

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2022

OR

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.)

100 Hale Street, Newburyport, MA – USA

(Address of principal executive offices)

01950-3504

(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	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	UFPT	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

No

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

No

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

No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes

No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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

Yes

No

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of the last business day of the registrant’s most recently completed second fiscal quarter was approximately \$552,925,326, based on the closing sales price of \$79.57 per share of such stock on the NASDAQ Capital Market on June 30, 2022.

As of March 10, 2023, there were 7,610,051 shares of common stock, \$0.01 par value per share, of the registrant outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Document
Portions of the registrant’s Proxy Statement for the 2023 Annual Meeting of Shareholders.

Parts of this Form 10-K Into Which Incorporated
Part III

PART I

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements contained in this Report are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (“Exchange Act”). Management and representatives of UFP Technologies, Inc. (the “Company”) also may from time to time make forward-looking statements. These statements are subject to known and unknown risks, uncertainties, and other factors, which may cause our or our industry’s actual results, performance, or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Forward-looking statements include, but are not limited to, statements about the Company’s prospects; statements about the potential further impact the novel coronavirus (“COVID-19”) pandemic may have on the Company’s business, financial condition and results of operations, including with respect to the different markets in which the Company participates, the demand for its products, the well-being and availability of the Company’s employees, the continuing operation of the Company’s locations, delayed payments by the Company’s customers and the potential for reduced or canceled orders, the Company’s efforts to address the pandemic, including regarding the safety of its employees, the maintenance of its facilities and the sufficiency of the Company’s supply chain, inventory, liquidity and capital resources, including increased costs in connection with such efforts, the impact of the pandemic on the businesses of the Company’s suppliers and customers, and the overall impact the pandemic may have on the Company’s financial results in 2023; statements about the Company’s acquisition strategies and opportunities and the Company’s growth potential and strategies for growth; expectations regarding customer demand; expectations regarding the Company’s liquidity and capital resources, including the sufficiency of its cash reserves and the availability of borrowing capacity to fund operations and/or potential future acquisitions; anticipated revenues and the timing of such revenues; expectations about shifting the Company’s book of business to higher-margin, longer-run opportunities; anticipated trends and potential advantages in the different markets in which the Company competes, including the medical, aerospace and defense, automotive, consumer, electronics, and industrial markets, and the Company’s plans to expand in certain of its markets; statements regarding anticipated advantages the Company expects to realize from its investments and capital expenditures; statements regarding anticipated advantages to improvements and alterations at the Company’s existing plants; expectations regarding the Company’s manufacturing capacity, operating efficiencies, and new production equipment; statements about new product offerings and program launches; statements about the Company’s participation and growth in multiple markets; statements about the Company’s business opportunities; and any indication that the Company may be able to sustain or increase its sales, earnings or earnings per share, or its sales, earnings or earnings per share growth rates.

Investors are cautioned that such forward-looking statements involve risks and uncertainties that could adversely affect the Company’s business and prospects, and otherwise cause actual results to differ materially from those anticipated by such forward-looking statements, or otherwise, including without limitation: the ongoing effects of the COVID-19 pandemic and its impact on the markets in which the Company participates, including its impact on the Company’s customers, suppliers and employees, as well as the U.S. and worldwide economies; risks and uncertainties associated with the ongoing effects of the COVID-19 pandemic and its impact on the Company’s business, financial condition and results of operations, including risks relating to decreased, including substantially decreased, demand for the Company’s products; risks relating to the potential closure of any of the Company’s facilities or the unavailability of key personnel or other employees; risks that the Company’s inventory, cash reserves, liquidity or capital resources may be insufficient; risks relating to delayed payments by our customers and the potential for reduced or canceled orders; risks relating to the increased costs associated with the Company’s efforts to respond to the pandemic; risks associated with the identification of suitable acquisition candidates and the successful, efficient execution of acquisition transactions, the integration of any such acquisition candidates, the value of those acquisitions to our customers and shareholders, and the financing of such acquisitions; risks related to our indebtedness and compliance with covenants contained in our financing arrangements, and whether any available financing may be sufficient to address our needs; risks associated with efforts to shift the Company’s book of business to higher-margin, longer-run opportunities; risks associated with the Company’s entry into and growth in certain markets; risks and uncertainties associated with seeking and implementing manufacturing efficiencies and implementing new production equipment; risks and uncertainties associated with growth of the Company’s business and increases to sales, earnings and earnings per share; and risks associated with new product and program launches. Accordingly, actual results may differ materially.

In some cases, you can identify forward-looking statements by terms such as “may,” “will,” “should,” “could,” “would,” “expects,” “plans,” “anticipates,” “believes,” “estimates,” “projects,” “predicts,” “potential,” and similar expressions intended to identify forward-looking statements. Our actual results could be different from the results described in or anticipated by our forward-looking statements due to the inherent uncertainty of estimates, forecasts, and projections, and may be materially better or worse than anticipated. Given these uncertainties, you should not place undue reliance on these forward-looking statements. Forward-looking statements represent our current beliefs, estimates and assumptions and are only as of the date of this Report. We expressly disclaim any duty to provide updates to forward-looking statements, and the estimates and assumptions associated with them, after the date of this Report, in order to reflect changes in circumstances or expectations, or the occurrence of unanticipated events, except to the extent required by applicable securities laws. All of the forward-looking statements are qualified in their entirety by reference to the factors discussed above and under “Risk Factors” set forth in Part I Item 1A of this Report, as well as the risks and uncertainties discussed elsewhere in this Report. We qualify all of our forward-looking statements by these cautionary statements. We caution you that these risks are not exhaustive. We operate in a continually changing business environment and new risks emerge from time to time.

Unless the context requires otherwise, the terms “we”, “us”, “our”, or “the Company” refer to UFP Technologies, Inc. and its consolidated subsidiaries.

ITEM 1. BUSINESS

The Company is a design, engineering, and custom manufacturer of comprehensive solutions for medical devices, sterile packaging, and other highly engineered custom products. The Company is an important link in the medical device supply chain and a valued outsource partner to many of the top medical device manufacturers in the world. The Company’s single-use and single-patient devices and components are used in a wide range of medical devices and packaging for minimally invasive surgery, infection prevention, wound care, wearables, orthopedic soft goods, and orthopedic implants.

The Company is diversified by also providing highly engineered products and components to customers in the automotive, aerospace and defense, and industrial markets. Typical applications of its products include military uniform and gear components, automotive interior trim, air filtration, and protective cases and inserts.

The Company was incorporated in the State of Delaware in 1993.

