expects that these suppliers will be able to meet the Company s requirements for cross-linked foam. Any delay or interruption in the supply of raw materials could have a material adverse effect on the Company s business.

Research and Development

The Company s engineering personnel continuously explore design and manufacturing techniques as well as new innovative materials to meet the unique demands and specifications of its customers. Because the Company s products tend to have relatively short life cycles, research and development is an integral part of the Company s ongoing cost structure.

Competition

The packaging industry is highly competitive. While there are several national companies that sell interior packaging, the Company s primary competition for its packaging products has been from smaller independent regional manufacturing companies. These companies generally market their products in specific geographic areas from neighboring facilities. In addition, the Company s foam and fiber packaging products compete against products made from alternative materials, including expanded polystyrene foams, die-cut corrugated, plastic peanuts, plastic bubbles, and foam-in-place urethane.

The component products industry is also highly competitive. The Company s component products face competition primarily from smaller companies that typically concentrate on production of component products for specific industries. The Company believes that its access to a wide variety of materials, its engineering expertise, its ability to combine foams with other materials such as plastics and laminates, and its ability to manufacture products in a clean room environment will enable it to continue to compete effectively in the engineered component products market. The Company s component products also compete with products made from a wide range of other materials, including rubber, leather and other foams.

The Company believes that its customers typically select vendors based on price, product performance, product reliability, and customer service. The Company believes that it is able to compete effectively with respect to these factors in each of its targeted markets.

Patents and Other Proprietary Rights

The Company relies upon trade secrets, patents, and trademarks to protect its technology and proprietary rights. The Company believes that the improvement of existing products, reliance upon trade secrets and unpatented proprietary know-how, and the development of new products are generally as important as patent protection in establishing and maintaining a competitive advantage. Nevertheless, the Company has obtained patents and may continue to make efforts to obtain patents, when available, although there can be no assurance that any patent obtained will provide substantial protection or be of commercial benefit to the Company, or that its validity will be upheld if challenged.

The Company has four U.S. patents relating to its molded fiber technology (including certain proprietary machine designs), and has patents with respect to such technology in certain foreign countries. The Company also has a total of thirteen U.S. patents relating to technologies including foam and packaging, rubber mat, patterned nail file, and superforming process technologies. There can be no assurance that any patent or patent application of the Company will provide significant protection for the Company s products and technology, or will not be challenged or circumvented by others. The expiration dates for the Company s US patents range from 2009 through 2022.

Environmental Considerations

In addition to offering molded fiber packaging products made from recycled paper derived primarily from post-consumer newspaper waste, the Company 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, the Company 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 the Company s products and business.

Backlog

The Company s backlog, as of February 16, 2009, and February 17, 2008, totaled approximately $8.5 million and $10.7 million, respectively, for the Packaging segment, and $14.5 million and $26.2 million, respectively, for the Component Products segment. The backlog consists of purchase orders for which a delivery schedule within the next twelve months has been specified by customers. Orders included in the backlog may be canceled or rescheduled by customers without significant penalty. The backlog as of any particular date should not be relied upon as indicative of the Company s revenues for any period.

Employees

As of January 31, 2009, the Company had a total of 586 full-time employees (as compared to 614 full-time employees as of February 8, 2008), with 297 full-time employees in the Component Products segment (26 in engineering, 215 in manufacturing operations, 25 in marketing, sales and support services, and 31 in general and administration) and 289 full-time employees in the Packaging segment (28 in engineering, 221 in manufacturing, 19 in marketing, sales and support services, and 21 in general and administration). The Company is not a party to any collective bargaining agreement. The Company considers its employee relations to be good.

ITEM 1A. RISK FACTORS

You should carefully consider the risks described below and the other information in this report before deciding to invest in shares of our common stock. These are the risks and uncertainties we believe are most important for you to consider. Additional risks and uncertainties not presently known to us, which we currently deem immaterial or which are similar to those faced by other companies in our industry or business in general, may also impair our business operations. If any of the following risks or uncertainties actually occurs, our business, financial condition and operating results would likely suffer. In that event, the market price of our common stock could decline and you could lose all or part of your investment.

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The recent worldwide financial turmoil and associated economic downturn has and is likely to continue to harm our business and prospects.

The recent worldwide financial turmoil and associated economic downturn has adversely affected, and is likely to continue to adversely affect, sales of our products, thereby harming our business and prospects. A slow-down or reduction in industrial output or a contraction of the United States economy may reduce the requirements for certain of our products or for certain end-user products into which our products are incorporated. These factors would likely result in decreased demand and increased pricing pressures on the sales of our products.

We depend on a small number of customers for a large percentage of our revenues. The loss of any single customer, a reduction in sales to any such customer, or the decline in the financial condition of any such customer could have a material adverse effect on our business, financial condition, and results of operations.

A limited number of customers typically represent a significant percentage of our revenues in any given year. Our top ten customers represent approximately 40% of our total revenues in both 2008 and 2007. A single automotive program accounted for approximately 31% and 30%, respectively, of our Component Products segment sales and approximately 18% of our total sales in 2008 and 2007. The program is scheduled to phase out beginning in 2011. It is uncertain at this time whether the phase-out will occur according to this schedule, or whether it will happen on a more aggressive timeframe. It is also uncertain whether the next generation of automobiles in this program will require the same design of parts and, if so, whether we will be selected as the supplier. We expect sales from this program to decline over the next three years. Our revenues are directly dependent on the ability of our customers to develop, market, and sell their products in a timely, cost-effective manner. The loss of a significant portion of our expected future sales to any of our large customers would have a material adverse effect on our business, financial condition, and financial results. Likewise, a material adverse change in the financial condition of any of these customers, for example, due to a loss of liquidity by such a customer due to the current financial downturn, could have a material adverse effect on our ability to collect accounts receivable from any such customer.

Fluctuations in the supply of components and raw materials we use in manufacturing our products could cause production delays or reductions in the number of products we manufacture, which could materially adversely affect our business, financial condition and results of operations.

Our business is subject to the risk of periodic shortages of raw materials. We purchase raw materials pursuant to purchase orders placed from time to time in the ordinary course of business. Failure or delay by such suppliers in supplying us necessary raw materials could adversely affect our ability to manufacture and deliver products on a timely and competitive basis. For example, a key supplier of technical urethane foams has recently filed for protection under Chapter 11 of the US Bankruptcy Code. As of this point of time, there has been no interruption in the supply of such foams, but there can be no guarantee that such interruption will not occur in the near future.

While we believe that we may, in certain circumstances, secure alternative sources of these materials, we may incur substantial delays and significant expense in doing so, the quality and reliability of alternative sources may not be the same and our operating results may be materially adversely affected. Alternative suppliers might charge significantly higher prices for materials than we currently pay. Under such circumstances, the disruption to our business could have a material

adverse impact on our customer relationships, business, financial condition, and results of operations.

Reductions in the availability of energy supplies or an increase in energy costs may increase our operating costs.

We use electricity and natural gas at our manufacturing facilities to operate our equipment. Over the past several years, prices for electricity and natural gas have fluctuated significantly. An outbreak or escalation of hostilities between the United States and any foreign power and, in particular, a prolonged armed conflict in the Middle East, or a natural disaster such as the recent hurricanes and related flooding in the oil producing region of the Gulf Coast of the United States, could result in a real or perceived shortage of petroleum and/or natural gas, which could result in an increase in the cost of electricity or energy generally as well as an increase in the cost of our raw materials, of which many are petroleum-based. In addition, increased energy costs negatively impact our freight costs due to higher fuel prices. Future limitations on the availability or consumption of petroleum products and/or an increase in energy costs, particularly electricity for plant operations, could have a material adverse effect upon our business and results of operations.

Our Packaging segment may lose business if our customers shift their manufacturing offshore.