The consolidated financial statements of the Company include the accounts and results of operations of UFP Technologies, Inc. and its wholly-owned subsidiaries, Advant Medical Limited, and its wholly-owned subsidiary Munlu Leighis Advant Teoranta, Advant Costa Rica Limitada, Advant Medical Inc. (collectively “Advant Medical”), Dielectrics, Inc. (“Dielectrics”), Moulded Fibre Technology, Inc. (“Molded Fiber”) (partial year; entity was sold in July 2022), Contech Medical, Inc. (“Contech”), DAS Medical Holdings, LLC (“DAS Medical”), and DAS Medical’s wholly-owned subsidiaries, Sterimed, LLC, One Degree Medical Holdings, LLC, DAS Medical Corporation, and its wholly-owned subsidiary DAS Medical International, S.R.L., Simco Industries, Inc., and UFP Realty LLC (“UFP Realty”), and UFP Realty’s wholly-owned subsidiaries, UFP MA, LLC, UFP CO, LLC, UFP FL, LLC, UFP TX, LLC, UFP MI, LLC, and UFP IA, LLC. All significant inter-company balances and transactions have been eliminated in consolidation. FlexShield®, FirmaLite®, Winepacks®, BioShell®, T-Tubes®, Tri-Covers®, Erasables®, Design Nail®, Pro-Sticks®, Cryoshell® Case Fit®, Alloshell®, ControlClean®, Flash Shiner® and Mambo® are our U.S. registered trademarks. Each trademark, trade name, or service mark of any other company appearing in this Report belongs to its respective holder.

Available Information

The Company’s Internet website address is <http://www.ufpt.com>. Through its website, the Company makes available, free of charge, its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to those reports, as soon as reasonably practicable after the Company electronically files such material with, or furnishes it to, the Securities and Exchange Commission (“SEC”). These SEC reports can be accessed through the investor relations section of the Company’s website. The information found on the Company’s website is not part of this or any other report filed with or furnished to the SEC. The SEC maintains an Internet website that contains reports, proxy and information statements, and other information regarding the Company and other issuers that file electronically with the SEC. The SEC’s Internet website address is <http://www.sec.gov>.

Market Overview

The applications for the Company's products are numerous and diverse. The Company sells its products into distinct markets with its primary focus on the medical market:

- **MedTech** – The global medical market is large, growing, and varied but the Company targets and operates in specific segments where its design and manufacturing expertise and access to highly specialized materials helps customers differentiate products, improve patient outcomes, and increase their client's speed to market. The product segments we target and operate in include; infection control, orthopedics, interventional & surgical, surfaces & support, therapeutics, diagnostics, wound care, and biopharma.
- **Automotive** – Automotive companies are challenged with creating quieter, safer and more efficient vehicles. The Company partners with OEMs, Tier 1 suppliers, and its own material manufacturers to develop customized solutions to solve automakers' biggest challenges.
- **Aerospace & Defense** – With regard to the aerospace market, the Company primarily targets commercial aircraft manufacturers to address the need for improved safety, better fuel economy, lower emissions, and overall passenger comfort. With regard to the defense market, as a long-time supplier to military defense contractors and law enforcement, the Company provides highly innovative solutions to ensure soldier safety, improve comfort, and protect mission critical equipment.
- **Consumer & Electronics** –For sports and leisure, the Company is an innovator in comfort cushioning for helmets and other protective gear.
- **Industrial** – The applications for the Company's industrial products are highly diverse. Examples include air and liquid filters, thermal & acoustic insulation, seals, and gaskets.

Products

The Company's custom products are targeted at macro market trends and create specific opportunities in niche segments where the Company's access to specialty materials, engineering know-how, and processing expertise can be leveraged to create value for its customers. Examples of its custom products targeted to specific markets include:

- **MedTech** – Protective drapes for robotic surgery, single patient use surfaces, advanced wound care, infection prevention, disposables for surgical and endoscopic procedures, packaging for orthopedic implants, orthopedic appliances, biopharma drug manufacturing and coils for catheters. In general, the Company's solutions are all aimed at improving treatment outcomes while reducing risk and cost.
- **Automotive** – Molded components designed to make cars lighter (therefore more fuel efficient), quieter, and safer. Applications include acoustic insulation, interior trim, load floors, sunshades, SUV cargo cover handles, driveshaft damping, engine & manifold covers, quarter panels and wheel liners.
- **Aerospace & Defense** – With regard to the aerospace market, molded composites for commercial aviation to make planes lighter and safer. With regard to the defense market, molded composites for military gear to improve the safety and comfort of soldiers. Applications include backpack components, knee and elbow pads, eyewear, and helmets.
- **Consumer and Electronic Packaging** – 100% recycled protective packaging for business-to-consumer brands primarily focused on electronics, candles, wine, and other high-volume consumer products using the "next day" carrier infrastructure.

- **Specialty Case Solutions** – Reusable cases and custom inserts to quickly and safely transport, store, and deploy mission-critical equipment. Applications include military ballistics panels, virtual training systems, drones, communications equipment, and rugged portable computers.

Regulatory Climate and Environmental Considerations

The Company's medical customers typically require FDA approval for their products and therefore sometimes require their suppliers to manufacture in facilities that are FDA registered and comply with the ISO 13485 quality standard for medical devices. The Company has eleven manufacturing locations that are ISO 13485 certified and eight that are FDA registered. The Company's automotive customers sometimes require their suppliers to certify their manufacturing locations to the IATF 16949 automotive quality standard. The Company's Grand Rapids, MI facility meets this requirement. The Company designs products to provide optimum performance with minimum material. In addition, the Company bales and disposes of certain of its urethane foam scrap for use in the carpeting industry. The Company's Newburyport, MA facility utilizes solar power to provide approximately 11% of its electricity, with plans to increase capacity in the future. The Company is aware of public support for environmentally-responsible packaging and 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.

Marketing and Sales

The Company markets to the target industries it serves by promoting specific solutions, materials, and manufacturing capabilities and services. The Company markets through websites, trade shows and expositions, social media, online advertising, emails, and press releases. Its relationships with key material suppliers are also an important part of its marketing and sales efforts. The Company markets and sells its products in the principally through a direct sales force. The Company's commercial leaders, in conjunction with Company engineers, collaborate with customers and in-house design and manufacturing experts to develop custom-engineered solutions on a cost-effective basis. For the year ended December 31, 2022, one customer's sales were approximately 21% of total sales; no other customer's sales exceeded 10% of total sales. Seasonality is not a major factor in the Company's sales. See the Company's consolidated financial statements contained in Part IV, Item 15, of this Report for net sales by market.

Manufacturing

The Company's manufacturing operations consist primarily of cutting, routing, compression and injection, molding, vacuum-forming, laminating, radio frequency and impulse welding and assembling. For medical custom-molded foam products and thermoplastic welded devices, 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. Plastics and other materials are sealed using radio frequency and impulse welding. Reticulated polyurethane foam is also used for many high-performance medical products requiring precision fluid or air management. These products are typically fabricated using high speed die-cutting or waterjet cutting. Laminated products for medical, military, and personal comfort and protection 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.

The Company also engineers components for automotive use as interior trim and structural applications. These components are produced using a compression molding process to create highly functional composites consisting of various materials such as polypropylene/fiberglass panels, nonwovens, and fabrics. Highly specialized polypropylene based nonwoven material is used for automotive interior noise reduction and is fabricated using a die cut process. Foam for filtration, acoustical, and thermal insulation products that do not utilize cross-linked foam are fabricated by cutting shapes from blocks of foam, using specialized cutting tools, routers, water jets, 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.

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 and technical polyurethane foams, the Company's relationships with its suppliers are good, and the Company expects that these suppliers will be able to meet its requirements for these foams. 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 and innovative materials to meet the unique demands and specifications of its customers. Research and development is an integral part of the Company's ongoing cost structure.

Competition

The medical design and contract manufacturing industry is highly competitive as is the foam and plastics converting industry as a whole. While there are several national companies that convert foam and plastics, the Company's primary competition is from smaller independent regional manufacturing companies. These companies generally market their products in specific geographic areas from neighboring facilities. The Company's custom engineered products face competition primarily from smaller companies that typically concentrate on production of products for specific industries. The Company expects to compete effectively in the engineered products market due to its ability to address its customers' primary vendor selection criteria, including price, product performance, product reliability, and customer service, as well as 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.

Patents and Other Proprietary Rights

The Company relies upon trade secrets, patents, and trademarks to protect its technology and proprietary rights. The Company believes 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 a total of 18 active patents relating to technologies including foam, packaging, tool control technologies, radio frequency welding, automotive superforming processes and certain nail file technologies. The Company also has patent applications in process. There can be no assurance that any patent or patent application will provide significant protection for the Company's products and technology or will not be challenged or circumvented by others. The expiration dates for the Company's patents range from 2023 through 2039.

Human Capital Management

As of January 28, 2023, the Company had a total of 2665 full-time employees (compared to 1828 full-time employees as of January 29, 2022) and 303 temporary employees (compared to 187 temporary employees at January 29, 2022). The Company is not a party to any collective bargaining agreements. The Company considers its employee relations to be good.

The Company strives to promote a workplace that is professional, provides opportunity for career growth and treats all workers with dignity and respect. The Company will not tolerate unlawful discrimination and harassment in the workplace; it expressly prohibits any form of unlawful discrimination or harassment based on race, color, religion, sex, sexual orientation, gender identity or expression, national origin, ethnicity, age, physical or mental disability, genetic information, military or veteran status, pregnancy, childbirth or related medical conditions, or any other legally protected status under applicable federal, state, or local law.

The Company's employees are tasked with upholding our Code of Ethics and Business Conduct, which we view as an important component of our operating strategy. This policy covers the conduct of the Company's employees in their work-related dealings with each other, as well as interactions with our customers, vendors, and other business partners. The Company's compliance hotline is maintained for the confidential reporting of any suspected policy violations or unethical business conduct.

The Company's commitment to its employees starts at the top with an executive-level officer – Senior Vice President of Human Resources (“SVP of HR”) – reporting to the CEO, attending all board meetings, and having significant involvement with the board's compensation committee. This commitment is reflected in our efforts to attract, engage, and retain the best people possible.

Compensation and Benefits

The Company's compensation and benefits offerings are supported by regular third-party benchmarking surveys. In addition to competitive compensation practices, the Company offers annual stock award bonus programs to reward and retain executives and key employees. Access to company subsidized health, life and disability insurance; a matching 401(k) plan; and paid time off for vacation, illness and personal reasons, are the highlights of the Company's benefits available to all eligible full-time employees. For those employees struggling with life's challenges, the Company offers employee assistance programs.

Growth and Development

The Company supports every employee's opportunity for career growth. It offers tuition reimbursement for employees to further their industry-related formal education; access to virtual training and education platforms; reimbursement to attend work-related seminars; and on-the-job training and cross-training to improve job skills. Its talent management program provides feedback on performance, identifies employees with potential for advancement, and allows for personalized career development plans.

The Company's commitment to its employees has resulted in several national, regional, and local “Best in Class” awards.

Safety

As an essential manufacturing company, the Company takes its responsibility to our essential employees' health and safety seriously. Its corporate safety officer reports directly to the SVP of HR and works with dedicated safety officers at each of our plants to implement safety programs and training. Safety audits are conducted regularly to ensure compliance.

ITEM 1A. RISK FACTORS

The risks factors described below could materially impact our business, including our results of operations and financial results. 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 occurs, our business, financial condition and operating results would likely suffer.

Risks Related to our Business

Our business, operating results, and cash flows have been affected and may continue to be adversely affected by the rising rate of inflation.

Inflationary pressures have increased due to general macroeconomic factors as well as the global supply chain disruptions, labor shortages and other impacts of the ongoing effects of the COVID-19 pandemic. We expect those inflationary trends to continue for the foreseeable future. These inflationary pressures have affected our manufacturing costs, operating expenses (including wages) and other expenses. We may not be able to pass these cost increases on to our customers in a timely manner, which could have an impact on our gross margins and profitability. In addition, inflation has resulted in higher interest rates and could otherwise adversely impact the macroeconomic environment, which in turn could adversely impact our customers and their ability or willingness to purchase our products. Our inability to successfully manage the effects of inflation could have a material adverse effect on our business, results of operations and cash flows.

The ongoing conflict between Russia and Ukraine and the related implications could have a material adverse effect on our business and results of operations.

As a result of the ongoing military conflict between Russia and Ukraine, the United States and other countries have imposed significant sanctions on Russia and could impose even wider sanctions. The military conflict and related sanctions could damage or disrupt international commerce and the global economy. We cannot predict the broader or longer-term consequences of the conflict or of the sanctions imposed to date or in the future, which could include embargoes, regional instability, geopolitical shifts, exchange rate fluctuations, financial market disruptions and economic recession. Further, the conflict could exacerbate supply chain challenges, lead to an increase in cyberattacks from Russia, affect the global price and availability of key commodities, reduce our sales and earnings or otherwise have an adverse effect on our business and results of operations.

In addition, the conflict between Russia and Ukraine may have the effect of heightening other risks disclosed in this Form 10-K, any of which could materially and adversely affect our business and results of operations. Such risks include but are not limited to interruptions in the transportation channels for the manufacture and global distribution of our products, heightened inflation, depressed levels of consumer and commercial spending, adverse changes in international trade policies and relations, and the inability to implement and execute our business strategy. We are currently unable to predict the extent, nature or duration of any of these occurrences.

We depend on a small number of customers for a large percentage of our revenues. The loss of any such 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 represented approximately 47%, 34%, and 38% of our total revenues in 2022, 2021, and 2020, respectively. One customer comprised approximately 21% of our total sales for the year ended December 31, 2022; no other customer's sales exceeded 10% of our total sales for the year ended December 31, 2022. No one customer's sales exceeded 10% of total sales for the years ended December 31, 2021 and 2020. 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 results of operations. Likewise, a material adverse change in the financial condition of any of these customers could have a material adverse effect on our ability to collect accounts receivable from any such customer. One customer represented approximately 10% of gross accounts receivable for both years ended December 31, 2022 and 2021.

Our business could be harmed if our products contain undetected errors or defects or do not meet applicable specifications.

Based on customer specifications, we are continuously developing new products and improving existing products. Our existing and newly introduced products can contain undetected errors or defects. In addition, these products may not meet their performance specifications under all conditions or for all applications. If, despite internal testing and testing by customers, any of our products contain errors or defects or fail to meet applicable specifications, then we may be required to enhance or improve those products or technologies. We may not be able to do so on a timely basis, if at all, and may only be able to do so at considerable expense. If a particular error or defect is repeated throughout our production process, the cost of repairing such defect may be highly disproportionate to the original cost of the product or component. In addition, any significant errors, defects, or other performance failures could render our existing and/or future products unreliable or ineffective and could lead to decreased confidence in our products, adverse customer reaction, negative publicity, mandatory or voluntary recalls, or legal claims, the occurrence of any of which could have a material adverse effect upon our business, financial condition, and results of operations.

Further, if our products are defectively designed, manufactured, or labeled, contain defective components or are misused, we may become subject to costly litigation by our customers. Product liability claims could divert management's attention from our core business, be expensive to defend and result in sizable damage awards against us.