Historically, geography has played a large factor in the packaging business. Manufacturing and other companies shipping products typically buy packaging from companies that are relatively close to their manufacturing facilities to increase shipping efficiency and decrease costs. As many U.S. companies move their manufacturing operations overseas, particularly to the Far East, the associated packaging business often follows. We have lost customers in the past and may lose customers again in the future as a result of customers moving their manufacturing facilities offshore, then hiring our competitors that operate packaging-production facilities perceived to be more territorially advantageous. As a result, our sales may suffer, which could have a material adverse effect upon our business and results of operations.

Failure to retain key personnel could impair our ability to execute our business strategy.

The continuing service of our executive officers and essential engineering, technical and management personnel, together with our ability to attract and retain such personnel, is an important factor in our continuing ability to execute our strategy. There is substantial competition to attract such employees, and the loss of any such key employees could have a material adverse effect on our business and operating results. The same could be true if we were to experience a high turnover rate among engineering and technical personnel and we were unable to replace them.

Members of our board of directors and management who also are our stockholders exert significant influence over us.

Based on information made available to us, we believe that our executive officers, directors and their affiliates collectively owned approximately 12.9% of our outstanding shares of common stock as of June 30, 2008. As a result, those stockholders may, if acting together, control or exert substantial influence over actions requiring stockholders approval, including elections of our directors, amendments to our certificate of incorporation, mergers, sales of assets or other business acquisitions or dispositions.

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We may pursue acquisitions or joint ventures that involve inherent risks, any of which may cause us to not realize anticipated benefits.

Our business strategy includes the potential acquisition of businesses and entering into joint ventures and other business combinations that we expect will complement and expand our business. For example, on January 18, 2008, we acquired Stephenson & Lawyer, Inc., as discussed in Note 18 of the *Notes to Consolidated Financial Statements*. We may not be able to successfully identify suitable acquisition or joint venture opportunities or complete any particular acquisition, combination, joint venture or other transaction on acceptable terms. Our identification of suitable acquisition candidates and joint venture opportunities involves risks inherent in assessing the values, strengths, weaknesses, risks and profitability of these opportunities including their effects on our business, diversion of our management s attention and risks associated with unanticipated problems or unforeseen liabilities. If we are successful in pursuing future acquisitions or joint ventures, we may be required to expend significant funds, incur additional debt, or issue additional securities, which may materially and adversely affect our results of operations and be dilutive to our stockholders. If we spend significant funds or incur additional debt, our ability to obtain financing for working capital or other purposes could decline and we may be more vulnerable to economic downturns and competitive pressures. In addition, we cannot guarantee that we will be able to finance additional acquisitions or that we will realize any anticipated benefits from acquisitions or joint ventures that we complete. Should we successfully acquire another business, the process of integrating acquired operations into our existing operations may result in unforeseen operating difficulties and may require significant financial resources that would otherwise be available for the ongoing development or expansion of our existing business. Our failure to identify suitable acquisition or joint venture opportunities may restrict our ability to grow our business.

As a public company, we need to comply with the reporting obligations of the Securities Exchange Act of 1934 and Section 404 of the Sarbanes-Oxley Act of 2002. If we fail to comply with the reporting obligations of the Exchange Act and Section 404 of the Sarbanes-Oxley Act, or if we fail to maintain adequate internal controls over financial reporting, our business, results of operations and financial condition, and investors confidence in us, could be materially and adversely affected.

As a public company, we are required to comply with the periodic reporting obligations of the Exchange Act, including preparing annual reports, quarterly reports and current reports. Our failure to prepare and disclose this information in a timely manner could subject us to penalties under federal securities laws, expose us to lawsuits, and restrict our ability to access financing. We may identify areas requiring improvement with respect to our internal control over financial reporting, and we may be required to design enhanced processes and controls to address issues identified. This could result in significant delays and cost to us and require us to divert substantial resources, including management time, from other activities. If we fail to maintain the adequacy of our internal controls, we may not be able to ensure that we can conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with the Sarbanes-Oxley Act. Moreover, effective internal controls are necessary for us to produce reliable financial reports and are important to help prevent fraud.

Provisions of our corporate charter documents, Delaware law, and our stockholder rights plan may dissuade potential acquirers, prevent the replacement or removal of our current management and may thereby affect the price of our common stock.

The board of directors has the authority to issue up to 1,000,000 shares of preferred stock and to determine the price, rights, preferences, privileges, and restrictions, including voting rights of those shares without any further vote or action by the stockholders. The rights of the holders of common stock will be subject to, and may be adversely affected by, the rights of the holders of any preferred stock that may be issued in the future. The issuance of preferred stock, while providing flexibility in connection with possible financings, acquisitions and other corporate purposes, could have the effect of making it more difficult for a third party to acquire a majority of our outstanding voting stock. We have no present plans to issue shares of preferred stock. Further, certain provisions of our certificate of incorporation, bylaws, and Delaware law could delay or make more difficult a merger, tender offer or proxy contest involving us.

We also have a stockholder rights plan designed to protect and enhance the value of our outstanding equity interests in the event of an unsolicited attempt to acquire us in a manner or on terms not approved by the board of directors and that would prevent stockholders from realizing the full value of their shares of our common stock. Its purposes are to deter those takeover attempts that the board believes are undesirable, to give the board more time to evaluate takeover proposals and consider alternatives, and to increase the board s negotiating position to enhance value in the event of a takeover. The rights issued pursuant to the plan are not intended to prevent all takeovers of our company. However, the rights may have the effect of rendering more difficult or discouraging our acquisition. The rights may cause substantial dilution to a person or group that attempts to acquire us on terms or in a manner not approved by the board of directors, except pursuant to an offer conditioned upon the negation, purchase, or redemption of the rights with respect to which the condition is satisfied.

Additional provisions of our certificate of incorporation and bylaws could have the effect of making it more difficult for a third party to acquire a majority of our outstanding voting common stock. These include provisions that classify our board of directors, limit the ability of stockholders to take action by written consent, call special meetings, remove a director for cause, amend the bylaws, or approve a merger with another company. In addition, our bylaws set forth advance notice procedures for stockholders to nominate candidates for election as directors or to bring matters before an annual meeting of stockholders.

We are subject to the provisions of Section 203 of the Delaware General Corporation Law which prohibits a publicly-held Delaware corporation from engaging in a business combination with an interested stockholder for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in a prescribed manner. For purposes of Section 203, a business combination includes a merger, asset sale or other transaction resulting in a financial benefit to the interested stockholder, and an interested stockholder is a person who, either alone or together with affiliates and associates, owns (or within the past three years did own) 15% or more of the corporation s voting stock.

ITEM 2. **PROPERTIES**

The following table presents certain information relating to each of the Company s properties:

Location	Square Feet	Lease Expiration Date	Principal Use
Georgetown, Massachusetts(2)	57,600	(owned by the Company)	Headquarters, fabrication, molding, test lab, clean room, and engineering for Component Products segment
Grand Rapids, Michigan(2),(3)	255,260	(owned by the Company)	Fabrication and engineering for the Component Products segment
Decatur, Alabama(1)	47,250	12/31/11	Fabrication and engineering for the Packaging segment
Decatur, Alabama	14,000	month-to-month	Warehousing and fabrication for the Packaging segment
Kissimmee, Florida(1)	49,400	12/31/11	Fabrication, molding, test lab, and engineering for the Packaging segment
Miami, Florida	7,000	11/30/09	Warehousing and fabrication for the Packaging segment
Haverhill, Massachusetts	48,772	2/28/13	Flame lamination for the Component Products segment
Raritan, New Jersey	67,125	2/28/13	Fabrication, molding, test lab, clean-room, and engineering for the Packaging segment
Clinton, Iowa	60,000	12/31/14	Molded fiber operations for the Packaging segment
Clinton, Iowa	62,000	2/28/15	Molded fiber operations for the Packaging segment
Addison, Illinois	30,000	07/31/10	Fabrication and engineering for the Packaging segment
Addison, Illinois	15,000	06/30/10	Fabrication and engineering for the Packaging segment
Ventura, California	48,300	month-to-month	Fabrication and engineering for the Component Products segment
Atlanta, Georgia	47,000	04/30/11	Fabrication and engineering for the Component Products segment
El Paso, Texas	40,000	6/30/10	Warehousing and fabrication for the Packaging segment

(1) United Development Company Limited, a Florida limited partnership and an affiliate of the Company and certain officers, directors and stockholders of the Company, is the lessor of these properties. United Development Company Limited was consolidated into the Company s financial statements in 2003 (see Note 1 to the Consolidated Financial Statements).