New technologies could result in the development of new products by our competitors and a decrease in demand for our products, which could materially adversely affect our business, financial condition and results of operations.

Our failure to develop new technologies, or anticipate or react to changes in existing technologies, could result in a decrease in our sales and a loss of market share to our competitors. Our financial performance depends on our ability to design, develop, and manufacture new products and product enhancements on a timely and cost-effective basis. We may not be able to successfully identify new product opportunities or develop and bring new products to market in a timely and cost-effective manner.

Products or technologies developed by other companies may render our products or technologies obsolete or noncompetitive. Our failure to identify or capitalize on any fundamental shifts in technologies, relative to our competitors, could have a material adverse effect on our competitive position within our industry and harm our relationships with our customers.

If we fail to comply with specific provisions in our customer contracts or Food and Drug Administration (FDA) regulations, our business could be materially adversely affected.

Our customer contracts, particularly with respect to contracts for which the government is a direct or indirect customer, may include unique and specialized requirements. This may also include contracts with customers that manufacture goods subject to FDA regulations. Failure to comply with the specific provisions in our customer contracts, or any violation of government or FDA contracting regulations, could result in termination of the contracts, increased costs to us, suspension of payments, imposition of fines, and suspension from future government contracting. Further, any negative publicity related to our failure to comply with the provisions in our customer contracts could have a material adverse effect on our business, financial condition, or results of operations.

We may pursue acquisitions or other strategic relationships 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 other business combinations that we expect will complement and expand our business. In addition, we may also pursue other strategic relationships or opportunities. We may not be able to successfully identify suitable acquisition or other strategic opportunities or complete any particular acquisition, combination, or other transaction on acceptable terms. Our identification of suitable acquisition candidates and strategic 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. Our failure to identify suitable acquisition or other strategic opportunities may restrict our ability to grow our business. If we are successful in pursuing future acquisitions or strategic opportunities, 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 other strategic opportunities that we complete. When and if we successfully acquire another business, the process of successfully integrating the 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. Decreases in customer loyalty or product orders, failure to retain and develop the acquired workforce, failure to integrate financial reporting systems, failure to establish and maintain appropriate controls or unknown or contingent liabilities could adversely affect our ability to realize the anticipated benefits of an acquisition. The integration of an acquired business whether or not successful, requires significant efforts which may result in additional expenses and divert the attention of our management and technical personnel from other projects. These transactions are inherently risky, and there can be no assurance that any past or future transaction will be successful.

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

The continuing service of our executive officers and essential sales, 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 sales, engineering and technical personnel and we were unable to replace them.

We operate in highly competitive industries and we may be unable to compete successfully, which could materially adversely affect our business, financial condition and results of operations.

We face intense competition in all markets and in each area of our business, in some cases from our own customers bringing programs in-house. Our primary competition for our products is from smaller, independent, regional manufacturing companies. Our current competitors may increase their participation in, or new competitors may enter into, the markets in which we compete. In addition, our suppliers may acquire or develop the capability and desire to compete with us. If our suppliers choose to expand their own operations, through acquisitions or otherwise, and begin manufacturing and selling products directly to our customers, it could reduce our pricing or sales volume and overall profitability. If we are unable to compete successfully with new or existing competitors, it could have a material adverse effect on our business, financial condition, and results of operations.

Further, technological innovation by any of our existing competitors, or new competitors entering any of the markets in which we do business, could put us at a competitive disadvantage and could cause us to lose market share. Increased competition for the sales of our products could result in price reductions, reduced margins, and loss of market share, which could materially adversely affect our prospects, business, financial condition and results of operations.

The cost of the raw materials we use to manufacture our products, particularly petroleum and petroleum-based raw materials, are subject to escalation and could increase, which may materially adversely affect our business, financial condition, and results of operations.

The cost of raw materials, including petroleum and petroleum-based raw materials such as resins, used in the production of our products, represents a significant portion of our direct manufacturing costs. Any fluctuations in the price of petroleum, or any other material used in the production of our products, may have a material adverse effect on our business, financial condition, and results of operations. Such price increases could reduce demand for our products. If we are not able to buy raw materials at fixed prices, or pass on price increases to our customers, we may lose orders or enter into orders with less favorable terms, either of which could have a material adverse effect on our business, financial condition, and results of operations.

Changes in domestic and global economic conditions, supply chain disruptions, labor shortages, the lingering effects of the COVID-19 pandemic, have led to higher inflation, which, in turn, has led to, and will likely continue to, increase the costs of the raw material we purchase. *“Risk Factors — Risks Related to our Business — Our business, operating results, and cash flows have been affected and may continue to be adversely affected by the rising rate of inflation.”*

Further, the global economy has been, and may continue to be, negatively impacted by the ongoing conflict resulting from Russia’s invasion of Ukraine in 2022. The negative impacts arising from the conflict and sanctions and export restrictions imposed by various countries, including those imposed by Russia, may include reduced consumer demand, supply chain disruptions, increased cybersecurity risks, and increased costs for transportation, energy, and raw materials. Although our operations do not take place in Russia or Ukraine further escalation of geopolitical tensions could have a broader impact that expands into other markets where we do business, which may adversely affect our business, financial condition and results of operations. Please see *“Risk Factors — Risks Related to our Business — The ongoing conflict between Russia and Ukraine and the related implications could have a material adverse effect on our business and results of operations.”*

Security breaches, including cybersecurity incidents and other disruptions could compromise our information, expose us to liability and harm our reputation and business.

In the ordinary course of our business we collect and store sensitive data, including intellectual property, personal information, our proprietary business information and that of our customers, suppliers and business partners, and personally identifiable information of our customers and employees in our data centers and on our networks. The secure maintenance and transmission of this information is critical to our operations and business strategy. We rely on commercially available systems, software, tools and monitoring to provide security for processing, transmission, and storage of confidential information. Computer hackers may attempt to penetrate our computer systems and, if successful, misappropriate personal or confidential business information. In addition, an employee, contractor, or other third-party with whom we do business may attempt to circumvent our security measures in order to obtain such information and may purposefully or inadvertently cause a breach involving such information. Despite the security measures we have in place and any additional measures we may implement in the future to safeguard our systems and to mitigate potential security risks, our facilities and systems, and those of our third-party service providers, could be vulnerable to security breaches. Any such compromise of our data security and access, public disclosure, or loss of personal or confidential business information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, regulatory penalties, disruption of our operations, damage to our reputation, loss of our customers’ willingness to transact business with us, and subject us to additional costs and liabilities which could materially adversely affect our business.

We may be unable to protect our proprietary technology from infringement.

We rely on a combination of patents, trademarks, and unpatented proprietary know-how and trade secrets to establish and protect our intellectual property rights. We enter into confidentiality agreements with suppliers, customers, employees, consultants, and potential acquisition candidates as necessary to protect our know-how, trade secrets and other proprietary information. However, these measures and our patents and trademarks may not afford complete protection of our intellectual property, and it is possible that third parties may copy or otherwise obtain and use our proprietary information and technology without authorization or otherwise infringe on our intellectual property rights. We cannot assure that our competitors will not independently develop equivalent or superior know-how, trade secrets or production methods. Significant impairment of our intellectual property rights could harm our business or our ability to compete. For example, if we are unable to maintain the proprietary nature of our technologies, our profit margins could be reduced as competitors could more easily imitate our products, possibly resulting in lower prices or lost sales for certain products. In such a case, our business, financial condition, and results of operations may be materially adversely affected.

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.

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.

In addition, we are dependent on a relatively small number of suppliers for cross-linked foam, thermoformed plastic urethane and technical polyurethane foams. While we believe that we have developed strong relationships with these suppliers, any failure or delay by such suppliers in supplying us these necessary products could adversely affect our ability to manufacture and deliver products on a timely and competitive basis.

Our products could infringe the intellectual property rights of others, which may lead to litigation that could itself be costly, result in the payment of substantial damages or royalties, and prevent us from using technology that is essential to our products.

We cannot guarantee that our products, manufacturing processes or other methods do not infringe the patents or other intellectual property rights of third parties. Infringement and other intellectual property claims and proceedings brought against us, whether successful or not, could result in substantial costs and harm our reputation. Such claims and proceedings can also distract and divert our management and key personnel from other tasks important to the success of our business. In addition, intellectual property litigation or claims could force us to do one or more of the following:

- Cease selling or using any of our products that incorporate the asserted intellectual property, which would adversely affect our revenues;
- Pay substantial damages for past use of the asserted intellectual property;
- Obtain a license from the holder of the asserted intellectual property, which license may not be available on reasonable terms, if at all; and/or
- Redesign or rename, in the case of trademark claims, our products to avoid infringing the intellectual property rights of third parties, which may be costly and time-consuming, even if possible.

In the event of an adverse determination in an intellectual property suit or proceeding, or our failure to license essential technology, our sales could be harmed, and our costs could increase, which could materially adversely affect our 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, or between foreign powers, or a natural disaster, 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, financial condition, and results of operations.

Expansion of our operations into markets outside of the U.S. subjects us to political, economic, legal, operational, and other risks that could have a material adverse effect on our business, results of operations, financial condition, cash flows and reputation.

We have recently added manufacturing facilities in the Dominican Republic, Ireland, Costa Rica, and Mexico. We may continue to expand our operations by offering our services and entering new lines of business in other markets outside of the U.S. This expansion increases our exposure to the inherent risks of doing business in international markets. Depending on the market, these risks include those relating to:

- Changes in the local economic environment including, among other things, labor cost increases and other general inflationary pressures;
- Political instability, armed conflicts, or terrorism;
- Public health crises, such as pandemics or epidemics, including the Covid-19 pandemic;
- Social changes;
- Intellectual property legal protections and remedies;
- Trade regulations;
- Procedures and actions affecting approval, production, pricing, reimbursement and marketing of products and services;
- Foreign currency;
- Additional U.S. and foreign taxes;
- Export controls;
- Antitrust and competition laws and regulations;
- Lack of reliable legal systems which may affect our ability to enforce contractual rights;
- Changes in local laws or regulations, or interpretation or enforcement thereof;
- Potentially longer ramp-up times for starting up new operations, and for payment and collection cycles;
- Financial, operational and information technology systems integration;
- Failure to comply with U.S. laws, such as the foreign corrupt practices act, or local laws that prohibit us, our partners, or our partners' or our agents or intermediaries from making improper payments to foreign officials or any third party for the purpose of obtaining or retaining business; and
- Data and privacy restrictions.

Issues relating to the failure to comply with applicable non-U.S. laws, requirements or restrictions may also impact our domestic business and increase scrutiny of our domestic practices.

Additionally, some factors that will be critical to the success of our international business and operations will be different than those affecting our domestic business and operations. For example, conducting international operations requires us to devote significant management resources to implement our controls and systems in new markets, to comply with local laws and regulations, including fulfilling financial reporting and records retention requirements, and overcoming the numerous new challenges inherent in managing international operations, such as challenges based on differing languages and cultures, as well as differing regulatory and compliance environments, and challenges related to the timely hiring, integration and retention of a sufficient number of skilled personnel to carry out operations in an environment with which we are not familiar.

Any additional expansion of our international operations through acquisitions or through organic growth could increase these risks. Additionally, while we may invest material amounts of capital and incur significant costs in connection with the growth and development of our international operations, including the costs of starting up or acquiring new operations, we may not be able to operate them profitably on the anticipated timeline, or at all.

These risks could have a material adverse effect on our business, results of operations, financial condition, and cash flows, and could materially harm our reputation.

Risks Related to our Share Ownership and our Capital Structure

Restrictions in our credit facilities may limit our business and financial activities, including our ability to obtain additional capital in the future.

In December 2021, we entered into a secured \$130 million Second Amended and Restated Credit Agreement with Bank of America, N.A., which provided for a \$90 million revolving credit facility and a \$40 million term loan facility. This Credit Agreement contains covenants imposing various restrictions on our business and financial activities. These restrictions may affect our ability to operate our business and undertake certain financial activities and may limit our ability to take advantage of potential business or financial opportunities as they arise. The restrictions these covenants place on us include limitations on our ability to incur liens, incur indebtedness, make investments, dissolve or merge or consolidate with or into another entity, dispose of certain property, and make restricted payments. The Credit Agreement also requires us to meet certain financial ratios, including a minimum fixed-charge coverage ratio and a maximum total funded debt to EBITDA ratio. The breach of any of these covenants or restrictions could result in a default under the Credit Agreement, which could have a material adverse impact to our business, financial condition, and results of operation.

We are also exposed to the risk of increasing interest rates as our revolving credit and term loan facilities are both at a variable interest rate. Any material changes in interest rates could result in higher interest expense and related payments for us.

Provisions of our corporate charter documents and Delaware law, 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 a merger, tender offer or proxy contest involving us or, for a third party to acquire a majority of our outstanding voting common stock more difficult. 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.

General Risk Factors

We are subject to a variety of federal, state and local laws and regulations, including health and safety laws and regulations, and the cost of complying, or our failure to comply, with such requirements could materially adversely affect our business, financial condition and results of operations.

We are subject to a variety of federal, state and local laws and regulations, including health and safety laws and regulations. The risks of substantial costs and liabilities related to compliance with these laws and regulations are an inherent part of our business. Despite our intention to comply with these laws and regulations, we cannot guarantee that we will at all times comply with all such requirements. Compliance with health and safety legislation and other regulatory requirements may prove to be more limiting and costly than we anticipate and may also increase substantially in future years. If we violate, or fail to comply with these requirements, we could be fined or otherwise sanctioned by regulators. In addition, these requirements are complex, change frequently and may become more stringent over time, which could materially adversely affect our business, financial condition and results of operations.

Our operations could be disrupted by natural or human causes beyond our control.