(2) Subject to mortgage (see Note 8 to the Consolidated Financial Statements).

(3) Acquired as part of the Stephenson & Lawyer acquisition on January 18, 2008

ITEM 3. LEGAL PROCEEDINGS

The Company is not a party to any material pending legal proceedings.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE TO SECURITY HOLDERS

None.

PART II

ITEM 5. MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Price

From July 8, 1996, until April 18, 2001, the Company s Common Stock was listed on the NASDAQ National Market under the symbol UFPT. Since April 19, 2001, the Company s Common Stock has been listed on the NASDAQ Capital Market. The following table sets forth the range of high and low quotations for the Common Stock as reported by NASDAQ for the quarterly periods from January 1, 2007, to December 31, 2008:

Fiscal Year Ended December 31, 2007	High	Low
First Quarter	$ 5.78	$ 4.41
Second Quarter	6.43	4.56
Third Quarter	5.88	4.45
Fourth Quarter	8.75	5.03

Fiscal Year Ended December 31, 2008	High	Low
First Quarter	$ 7.83	$ 5.20
Second Quarter	14.63	7.36
Third Quarter	12.18	6.71
Fourth Quarter	7.09	3.92

Number of Stockholders

As of February 16, 2009, there were 90 holders of record of the Company s Common Stock.

Due to the fact that many of the shares are held by brokers and other institutions on behalf of stockholders, the Company is unable to estimate the total number of individual stockholders represented by these holders of record.

Dividends

The Company did not pay any dividends in 2008, although prior to becoming a public company in December 1993, the Company had from time to time paid cash dividends on its capital stock. The Company presently intends to retain all of its earnings to provide funds for the operation of its business, although it would consider paying cash dividends in the future. The Company s ability to pay dividends is subject to approval by its principal lending institution.

Stock Plans

The Company maintains two active stock option plans to provide long-term rewards and incentives to the Company s key employees, officers, employee directors, non-employee directors and advisors. The 1993 Employee Stock Option Plan provides for the issuance of up to 1,550,000 shares of the Company s Common Stock. The 1993 Director Plan provided for the issuance of 110,000 shares of the Company s Common Stock to non-employee directors; this plan was frozen with the inception of the 1998 Director Plan, which provides for the issuance of up to 975,000 shares of the Company s Common Stock to non-employee directors. Additional details of these plans are discussed in Note 12 to the consolidated financial statements.

Through June 2008, the Company also maintained an Employee Stock Purchase Plan, which was intended to qualify as an employee stock purchase plan under Section 423 of the Internal Revenue Code of 1986.

The Company also maintains the 2003 Incentive Plan, which provides the Company with the ability to offer equity-based incentives to present and future executives and other employees who are in a position to contribute to the long-term success and growth of the Company.

Each of these plans and their amendments has been approved by the Company s stockholders.

Summary plan information as of December 31, 2008, is as follows:

	Number of shares of UFPT common stock to be issued (1)	Weighted average exercise price of outstanding options	Number of shares of UFPT common stock remaining available for future issuance
1993 Employee Plan	634,375	$ 2.36	322,293
1993 Director Plan			
1998 Director Plan	338,808	4.11	334,890
Total Option Plans	973,183	$ 2.97	657,183
1998 Employee Stock Purchase Plan			
2003 Incentive Plan	352,000		461,321
Total All Stock Plans	1,325,183		1,118,504

(1) Will be issued upon exercise of outstanding options or vesting of stock unit awards.

ITEM 6. **SELECTED FINANCIAL DATA**

The following selected financial data for the five years ended December 31, 2008, is derived from the audited consolidated financial statements of the Company. The consolidated financial statements for the 2004 fiscal year were audited by PricewaterhouseCoopers LLP. The data should be read in conjunction with the consolidated financial statements and the related notes included in this report, and in conjunction with Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations.

Selected Consolidated Financial Data:

Consolidated statement of operations data:(1),(2)	Years Ended December 31 (in thousands, except per share data) 2008	2007	2006	2005	2004
Net sales	$ 110,032	93,595	93,749	83,962	68,624
Gross profit	28,563	22,810	19,237	14,601	13,971
Operating income	8,425(3)	7,247	5,054	2,171	2,144
Net income	5,116	4,159	2,515	659	871
Diluted earnings per share	0.82	0.71	0.45	0.14	0.17
Weighted average number of diluted shares outstanding	6,263	5,861	5,571	5,261	4,995

Consolidated balance sheet data:(1),(2)	As of December 31 (in thousands) 2008	2007	2006	2005	2004
Working capital	$ 18,688	14,952	8,236	3,321	1,431
Total assets	48,723	45,553	39,037	44,000	39,632
Short-term debt and capital lease obligations	1,419	1,419	1,767	9,716	9,484
Long-term debt and capital lease obligations, excluding current portion	4,852	6,271	6,921	7,650	7,497
Total liabilities	17,355	21,310	20,412	29,239	25,846
Stockholders equity	31,367	24,243	18,625	14,761	13,787

(1) See Note 20 to the consolidated financial statements for segment information.

(2) Amounts include the consolidation of United Development Company Limited, a 26.32%-owned real estate limited partnership. See Note 1 to the consolidated financial statements.

(3) Amount includes restructuring charges of $1.3 million.

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This report contains certain statements that are forward-looking statements as that term is defined under the Private Securities Litigation Reform Act of 1995 and releases issued by the Securities and Exchange Commission. The words believe, expect, anticipate, intend, plan, estimat other expressions, which are predictions of or indicate future events and trends and that do not relate to historical matters, identify forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the Company to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements.

Examples of these risks, uncertainties and other factors include, without limitation, the following: (i) economic conditions that affect sales of the products of the Company s customers; (ii) actions 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. In addition to the foregoing, the Company s actual future results could differ materially from those projected in the forward-looking statements as a result of the risk factors set forth elsewhere in this report and changes in general economic conditions, interest rates and the assumptions used in making such forward-looking statements. The Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

Investment in and Advances to Affiliated Partnership

The Company has a 26.32% ownership interest in a realty limited partnership, United Development Company Limited (UDT). In compliance with the provisions of FIN 46R, the Company has consolidated the financial statements of UDT for all periods presented, because when including related party ownership the Company effectively owns greater than 50% of UDT.

Results of Operations

The following table sets forth, for the years indicated, the percentage of revenues represented by the items as shown in the Company s consolidated statements of operations:

	2008	2007	2006
Net sales	100.0%	100.0%	100.0%
Cost of sales	74.0%	75.6%	79.5%
Gross profit	26.0%	24.4%	20.5%
Selling, general and administrative expenses	17.1%	16.7%	15.1%
Restructuring charge	1.2%	0.0%	0.0%
Operating income	7.7%	7.7%	5.4%
Total other expenses, net	0.3%	0.5%	1.1%
Income before income taxes	7.4%	7.2%	4.3%
Income tax expense	2.8%	2.8%	1.6%
Net income	4.6%	4.4%	2.7%

Overview

UFP Technologies is an innovative designer and custom converter of foams, plastics, and fiber products. The Company serves a myriad of markets, but specifically targets opportunities in the automotive, computers and electronics, medical, aerospace and defense, industrial, and consumer markets.