Our operations are subject to the risk of disruption by hurricanes, severe storms, floods and other forms of severe weather, earthquakes and other natural disasters, accidents, fire, power shortages, geopolitical unrest, war and other military action, terrorist attacks and other hostile acts, public health issues, epidemics or pandemics, and other events, such as raw material or supply scarcity, that are beyond our control and the control of the third parties on which we depend. Any of these catastrophic events, whether in the United States or abroad, may have a strong negative impact on the global economy, our employees, facilities, suppliers, or customers, and could decrease demand for our products or our customers’ products, create delays and inefficiencies in our supply chain and make it difficult or impossible for us to deliver products to our customers in a timely manner. If there is a natural disaster or other serious disruption at any of our facilities, we may experience plant shutdowns or periods of reduced production as a result of equipment failures, loss of power, delays in delivery of raw materials or supplies, personnel absences, or extensive damage to any of our facilities, any of which could materially adversely affect our business, financial condition, or results of operations. In addition, our insurance coverage may not adequately compensate us for losses incurred as a direct or indirect result of natural or other disasters.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES

The following table presents certain information relating to each of the Company’s design and manufacturing properties:

Location	Square Feet	Lease Expiration Date	Principal Use
Newburyport, Massachusetts	183,000	Company Owned	Headquarters, fabrication, molding, tooling, test lab, clean room, warehousing, and engineering
Huntsville, Alabama	9,000	6/30/2031	Engineering, design, and fabrication
Grand Rapids, Michigan	255,260	Company Owned	Fabrication, molding, warehousing, and engineering
Rancho Dominguez, California	56,000	10/31/2027	Fabrication, molding and engineering
Denver, Colorado	18,270	Company Owned	Fabrication and molding
Denver, Colorado	28,383	Company Owned	Fabrication, molding and engineering
Kissimmee, Florida	49,400	Company Owned	Fabrication, molding, test lab and engineering
El Paso, Texas	127,730	Company Owned	Warehousing, fabrication, and molded fiber operations
Chicopee, Massachusetts	103,792	Company Owned	Fabrication, molding, clean room, warehousing, and engineering
Providence, Rhode Island	79,535	9/30/2026	Fabrication, molding, clean room, and warehousing
Dominican Republic	16,557	12/31/2024	Fabrication, molding, clean room, and warehousing
Dominican Republic	12,630	8/31/2023	Fabrication, molding, clean room, and warehousing
Dominican Republic	51,970	8/31/2025	Fabrication, molding, clean room, and warehousing
Tijuana, Mexico	83,256	2/29/2032	Fabrication, molding, and warehousing
Kennesaw, Georgia	11,017	12/31/2027	Warehousing
Galway, Ireland	35,069	Company Owned	Fabrication, molding, clean room, and warehousing
Galway, Ireland	11,500	Monthly Rental	Fabrication, molding, clean room, and warehousing
La Aurora, Heredia, Costa Rica	13,000	4/30/2028	Fabrication, molding, clean room, and warehousing

ITEM 3. LEGAL PROCEEDINGS

From time to time, the Company may be a party to various suits, claims and complaints arising in the ordinary course of business and is currently a party to a single employee claim. In the opinion of management of the Company, this active claim should not result in final judgments or settlements that, in the aggregate, would have a material adverse effect on the Company's financial condition or results of operations.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

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

Market Price

The Company's common stock is listed on the NASDAQ Capital Market under the symbol "UFPT". 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, 2021 to December 31, 2022:

Year Ended December 31, 2021	High	Low
First Quarter	\$ 55.52	\$ 44.02
Second Quarter	59.68	49.02
Third Quarter	71.17	56.11
Fourth Quarter	75.34	59.00
Year Ended December 31, 2022	High	Low
First Quarter	\$ 76.01	\$ 56.10
Second Quarter	87.83	65.00
Third Quarter	100.64	74.00
Fourth Quarter	126.78	85.04

Number of Stockholders

As of March 10, 2023, there were 79 holders of record of the Company's common stock.

Since 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 beneficial stockholders represented by these holders of record.

Dividends

The Company did not pay any dividends in 2022 or 2021. The Company presently intends to retain all its earnings to provide funds for the operation of its business and strategic acquisitions, although it would consider paying cash dividends in the future. Any decision to pay dividends will be at the discretion of the Company's board of directors and will depend upon the Company's operating results, strategic plans, capital requirements, financial condition, provisions of the Company's borrowing arrangements, applicable law and other factors the Company's board of directors considers relevant.

Issuer Purchases of Equity Securities

On June 16, 2015, the Company issued a press release announcing that its Board of Directors authorized the repurchase of up to \$10.0 million of the Company's outstanding common stock. There was no share repurchase activity for the years ended December 31, 2022, 2021, and 2020. During the year ended December 31, 2015, the Company repurchased 29,559 shares of common stock at a cost of approximately \$587 thousand. At December 31, 2022, approximately \$9.4 million was available for future repurchases of the Company's common stock under this authorization.

ITEM 6. [Reserved]

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

Overview

The Company is a design, engineering, and custom manufacturer of comprehensive solutions for medical devices, sterile packaging, and other highly engineered custom products. The Company is an important link in the medical device supply chain and a valued outsource partner to many of the top medical device manufacturers in the world. The Company's single-use and single-patient devices and components are used in a wide range of medical devices and packaging for minimally invasive surgery, infection prevention, wound care, wearables, orthopedic soft goods, and orthopedic implants.

The Company is diversified by also providing highly engineered products and components to customers in the automotive, aerospace and defense, and industrial markets. Typical applications of its products include military uniform and gear components, automotive interior trim, air filtration, and protective cases and inserts.

The Company's current strategy includes further organic growth and growth through strategic acquisitions.

Net sales for the Company for the year ended December 31, 2022 increased 71.5% to \$353.8 million from \$206.3 million for the year ended December 31, 2021 due to the Company's acquisitions of Contech Medical, DAS Medical, and Advant Medical, and an organic sales increase of approximately 18.6%. Gross margin increased to 25.5% for the year ended December 31, 2022, from 24.8% in 2021. Operating income and net income for the year ended December 31, 2022 increased by 161.1% and 163.1%, respectively. These results were achieved despite challenges that plagued the Company during much of 2022, including raw material and labor shortages, and significant inflationary cost increases on raw materials, labor, overhead costs and interest on the Company's credit facility.

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 Income:

	2022	2021	2020
Net sales	100.0%	100.0%	100.0%
Cost of sales	74.5%	75.2%	75.1%
Gross profit	25.5%	24.8%	24.9%
Selling, general, and administrative expenses	12.9%	14.3%	15.3%
Acquisition costs	0.3%	0.2%	0.0%
Change in fair value of contingent consideration	2.8%	0.0%	0.0%
Gain on sale of Molded Fiber business	-4.4%	0.0%	0.0%
(Gain) Loss on sale of fixed assets	-1.8%	0.0%	0.3%
Operating income	15.7%	10.3%	9.3%
Interest expense, net	0.8%	0.0%	0.0%
Total other expense	0.0%	0.0%	0.2%
Income before taxes	14.9%	10.3%	9.1%
Income tax expense	3.1%	2.6%	1.6%
Net income from consolidated operations	11.8%	7.7%	7.5%

2022 Compared to 2021

Sales

Net sales increased 71.5% to \$353.8 million for the year ended December 31, 2022, from net sales of \$206.3 million in 2021. The increase in sales was primarily due to increases in sales to customers in the Medical market of 116.0%. The increases in sales in the Medical market were primarily due to increased sales from the Company's recently acquired companies of \$121.9 million, as well as an organic sales increase of 24.0% due to increased medical procedures, restoring of inventory levels by our customer, and price increases implemented in response to incremental input costs. Sales to customers in all other markets decreased 8.4%, largely due to the Company's disposition of its Molded Fiber business in July 2022.

Gross Profit

Gross profit as a percentage of sales ("Gross Margin") increased to 25.5% for the year ended December 31, 2022, from 24.8% in 2021. As a percentage of sales, material and labor costs collectively increased 5.5%, while overhead decreased 6.3%. The increase in gross margin is primarily due to the leverage of organic sales growth over the fixed portion of overhead, partially offset by inflationary cost increases in both raw materials and labor.

Selling, General and Administrative Expenses

Selling, General, and Administrative Expenses ("SG&A") increased approximately 55.3% to \$45.8 million for the year ended December 31, 2022, from \$29.5 million in 2021. The increase in SG&A was primarily due to the additional SG&A from recent acquisitions and increased employee compensation and benefits, offset by reduced SG&A as a result of the sale of the Molded Fiber business. As a percentage of sales, SG&A decreased to 12.9%, from 14.3% in 2021. The decrease in SG&A as a percentage of sales was primarily due to increased organic sales measured against relatively fixed SG&A.

Acquisition costs

The Company incurred approximately \$1.0 million in costs associated with acquisition related activities which were charged to expense for the year ended December 31, 2022. These costs were primarily for legal services, valuation services and stamp duty filings and are reflected on the face of the income statement.

Change in fair value of contingent consideration

In connection with the acquisitions discussed in Note 2, "Acquisitions," the Company is required to make contingent payments, subject to the entities achieving certain financial performance thresholds. The potential contingent consideration payments for both the DAS Medical and Contech Medical acquisitions combined are \$25 million. The fair value of the liabilities for the contingent consideration payments recognized upon the acquisition as part of the purchase accounting opening balance sheets totaled approximately \$9.7 million and was estimated by discounting to present value the probability-weighted contingent payments expected to be made. Assumptions used in this calculation were managements financial forecasts, discount rate and various volatility factors. The ultimate settlement of contingent consideration could deviate from current estimates based on the actual results of these financial measures. This liability is considered to be a Level 3 financial liability that is re-measured each reporting period. The fair value of the liabilities for the contingent consideration payments recognized at December 31, 2022 totaled approximately \$14.6 million. The change in fair value of contingent consideration for the DAS Medical and Contech Medical acquisitions for the year ended December 31, 2022, resulted in an expense of approximately \$9.8 million, and was included in change in fair value of contingent consideration in the consolidated statements of income. The Company paid \$5 million during the fourth quarter of 2022 to fulfill the contingent consideration for the Contech Medical acquisition.

Gain on sale of Molded Fiber business

On July 26, 2022, pursuant to a share purchase agreement and related agreements, the Company sold Molded Fiber Technology, Inc. ("MFT") and related real estate in Iowa to CKF USA INCORPORATED ("CKF") (a Delaware Corporation) for approximately \$31.5 million (after giving effect to a working capital adjustment of approximately \$0.1 million that decreased the total consideration). The net book value of the assets sold were approximately \$15.4 million and the Company recorded a net gain on sale of approximately \$15.7 million, which was recorded in the year ended December 31, 2022. This net gain included \$2.6 million of the purchase price which is being held in escrow until January 26, 2024, to indemnify CKF against certain claims, losses, and liabilities. The Securities Purchase Agreement contains customary representations, warranties, and covenants customary for transactions of this type. MFT's annual revenue was approximately \$21.3 million for the year ended December 31, 2021. Proceeds from the sale were used to pay down debt on the Company's revolving credit facility, as well as income tax obligations on the related gain.

Gain on disposal of property, plant and equipment

For the year ended December 31, 2022, the Company recorded a gain on the sale of fixed assets of approximately \$6.2 million. This was primarily the result of the sale of the Company's Georgetown, Massachusetts manufacturing facility. The operations previously housed in this location have been fully absorbed by the nearby Newburyport manufacturing facility. The gain on the Georgetown manufacturing facility was determined by a sales price of approximately \$6.7 million measured against a net book value of approximately \$0.5 million and selling expenses of approximately \$0.1 million.

Interest expense, net

The Company had net interest expense of approximately \$2.8 million and \$39 thousand for the years ended December 31, 2022 and 2021, respectively. The increase in net interest expense for the year ended December 31, 2022 was primarily due to interest paid on funds drawn on the Company's credit facility used to finance recent acquisitions.

Other Income

Other income was approximately \$81 thousand and approximately \$26 thousand for years ended December 31, 2022 and 2021, respectively. The increase in other income was primarily generated by foreign currency transaction gains and changes in the fair value of the swap liability, which is driven by anticipated future interest rate changes, offset by net cash settlement amounts related to the swap.

Income Taxes

The Company recorded income tax expense, as a percentage of income before income tax expense, of 20.7% for the year ended December 31, 2022 compared to 25.1% for the same period in 2021. The decrease in the effective tax rate for the current year as compared to the prior year was largely due to lower statutory rates on foreign taxable income in 2022. The Company notes the potential for volatility in its effective tax rate, as any windfall or shortfall tax benefits related to its share-based compensation plans will be recorded directly into income tax expense.

2021 Compared to 2020

Sales

Net sales increased 15.0% to \$206.3 million for the year ended December 31, 2021, from net sales of \$179.4 million in 2020. The increase in sales was primarily due to increases in sales to customers in the Medical, Consumer, Electronics, Industrial, Automotive and Aerospace & Defense markets of 10.2%, 42.2%, 28.3%, 13.6%, 6.8% and 25.7% respectively. The increase in sales to the Medical market was partially attributable to sales from the two fourth quarter acquisitions, Contech Medical and DAS Medical, of \$4.5 million and \$1.4 million, respectively. Organically, sales to the medical market grew 5.3% in 2021.

Gross Profit

Gross Margin decreased slightly to 24.8% for the year ended December 31, 2021, from 24.9% in 2020. As a percentage of sales, material and direct labor costs collectively increased approximately 2.3%, while overhead decreased approximately 2.2%. The increase in collective material and labor costs as a percentage of sales was primarily due to inflationary increases in raw material costs as well as labor rate increases and staffing challenges. The decrease in overhead as a percentage of sales was primarily due to fixed overhead costs measured against increased sales.

Selling, General and Administrative Expenses

SG&A increased approximately 7.2% to \$29.5 million for the year ended December 31, 2021, from \$27.5 million in 2020. As a percentage of sales, SG&A decreased to 14.3%, from 15.3% in 2020. The decrease in SG&A as a percentage of sales was primarily due to relatively fixed SG&A expenses measure against increased sales. The increase in SG&A was primarily due to increased compensation programs and travel and entertainment as well as additional SG&A from the fourth quarter acquisitions of Contech and DAS.

Acquisition costs

The Company incurred approximately \$430 thousand in costs associated with acquisition related activities which were charged to expense for the year ended December 31, 2021. These costs were primarily for legal and valuation services and are reflected on the face of the income statement.

Interest expense, net

The Company had net interest expense of approximately \$39 thousand and \$83 thousand for the years ended December 31, 2021 and 2020, respectively. The decrease in net interest expense was primarily due to interest received from the federal government related to income tax refunds.

Other Income and Expense

Other income was approximately \$26 thousand and other expense was approximately \$366 thousand for years ended December 31, 2021 and 2020, respectively. The changes in other expense are primarily generated by changes in the fair value of the swap liability, which is driven by anticipated future interest rate changes and a declining nominal amount, offset by net cash settlement amounts related to the swap.