On January 18, 2008, the Company acquired Stephenson & Lawyer, Inc. (S&L), a Grand Rapids, Michigan-based foam fabricator. Operating out of a 255,000-square-foot manufacturing plant, S&L specializes in the fabrication of technical urethane foams. In addition to significantly adding to the Company s real estate, S&L brings access to this family of foams, modern manufacturing capabilities, and a seasoned management team to the Company. The acquisition is an example of the

Company s dual strategy of growing its top line organically through a focused marketing plan as well as through strategic acquisitions.

The Company reported record earnings for its fiscal year ended December 31, 2008, largely due to increased sales and stronger gross margins. However, it experienced a softening of sales in the fourth quarter of 2008. Sales to the automotive industry have weakened significantly as holiday shutdowns started earlier than normal and extended well into January 2009, largely attributable to very soft automotive sales in North America. Given the current condition of the automobile industry as well as the overall weak economy, the Company expects continued soft sales at least through the first quarter of 2009.

2008 Compared to 2007

Net sales increased 17.6% to $110.0 million in the year ended December 31, 2008, from $93.6 million in the same period of 2007. Without its newly acquired plant in Grand Rapids, Michigan (Component Products segment), sales increased 4% for the year ended December 31, 2008. Sales in the Component Products segment increased 13.1% to $60.8 million for the year ended December 31, 2008, from $53.8 million in the same period of 2007. The increase is primarily due to sales of $12.7 million from the newly acquired plant in Grand Rapids, partially offset by a decrease in sales to the automotive industry of approximately $5.9 million. The Company believes that sales to the automotive industry will continue to weaken in 2009. Sales in the Engineered Packaging segment increased 23.5% to $49.2 million for the year ended December 31, 2008, from $39.8 million in the same period of 2007. The increase in sales is largely due to an increase in sales of $3.9 million to a key electronics customer, as well as increased demand for environmentally friendly molded fiber packaging.

Gross profit as a percentage of sales (Gross Margin) increased to 26.0% in 2008 from 24.4% in 2007. The improvement in gross margin is primarily attributable to Company-wide continued strategic pricing and manufacturing efficiency initiatives (material and labor as a percentage of sales are down 1.2% and 0.8%, respectively) partially offset by lower gross margins in the Company s automotive plants (Component Products segment).

Selling, General and Administrative Expenses (SG&A) increased 20.9% to $18.8 million for the year ended December 31, 2008, from $15.6 million in 2007. As a percentage of sales, SG&A was 17.1% and 16.7% in the years ended December 31, 2008, and 2007, respectively. The increase in SG&A spending is primarily attributable to increased SG&A from the newly acquired plant in Grand Rapids of approximately $2.2 million (Component Products segment) as well as increased equity-based compensation of approximately $600,000 (Component Products and Packaging segments).

The Company recorded a restructuring charge of approximately $1.3 million during the year ended December 31, 2008, associated with the consolidation of its Macomb Township, Michigan, automotive operations into its newly acquired plant in Grand Rapids, Michigan. The $1.3 million charge is for the costs associated with vacating the Macomb Township premises, severance, relocation and stay-bonuses for its employees, equipment moving and hook-up costs, and training and other start-up costs. As of December 31, 2008, the move was completed and all significant costs had been incurred.

Interest expense decreased to approximately $334,000 for the year ended December 31, 2008, from $479,000 in 2007. The decrease in interest expense is primarily attributable to lower average borrowings.

The Company recorded income tax expense as a percentage of pre-tax income of 36.9% and 38.3% for the years ended December 31, 2008, and 2007, respectively. The Company has deferred tax assets on its books associated with net operating losses generated in previous years. The Company has considered both positive and negative available evidence in its determination that the deferred tax assets will be realized, and has not recorded a tax valuation allowance at December 31, 2008. The Company will continue to assess the realizability of deferred tax assets created by recording tax benefits on operating losses and, where appropriate, record a valuation allowance against these assets. The amount of the net deferred tax asset considered realizable, however, could be reduced in the near term, if estimates of future taxable income during the carryforward period are reduced.

2007 Compared to 2006

The Company s net sales decreased slightly to $93.6 million for the year ended December 31, 2007, from $93.7 million in 2006. While 2007 sales were virtually the same as sales in 2006, there was a shift in product mix. Sales in the Component Products segment decreased approximately 4.2%, largely due to shrinking sales to the automotive market. The Company attributes the reduction in automotive sales to the end of certain programs in its Michigan plant, as well as the maturing of its large southeast automotive program. Sales to the automotive industry declined by approximately $1.9 million. The decline was largely offset by an approximately 4.8% increase in Engineered Packaging segment sales. The Company attributes this increase primarily to approximately $1.3 million in increased sales of case insert products to key accounts.

Gross profit as a percentage of sales (Gross Margin) increased to 24.4% in 2007 from 20.5% in 2006. The improvement in gross margin is primarily attributable to manufacturing efficiency initiatives, particularly in the Company s automotive operations (Component Products segment). The Company estimates that these initiatives in the automotive operations improved gross margins by approximately 2.0%.

Selling, General and Administrative Expenses (SG&A) increased 9.7% to $15.6 million for the year ended December 31, 2007, from $14.2 million in 2006. As a percentage of sales, SG&A was 16.7% and 15.1% in the years ended December 31, 2007, and 2006, respectively. The increase in SG&A spending is primarily attributable to increased sales resources of approximately $700,000 (across both business segments) as well as equity-based compensation resulting from the implementation of SFAS No. 123R (Component Products and Packaging segments) of approximately $250,000.

Interest expense decreased to approximately $479,000 for the year ended December 31, 2007, from $964,000 in 2006. The decrease in interest expense is primarily attributable to lower average borrowings partially offset by the impact of higher interest rates.

The Company recorded income tax expense as a percentage of pre-tax income of 38.3% and 37.3% for the years ended December 31, 2007, and 2006, respectively. The higher effective tax rate for 2007 reflects a reduction in the amount of eligible research and development tax credits expected to be taken on the Company s 2007 tax returns. The Company has deferred tax assets on its books associated with net operating losses generated in previous years. The Company has considered both

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positive and negative available evidence in its determination that the deferred tax assets will be realized, and has not recorded a tax valuation allowance at December 31, 2007. The Company expects to utilize a significant amount of its federal net operating losses when it prepares its 2007 tax returns. The Company will continue to assess the realizability of deferred tax assets created by recording tax benefits on operating losses and, where appropriate, record a valuation allowance against these assets. The amount of the net deferred tax asset considered realizable, however, could be reduced in the near term, if estimates of future taxable income during the carryforward period are reduced.

Liquidity and Capital Resources

The Company funds its operating expenses, capital requirements, and growth plan through internally generated cash, bank credit facilities, and long-term capital leases.

As of December 31, 2008, and 2007, working capital was approximately $18,688,000 and $14,952,000, respectively. The increase in working capital is primarily attributable to an increase in receivables and inventory of approximately $959,000 and $2.3 million, respectively, due largely to the acquisition of Stephenson & Lawyer, Inc. in January 2008 and a decrease in accounts payable of approximately $2.4 million due to the timing of year-end check runs, partially offset by a decrease in cash of approximately $2.3 million due to the Company s acquisition of Stephenson & Lawyer. Cash provided from operations was approximately $7.3 million and $10.1 million in 2008 and 2007, respectively. The primary reason for the decrease in cash generated from operations in 2008 is a decrease in accounts payable of approximately $2.1 million during the fiscal year ended December 31, 2008, compared to an increase in accounts payable of approximately $500,000 during fiscal 2007. This change was caused by the difference in the timing of check runs at the end of each respective year. Net cash used in investing activities in 2008 was approximately $7.8 million and was used primarily for the acquisition of Stephenson & Lawyer, Inc. of approximately $5.2 million and the acquisition of new manufacturing equipment of approximately $2.8 million.

On February 28, 2003, the Company obtained a credit facility, which was amended effective March 24, 2004, June 28, 2004, and November 21, 2005, to reflect, among other things, changes to certain financial covenants. The amended facility was comprised of: (i) a revolving credit facility of $17 million; (ii) a term loan of $3.7 million with a seven-year straight-line amortization; and (iii) a term loan of $2.3 million with a 15-year straight-line amortization. The amended credit facility called for interest of Prime or LIBOR plus a margin that ranges from 1.0% to 1.5%, depending upon Company performance. The loans were collateralized by a first priority lien on all of the Company s assets, including its real estate located in Georgetown, Massachusetts. All borrowings at December 31, 2008, had interest computed at Prime or LIBOR plus 1.0%. Under the amended credit facility, the Company was subject to certain financial covenants, including maximum capital expenditures and minimum fixed-charge coverage. As of December 31, 2008, the Company was in compliance with all of these covenants. At December 31, 2008, the interest rate on these facilities ranged from 1.5% to 3.25%.

On January 29, 2009, the Company amended and extended its credit facility with Bank of America, NA. The facility is comprised of: (i) a revolving credit facility of $17 million; (ii) a term loan of $2.1 million with a seven-year straight-line amortization; (iii) a term loan of $1.8 million with a 20-year straight-line amortization; and (iv) a term loan of $4.0 million with a 20-year straight-line amortization. Extensions of credit under the revolving credit facility are based in part upon accounts receivable and inventory levels. Therefore, the entire $17 million may not be available to the

Company. The credit facility calls for interest of LIBOR plus a margin that ranges from 1.0% to 1.5% or, at the discretion of the Company, the bank s prime rate less a margin that ranges from 0.25% to zero. In both cases the applicable margin is dependent upon Company performance. The loans are collateralized by a first priority lien on all of the Company s assets, including its real estate located in Georgetown, Massachusetts, and in Grand Rapids, Michigan. Under the credit facility, the Company is subject to a minimum fixed-charge coverage financial covenant. The Company s $17 million revolving credit facility is due November 30, 2013; the term loans are all due on January 29, 2016.

As a result of the consolidation of UDT, a mortgage note collateralized by the Alabama and Florida facilities, dated September 4, 2002, originally for $470,313, was included within long-term debt in the December 31, 2006 consolidated financial statements. On May 22, 2007, this note was refinanced. The remaining principal balance of $388,356 on the old note was paid in full. The new note is secured by the Florida facility and has a principal balance of $786,000. The note calls for 180 monthly payments of $7,147. The interest rate is fixed at approximately 7.2%. The additional funds of approximately $400,000 were used to fund building improvements in the Florida facility. The outstanding balance on this note at December 31, 2008, is $737,289.

In addition to the above credit facilities, the Company had capital lease debt of $1,612,665 as of December 31, 2008. These leases are secured by specific manufacturing equipment used by the Company and have remaining lives ranging from one to six years and bear interest at rates ranging from 7% to 8%. Subsequent to December 31, 2008, the Company paid off these obligations in full.

The Company has no significant capital commitments in 2009, but plans on adding capacity to enhance operating efficiencies in its manufacturing plants. The Company may consider the acquisition of companies, technologies, or products in 2009 that are complementary to its business. The Company believes that its existing resources, including its revolving credit facility, together with cash generated from operations and funds expected to be available to it through any necessary equipment financing and additional bank borrowings, will be sufficient to fund its cash flow requirements through at least the end of 2009. However, there can be no assurances that such financing will be available at favorable terms, if at all.

Commitments, Contractual Obligations and Off-Balance Sheet Arrangements

The following table summarizes the Company s contractual obligations at December 31, 2008, as adjusted for January 2009 refinancing activity, as well as the January 2009 payoff of the capital lease obligations, and the effect such obligations are expected to have on its cash flow in future periods:

Payments due in:	Operating Leases	Grand Rapids Mortgage	Term Loans	Massa-chusetts Mortgage	UDT Mortgage	Debt Interest	Supple-mental Retirement	Total
2009	$ 1,445,505	$ 166,667	$ 308,211	$ 97,608	$ 33,896	$ 392,689	$ 95,600	$ 2,540,176
2010	1,197,619	200,000	288,360	92,300	36,417	472,847	101,000	2,388,543
2011	922,757	200,000	288,360	92,300	39,120	435,295	80,000	2,057,832
2012	860,075	200,000	288,360	92,300	41,725	397,781	80,000	1,960,241
2013 and thereafter	850,033	3,233,333	889,114	1,484,492	586,131	997,693	280,800	8,321,596
	$ 5,275,989	$ 4,000,000	$ 2,062,405	$ 1,859,000	$ 737,289	$ 2,696,305	$ 637,400	$ 17,268,388

The Company requires cash to pay its operating expenses, purchase capital equipment and to service the obligations listed above. The Company s principal sources of funds are its operations and its

revolving credit facility. Although the Company generated cash from operations in the year ended December 31, 2008, it cannot guarantee that its operations will generate cash in future periods.

The Company does not believe that inflation has had a material impact on its results of operations in the last three years.

Critical Accounting Policies

The preparation of consolidated financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, the Company evaluates its estimates, including those related to product returns, bad debts, inventories, intangible assets, income taxes, warranty obligations, restructuring charges, contingencies, and litigation. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, including current and anticipated worldwide economic conditions, both in general and specifically in relation to the packaging industry, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

The Company s significant accounting policies are described in Note 1 to the consolidated financial statements included in Item 8 of this Form 10-K. The Company believes the following critical accounting policies affect its more significant judgments and estimates used in the preparation of its consolidated financial statements.

The Company has reviewed these policies with its Audit Committee.

Revenue Recognition

The Company recognizes revenue at the time of shipment when title and risk of loss have passed to the customer, persuasive evidence of an arrangement exists, performance of its obligation is complete, its price to the buyer is fixed or determinable, and the Company is reasonably assured of collection. If a loss is anticipated on any contract, a provision for the entire loss is made immediately. Determination of these criteria, in some cases, requires management s judgments. Should changes in conditions cause management to determine that these criteria are not met for certain future transactions, revenue for any reporting period could be adversely affected.

Long-Lived Assets and Intangible Assets

Intangible assets include patents and other intangible assets. Intangible assets with an indefinite life are not amortized. Intangible assets with a definite life are amortized on a straight-line basis, with estimated useful lives ranging from eight to 14 years. Indefinite-lived intangible assets are tested for impairment annually, and will be tested for impairment between annual tests if an event occurs or circumstances change that would indicate that the carrying amount may be impaired. Intangible assets with a definite life are tested for impairment whenever events or circumstances indicate that their value may be reduced.

Goodwill

Goodwill is tested for impairment annually, and will be tested for impairment between annual tests if an event occurs or circumstances change that would indicate that the carrying amount may be impaired. Impairment testing for goodwill is done at a reporting unit level. Reporting units are one level below the business segment level, but can be combined when reporting units within the same segment have similar economic characteristics. At December 31, 2008 the Company redefined its reporting units to include its Component Products segment, Packaging segment (excluding its Molded Fiber operation), and its Molded Fiber operation as separate reporting units for goodwill impairment testing. An impairment loss generally would be recognized when the carrying amount of the reporting unit s net assets exceeds the estimated fair value of the reporting unit. The Company completed its annual goodwill impairment test as of December 31, 2008, and determined that no goodwill was impaired.

Accounts Receivable

The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. These allowances for doubtful accounts are determined by reviewing specific accounts that the Company has deemed are at risk of being uncollectible and other credit risks associated with groups of customers. If the financial condition of the Company s customers were to deteriorate or economic conditions were to deteriorate resulting in an impairment of their ability to make payments, additional allowances may be required with a resulting charge to results of operations.

Inventory

The Company provides reserves for estimated obsolescence or unmarketable inventory equal to the difference between the cost of inventory and the estimated market value based upon assumptions about future demand and market conditions. The Company fully reserves for inventories deemed obsolete. The Company performs periodic reviews of all inventory items to identify excess inventories on hand by comparing on-hand balances to anticipated usage using recent historical activity, as well as anticipated or forecasted demand, based upon sales and marketing inputs through its planning systems. If estimates of demand diminish or actual market conditions are less favorable than those projected by management, additional inventory write-downs may be required with a resulting charge to operations.

Deferred Income Taxes

The Company evaluates the need for a valuation allowance to reduce its deferred tax assets to the amount that is more likely than not to be realized. The Company has considered future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for a valuation allowance. Should the Company determine that it would not be able to realize all or part of its net deferred tax asset in the future, an adjustment to the deferred tax asset would be charged to income in the period such determination was made.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The following discussion of the Company s market risk includes forward-looking statements that involve risk and uncertainties. Actual results could differ materially from those projected in the forward-looking statements.

Market risk represents the risk of changes in value of a financial instrument caused by fluctuations in interest rates, foreign exchange rates, and equity prices. At December 31, 2008, the Company s cash and cash equivalents consisted of bank accounts in U.S. dollars, and their valuation would not be affected by market risk. The Company has four debt instruments where interest is based upon either the Prime rate or LIBOR and, therefore, future operations could be affected by interest rate changes; however, the Company believes that the market risk of the debt is minimal.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated Financial Statements and Supplementary Data of the Company are listed under Part IV, Item 15, in this Report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

(a) The Company carried out an evaluation, under the supervision and with the participation of its management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company s disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) as of the end of the period covered by this report. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company s disclosure controls and procedures are effective.

(b) The Company s management is responsible for establishing and maintaining an adequate system of internal control over financial reporting, as defined in Exchange Act Rule 13a-15(f). The management conducted an assessment of the Company s internal control over financial reporting as of December 31, 2008, based on the framework established by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control Integrated Framework.* Based on the assessment, the management concluded that, as of December 31, 2008, the Company s internal control over financial reporting is effective.

This annual report does not include an attestation report of the Company s registered public accounting firm regarding internal control over financial reporting. Management s report was not subject to attestation by the Company s independent registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Company to provide only management s report in this annual report.

(c) There was no change in the Company s internal control over financial reporting that occurred during the Company s most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company s internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

The information required by this Item 10 is hereby incorporated by reference to the Company s definitive proxy statement to be filed by the Company within 120 days after the close of its fiscal year.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item 11 is hereby incorporated by reference to the Company s definitive proxy statement to be filed by the Company within 120 days after the close of its fiscal year.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this Item 12 is hereby incorporated by reference to the Company s definitive proxy statement to be filed by the Company within 120 days after the close of its fiscal year.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this Item 13 is hereby incorporated by reference to the Company s definitive proxy statement to be filed by the Company within 120 days after the close of its fiscal year.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this Item 14 is hereby incorporated by reference to the Company s definitive proxy statement to be filed by the Company within 120 days after the close of its fiscal year.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) (3) **Exhibits**

Number		Reference
2.01	Agreement and Plan of Reorganization among the Company, Moulded Fibre Technology, Inc. and UFP Acquisition, Inc.	A-2.01**
2.02	Agreement of Merger between Moulded Fibre Technology, Inc. and UFP Acquisition, Inc.	B-2.02**
2.03	Merger Agreement relating to the reincorporation of the Company in Delaware.	A-2.02**
2.04	Asset Purchase Agreement relating to the purchase of Foam Cutting Engineers, Inc.	C-2**
2.05	Asset Purchase Agreement relating to the purchase of the assets of Pacific Foam Technologies, Inc.	D-2.05**
2.06	Stock Purchase Agreement dated January 14, 2000, relating to the acquisition of the stock of Simco Industries, Inc.	E-2.01**
3.01	Certificate of Incorporation of the Company, as amended.	F-3.01** G-3.01**
3.02	Amended and Restated Certificate of Designation of Series A Junior Participating Preferred Stock, as filed with the Secretary of State of the State of Delaware on March 20, 2009.	II-3.02**
3.03	Amended and Restated Bylaws of the Company.	II-3.03**
4.01	Specimen Certificate for shares of the Company s Common Stock.	A-4.01**
4.02	Description of Capital Stock (contained in the Certificate of Incorporation of the Company, filed as Exhibit 3.01).	F-3.01**

Number		Reference
4.03	Rights Agreement, dated as of March 20, 2009, by and between the Company and American Stock Transfer & Trust Company, LLC, as Rights Agent, which includes as Exhibit A, the Form of Amended and Restated Certificate of Designation of Series A Junior Participating Preferred Stock, as Exhibit B, the Form of Rights Certificate, and as Exhibit C, the Summary of Rights to Purchase Shares of Preferred Stock of UFP Technologies, Inc.	II-4.03**
10.01	Agreement between the Company and William H. Shaw.	A-10.08*, **
10.02	Agreement and Severance Agreement between the Company and Richard L. Bailly.	A-10.09*, **
10.03	Employee Stock Purchase Plan.	A-10.18**
10.04	1993 Combined Stock Option Plan, as amended.	I-10.19*, **
10.05	1993 Non-employee Director Stock Option Plan.	J-4.5**
10.06	Facility Lease between the Company and Raritan Associates.	A-10.22**
10.07	Facility Lease between the Company and Dana Evans d/b/a Evans Enterprises.	A-10.27**
10.08	Form of Indemnification Agreement for directors and officers of the Company.	A-10.30**
10.09	Facility Lease between the Company and Clinton Area Development Corporation.	K-10.37**
10.10	Employment Agreement with R. Jeffrey Bailly dated April 4, 1995.	L-10.37*, **
10.11	Amended 1998 Employee Stock Purchase Plan.	M**
10.12	Facility Lease between the Company and Quadrate Development, LLC	N-10.43**
10.13	Amended 1998 Director Stock Option Incentive Plan, as amended	M, DD*, **
10.14	Amended Facility Lease between the Company and United Development Company Limited.	O-10.27**
10.15	Amended Facility Lease between the Company and United Development Company Limited.	O-10.28**
10.16	Amended Facility Lease between the Company and Ward Hill Realty Associates, LLC, successors in interest to Evans Enterprises of South Beach	P-10.30**
10.17	Credit and Security Agreement between the Company and Fleet Capital Corporation	Q-10.31**
10.18	Facility Lease between Simco Automotive Trim, Inc. and Insite Atlanta, LLC	R-10.31**
10.19	Amended Credit and Security Agreement between the Company and Fleet Capital Corporation.	S-10.33**
10.20	Facility lease between the Company and Clinton Base Company LLC	G-10.34**
10.21	Second Amendment to the Credit Agreement between the Company and Fleet Capital Corporation	T-10.35**

Number		Reference
10.22	Third Amendment to the Credit and Security Agreement between the Company and Bank of America	U-10.37**
10.23	1998 Employee Stock Purchase Plan as amended	V-10.38**
10.24	Form of Stock Unit Award Agreement under 2003 Equity Incentive Plan	W-10.40*,**
10.25	Executive Non-qualified Excess Plan	X-10.41*,**
10.26	UFP Technologies, Inc. 2003 Incentive Plan, as amended	Y-10.26, EE*,**
10.27	Promissory note of United Development Company Limited in favor of Bank of America, N.A. dated May 22, 2007	Y-10.27
10.28	Employment Agreement with R. Jeffrey Bailly dated October 8, 2007	Z-10.28*,**
10.29	Agreement and Plan of Merger dated as of January 14, 2008, among UFP Technologies, Inc., S&L Acquisition Corp., and Stephenson & Lawyer, Inc.	AA-10.29**
10.30	Form of 2008 Stock Unit Award Agreement under 2003 Incentive Plan	CC-10.30*,**
10.42	Amended facility lease between the Company and Rothbart Realty Co.	CC-10.42**
10.43	Amended facility lease between the Company and Rothbart Realty Co.	CC-10.43**
10.44	Amended facility lease between the Company and Quadrate Development, LLC	CC-10.44**
10.45	Amended facility lease between the Company and Kessler Industries, Inc.	CC-10.45**
10.46	Amended facility lease between the Company and Raritan Johnson Associates, LLC	CC-10.46**
10.47	Amended facility lease between the Company and Ward Hill Realty Associates, LLC	CC-10.47**
10.48	Form of Stock Unit Award Agreement by and between UFP Technologies, Inc. and R. Jeffrey Bailly.	FF-10.48*,**
10.49	Third Amendment to Iowa facility lease, signed as of August 20, 2008, between Moulded Fibre Technology, Inc.(Tenant) and Clinton Base Company, LLC (Landlord).	GG-10.49**
10.50	Form of 2009 Stock Unit Award Agreement.	HH-10.50*,**
10.51	Amended and restated Credit and Security Agreement between the Company and Bank of America, N.A, dated January 27, 2009.	Filed herewith
14.00	Code of Ethics	BB**
21.01	Subsidiaries of the Company.	Filed herewith
23.01	Consent of CCR LLP	Filed herewith
31.01	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith
31.02	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith

Number		Reference
32.01	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	Filed herewith

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A. Incorporated by reference to the Company s Registration Statement on Form S-1 (Registration No. 33-70912). The number set forth herein is the number of the Exhibit in said Registration Statement.

B. Incorporated by reference to the Company s Annual Report on Form 10-K for its fiscal year ended December 31, 1993. The number set forth herein is the number of the Exhibit in said Annual Report.

C. Incorporated by reference to the Company s report on 8-K dated February 3, 1997. The number set forth herein is the number of the Exhibit in said report.

D. Incorporated by reference to the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 1998. The number set forth herein is the number of the Exhibit in said Annual Report.

E. Incorporated by reference to the Company s Report on Form 8-K dated January 31, 2000. The number set forth herein is the number of the Exhibit in said Report.

F. Incorporated by reference to the Company s Quarterly Report on Form 10-Q for the three months ended June 30, 1996. The number set forth herein is the number of the Exhibit in said Quarterly Report.

G. Incorporated by reference to the Company s Quarterly Report on Form 10-Q for the three months ended March 31, 2004. The number set forth herein is the number of the exhibit in said Quarterly Report.

H Incorporated by reference to the Company s report on Form 8-K dated January 13, 1999. The number set forth herein is the number of the Exhibit in said Report.

I. Incorporated by reference to the Company s Quarterly Report on Form 10-Q for the three months ended June 30, 1998. The number set forth herein is the number of the Exhibit in said Quarterly Report.

J. Incorporated by reference to the Company s Registration Statement on Form S-8 (Registration No. 33-76440). The number set forth herein is the number of the Exhibit in said Registration Statement.

K. Incorporated by reference to the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 1995. The number set forth herein is the number of the Exhibit in said Annual Report.

L. Incorporated by reference to the Company s Quarterly Report on Form 10-Q for the three months ended June 30, 1995. The number set forth herein is the number of the Exhibit in said Quarterly Report.

M. Incorporated by reference to the Company s Proxy Statement relating to the Company s Annual Meeting of Stockholders on June 5, 2002.

N. Incorporated by reference to the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2000. The number set forth herein is the number of the Exhibit in said Annual Report.

O. Incorporated by reference to the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2001. The number set forth herein is the number of the Exhibit in said Annual Report.

P. Incorporated by reference to the Company s Quarterly Report on Form 10-Q for the three months ended September 30, 2002. The number set forth herein is the number of the Exhibit in said Quarterly Report.

Q. Incorporated by reference to the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2002. The number set forth is the number of the exhibit in said Annual Report.

R. Incorporated by reference to the Company s Quarterly Report on Form 10-Q for the three months ended June 30, 2003. The number set forth herein is the number of the Exhibit in said Annual Report.

S. Incorporated by reference to the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2003. The number set forth is the number of the exhibit in said Annual Report.

T. Incorporated by reference to the Company s Quarterly Report on Form 10-Q for the three months ended June 30, 2004. The number set forth herein is the number of the exhibit in said Quarterly Report.

U. Incorporated by reference to the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2005. The number set forth herein is the number of the exhibit in said annual report.

V. Incorporated by reference to the Company s Quarterly Report on Form 10-Q for the three months ended March 31, 2006. The number set forth herein is the number of the exhibit in said quarterly report.

W. Incorporated by reference to the Company s Quarterly Report on Form 10-Q for the three months ended June 30, 2006. The number set forth herein is the number of the exhibit in said quarterly report.

X. Incorporated by reference to the Company s Quarterly Report on Form 10-Q for the three months ended September 30, 2006. The number set forth herein is the number of the exhibit in said Quarterly Report.

Y. Incorporated by reference to the Company s Quarterly Report on Form 10-Q for the three months ended June 30, 2007. The number set forth herein is the number of the exhibit in said Quarterly Report.

Z. Incorporated by reference to the Company s Current Report on Form 8-K filed October 12, 2007. The number set forth herein is the number of the Exhibit in said Report.

AA. Incorporated by reference to the Company s Current Report on Form 8-K filed January 18, 2008. The number set forth herein is the number of the Exhibit in said Report.

BB. Incorporated by reference to Appendix C to the Company s Proxy Statement relating to the Company s Annual Meeting of Stockholders on June 6, 2007.

CC. Incorporated by reference to the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2007. The number set forth herein is the number of the exhibit in said Annual Report.

DD. Incorporated by reference to Appendix A to the Company s Proxy Statement relating to the Company s Annual Meeting of Stockholders on June 4, 2008.

EE. Incorporated by reference to Appendix B to the Company s Proxy Statement relating to the Company s Annual Meeting of Stockholders on June 4, 2008.

FF. Incorporated by reference to the Company s Current Report on Form 8-K filed June 10, 2008. The number set forth herein is the number of the exhibit in said Report.

GG Incorporated by reference to the Company s Quarterly Report on Form 10-Q for the three months ended September 30, 2008. The number set forth herein is the number of the exhibit in said Quarterly Report.

HH. Incorporated by reference to the Company s Current Report on Form 8-K filed March 2, 2009. The number set forth herein is the number of the Exhibit in said Report.

II. Incorporated by reference to the Company s Current Report on Form 8-K filed March 24, 2009. The number set forth herein is the number of the Exhibit in said Report.

* Management contract or compensatory plan or arrangement.

** In accordance with Rule 12b-32 under the Securities Exchange Act of 1934, as amended, reference is made to the documents previously filed with the Securities and Exchange Commission, which documents are hereby incorporated by reference.

The SEC allows the Company to incorporate by reference certain information into this annual report on Form 10-K. This means that the Company can disclose important information by reference to other documents the Company has filed separately with the SEC. These documents contain important information about the Company and its financial condition. The Company has incorporated by reference into this annual report the information indicated above. This information is considered to be a part of this annual report, except for any information that is superseded by information that is filed at a later date.

You may read and copy any of the documents incorporated by reference in this annual report at the following locations of the SEC by using the Company s file number, 001-12648:

Public Reference Room	Midwest Regional Office	Northeast Regional Office
450 Fifth Street, NW	Citicorp Center	233 Broadway
Room 1024	500 West Madison Street, # 1400	New York, NY 10279
Washington, DC 20549	Chicago, IL 60661	

You may also obtain copies of this information by mail from the Public Reference Room of the SEC, 450 Fifth Street, NW, Room 1024, Washington, DC 20549, at prescribed rates. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC also maintains a World Wide Web site that contains reports, proxy statements and other information about issuers, including the Company, that file electronically with the SEC. The address of that site is http://www.sec.gov.

Documents incorporated by reference are also available from the Company without charge, excluding any exhibits to those documents unless the exhibit is specifically incorporated by reference in this annual report. You can obtain these documents by requesting them by telephone or in writing from the Company at 172 East Main Street, Georgetown, MA 01833, (978) 352-2200.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

UFP TECHNOLOGIES, INC.

Date:	March 27, 2009	By:	/s/ R. Jeffrey Bailly R. Jeffrey Bailly, President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

SIGNATURE	TITLE	DATE
/s/ R. Jeffrey Bailly R. Jeffrey Bailly	Chairman, Chief Executive Officer, President, and Director	March 27, 2009
/s/ Ronald J. Lataille Ronald J. Lataille	Chief Financial Officer, Vice President, Principal Financial and Accounting Officer	March 27, 2009
/s/ Richard L. Bailly Richard L. Bailly	Director	March 27, 2009
/s/ Kenneth L. Gestal Kenneth L. Gestal	Director	March 27, 2009
/s/ David B. Gould David B. Gould	Director	March 27, 2009
/s/ Thomas W. Oberdorf Thomas W. Oberdorf	Director	March 27, 2009
/s/ Marc Kozin Marc Kozin	Director	March 27, 2009
/s/ David K. Stevenson David K. Stevenson	Director	March 27, 2009
/s/ Robert W. Pierce, Jr. Robert W. Pierce, Jr.	Director	March 27, 2009

UFP TECHNOLOGIES, INC.

Consolidated Financial Statements

and Financial Statement Schedule

As of December 31, 2008 and 2007

And for the Years Ended December 31, 2008, 2007, and 2006

With Report of Independent Registered Public Accounting Firm

UFP TECHNOLOGIES, INC.

Index to Consolidated Financial Statements and Financial Statement Schedule

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders

UFP Technologies, Inc.

Georgetown, MA

We have audited the accompanying consolidated balance sheets of **UFP Technologies, Inc.** as of December 31, 2008, and 2007, and the related consolidated statements of operations, stockholders equity, and cash flows for each of the years in the three year period ended December 31, 2008. Our audit also included the financial statement schedule for each of the years in the three year period ended December 31, 2008, as listed in the index at Item 15(a)(2). These consolidated financial statements and schedule are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of **UFP Technologies, Inc.** as of December 31, 2008, and 2007, and the consolidated results of its operations and its cash flows for each of the years in the three year period ended December 31, 2008, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the related financial statement schedule when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ *CCR LLP*
Westborough, Massachusetts
March 18, 2009

UFP TECHNOLOGIES, INC.

CONSOLIDATED BALANCE SHEETS

	December 31 2008		December 31 2007	
Assets				
Current assets:				
Cash and cash equivalents	$	6,729,370	$	9,060,347
Receivables, net		12,754,875		11,795,468
Inventories, net		8,152,746		5,876,626
Prepaid expenses		516,388		821,250
Deferred income taxes		1,488,575		1,021,320
Total current assets		29,641,954		28,575,011
Property, plant and equipment		40,666,779		38,269,142
Less accumulated depreciation and amortization		(28,912,455)		(28,777,323)
Net property, plant and equipment		11,754,324		9,491,819
Cash surrender value of officers life insurance		187,830		172,536
Deferred income taxes				188,650
Goodwill		6,481,037		6,481,037
Other assets		657,516		643,721
Total assets	$	48,722,661	$	45,552,774
Liabilities and Stockholders Equity				
Current liabilities:				
Current installments of long-term debt	$	716,697	$	714,256
Current installments of capital lease obligations		702,765		704,408
Accounts payable		3,304,194		5,694,152
Accrued taxes and other expenses		6,230,001		6,510,216
Total current liabilities		10,953,657		13,623,032
Long-term debt, excluding current installments		3,941,996		4,658,464
Capital lease obligations, excluding current installments		909,900		1,612,664
Minority interest (Note 7)		523,003		583,533
Deferred income taxes		113,073		
Retirement and other liabilities		913,644		832,141
Total liabilities		17,355,273		21,309,834
Commitments and contingencies (Note 15)				
Stockholders equity:				
Preferred stock, $.01 par value. Authorized 1,000,000 shares; no shares issued or outstanding				
Common stock, $.01 par value. Authorized 20,000,000 shares; issued and outstanding 5,666,703 shares in 2008 and 5,375,381 shares in 2007		56,667		53,754
Additional paid-in capital		13,774,334		11,768,799
Retained earnings		17,536,387		12,420,387
Total stockholders equity		31,367,388		24,242,940
Total liabilities and stockholders equity	$	48,722,661	$	45,552,774

The accompanying notes are an integral part of these consolidated financial statements.

UFP TECHNOLOGIES, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Years Ended December 31		
	2008	2007	2006
Net sales	$ 110,031,601	$ 93,595,140	$ 93,749,239
Cost of sales	81,468,539	70,784,986	74,511,940
Gross profit	28,563,062	22,810,154	19,237,299
Selling, general and administrative expenses	18,822,965	15,562,800	14,183,117
Restructuring charge	1,315,366		
Operating income	8,424,731	7,247,354	5,054,182
Other income (expense):			
Interest expense	(334,293)	(479,171)	(963,982)
Equity in net income of unconsolidated partnership	7,218	15,038	15,037
Minority interest earnings	(44,465)	(72,370)	(87,298)
Other, net	57,457	32,500	(9,705)
Total other expense	(314,083)	(504,003)	(1,045,948)
Income before income tax provision	8,110,648	6,743,351	4,008,234
Income tax expense	2,994,648	2,584,250	1,493,361
Net income	$ 5,116,000	$ 4,159,101	$ 2,514,873
Net income per share:			
Basic	$ 0.92	$ 0.78	$ 0.50
Diluted	$ 0.82	$ 0.71	$ 0.45
Weighted average common shares:			
Basic	5,549,830	5,306,948	5,022,532
Diluted	6,262,666	5,861,420	5,571,068

The accompanying notes are an integral part of these consolidated financial statements.

UFP TECHNOLOGIES, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

Years Ended December 31, 2008, 2007, and 2006

	Common Stock				Additional		Retained		Total
	Shares		Amount		Paid-in Capital		Earnings		Stockholders Equity
Balance at December 31, 2005	4,828,079	$	48,281	$	8,966,472	$	5,746,413	$	14,761,166
Employee Stock Purchase Plan	21,148		211		47,111				47,322
Stock issued in lieu of compensation	54,411		544		143,703				144,247
Share-based compensation					459,340				459,340
Exercise of stock options, net of shares presented for exercise	253,126		2,532		518,189				520,721
Windfall tax benefits					176,867				176,867
Net income							2,514,873		2,514,873
Balance at December 31, 2006	5,156,764	$	51,568	$	10,311,682	$	8,261,286	$	18,624,536
Employee Stock Purchase Plan	4,721		47		23,848				23,895
Stock issued in lieu of compensation	55,189		552		255,524				256,076
Share-based compensation	41,000		410		691,614				692,024
Exercise of stock options, net of shares presented for exercise	117,707		1,177		271,037				272,214
Windfall tax benefits					215,094				215,094
Net income							4,159,101		4,159,101
Balance at December 31, 2007	5,375,381	$	53,754	$	11,768,799	$	12,420,387	$	24,242,940
Employee Stock Purchase Plan	2,817		28		20,535				20,563
Stock issued in lieu of compensation	55,644		556		343,324				343,880
Share-based compensation	93,680		937		1,304,852				1,305,789
Exercise of stock options	139,181		1,392		331,634				333,026
Net share settlement of restricted stock units					(206,044)				(206,044)
Windfall tax benefits					211,234				211,234
Net income							5,116,000		5,116,000
Balance at December 31, 2008	5,666,703	$	56,667	$	13,774,334	$	17,536,387	$	31,367,388

The accompanying notes are an integral part of these consolidated financial statements.

UFP TECHNOLOGIES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31 2008	2007	2006
Cash flows from operating activities:			
Net income	$ 5,116,000	$ 4,159,101	$ 2,514,873
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	2,976,550	2,815,021	3,059,701
Restructuring charge leasehold improvement write-off	170,000		
Equity in net income of unconsolidated affiliate and partnership	(7,218)	(15,038)	(15,037)
Minority interest	44,465		