Income Taxes

The Company recorded income tax expense, as a percentage of income before income tax expense, of 25.1% for the year ended December 31, 2021 compared to 17.9% for the same period in 2020. The increase in the effective tax rate for the current period was largely due to lower discrete income tax benefits from share-based compensation and amended tax returns in the year ended December 31, 2021 compared to the same period of 2020. The Company notes the potential for volatility in its effective tax rate, as any windfall or shortfall tax benefits related to its share-based compensation plans will be recorded directly into income tax expense.

Liquidity and Capital Resources

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

Cash Flows

Net cash provided by operations for the year ended December 31, 2022 was approximately \$17.7 million and was primarily a result of net income generated of approximately \$41.8 million, depreciation and amortization of approximately \$11.9 million, share-based compensation of approximately \$3.2 million, a change in the fair value of contingent consideration of approximately \$9.8 million, an increase in income taxes payable of approximately \$1.0 million, an increase in accounts payable of approximately \$9.1 million due to the building of inventory to meet demand and the timing of vendor payments in the ordinary course of business, an increase in accrued expenses of approximately \$10.4 million primarily due to increased compensation related liabilities, customer rebates and the current portion of non-compete payments, and an increase in deferred revenue of approximately \$1.0 million primarily due to increased customer deposits on tooling and machinery.

These cash inflows and adjustments to income were offset by a gain on disposal of property, plant and equipment of approximately \$6.2 million, a gain on the sale of the Molded Fiber business of approximately \$15.7 million, a decrease in deferred taxes of approximately \$4.7 million, an increase in accounts receivable of approximately \$16.8 million due to higher sales in the last two months of the fourth quarter of 2022 as compared to the same period in the fourth quarter of 2021 and the addition of Advant Medical receivables following the Company's acquisition of Advant, an increase in inventory of approximately \$19.6 million due to inventory build for upcoming demand, restocking to historical levels and the addition of Advant Medical inventory, an increase in prepaid expenses of approximately \$0.7 million, an increase in other assets of approximately \$3.5 million due to increased right of use lease assets and a decrease in other long-term liabilities of approximately \$3.3 million due primarily to the payment and current reclassification of contingent consideration.

Net cash provided by investing activities during the year ended December 31, 2022 was approximately \$1.3 million and was primarily the result of the sale of Molded Fiber and the sale of the Georgetown manufacturing facility, offset by the acquisition of Advant Medical, as well as additions of manufacturing machinery and equipment and various building improvements across the Company.

Net cash used for financing activities was approximately \$25.9 million during the year ended December 31, 2022 and was primarily the result of payments on the revolving line of credit of approximately \$60 million, principal payments of long-term debt of approximately \$4 million, payment of contingent consideration of approximately \$4.5 million, and payments of statutory withholding for stock options exercised and restricted stock units vested of approximately \$1.7 million. These payments were partially offset by borrowings under our credit facility to fund acquisitions of approximately \$44 million.

Outstanding and Available Debt

On December 22, 2021, the Company, as the borrower, entered into a secured \$130 million Second Amended and Restated Credit Agreement (the "Second Amended and Restated Credit Agreement") with certain of the Company's subsidiaries (the "Subsidiary Guarantors") and Bank of America, N.A., in its capacity as the initial lender, Administrative Agent, Swingline Lender and L/C Issuer, and certain other lenders from time-to-time party thereto. The Second Amended and Restated Credit Agreement amends and restates the Company's prior credit agreement, originally dated as of February 1, 2018.

The credit facilities under the Second Amended and Restated Credit Agreement consist of a \$40 million secured term loan to the Company and a secured revolving credit facility, under which the Company may borrow up to \$90 million. The Second Amended and Restated Credit Agreement matures on December 21, 2026. The secured term loan requires quarterly principal payments of \$1 million that commenced on March 31, 2022. The proceeds of the Second Amended and Restated Credit Agreement may be used for general corporate purposes, including funding the acquisition of DAS Medical, as well as certain other permitted acquisitions. The Company's obligations under the Second Amended and Restated Credit Agreement are guaranteed by the Subsidiary Guarantors.

The Second Amended and Restated Credit Agreement calls for interest determined by the Bloomberg Short-Term Bank Yield Index rate ("BSBY") plus a margin that ranges from 1.25% to 2.0% 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. Under the Second Amended and Restated Credit Agreement, the Company is subject to a minimum fixed-charge coverage financial covenant as well as a maximum total funded debt to EBITDA financial covenant. The Second Amended and Restated Credit Agreement contains other covenants customary for transactions of this type, including restrictions on certain payments, permitted indebtedness, and permitted investments.

At December 31, 2022, the Company had approximately \$55 million in borrowings outstanding under the Second Amended and Restated Credit Agreement, which were used as partial consideration for the DAS Medical and Advant Medical acquisitions, and also had approximately \$0.7 million in standby letters of credit outstanding, drawable as a financial guarantee on worker's compensation insurance policies. At December 31, 2022, the applicable interest rate was approximately 5.2% and the Company was in compliance with all covenants under the Second Amended and Restated Credit Agreement.

Long-term debt consists of the following (in thousands):

	December 31, 2022
Revolving credit facility	\$ 19,000
Term loan	36,000
Total long-term debt	55,000
Current portion	(4,000)
Long-term debt, excluding current portion	\$ 51,000

Future maturities of long-term debt at December 31, 2022 are as follows (in thousands):

Year ended December 31,	Term Loan	Revolving credit facility	Total
2023	\$ 4,000	\$ -	\$ 4,000
2024	4,000	-	4,000
2025	4,000	-	4,000
2026	24,000	19,000	43,000
	\$ 36,000	\$ 19,000	\$ 55,000

Derivative Financial Instruments

The Company used interest-rate-related derivative instruments to manage its exposure related to changes in interest rates on certain of its variable-rate debt instruments. The Company does not enter into derivative instruments for any purpose other than cash flow hedging. Derivative financial instruments expose the Company to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. When the fair value of a derivative contract is positive, the counterparty owes the Company, creating credit risk for the Company. When the fair value of a derivative contract is negative, the Company owes the counterparty and, therefore, in these circumstances the Company is not exposed to the counterparty's credit risk. The Company minimizes counterparty credit risk in derivative instruments by entering into transactions with carefully selected major financial institutions based upon their credit profile. Market risk is the adverse effect on the value of a derivative instrument that results from a change in interest rates.

The Company assesses interest rate risk by continually identifying and monitoring changes in interest rate exposures that may adversely impact expected future cash flows and by evaluating hedging opportunities. The Company's debt obligations exposed the Company to variability in interest payments due to changes in interest rates. The Company believed that it was prudent to limit the variability of a portion of its interest payments. To meet this objective, in connection with the first Amended and Restated Credit Agreement, the Company entered into a \$20 million, 5-year interest rate swap agreement under which the Company receives three-month LIBOR plus the applicable margin and pays a 2.7% fixed rate plus the applicable margin. The swap modified the Company's interest rate exposure by converting the previous term loan from a variable rate to a fixed rate in order to hedge against the possibility of rising interest rates during the term of the loan. The notional amount was approximately \$5.7 million at December 31, 2022. The fair value of the swap as of December 31, 2022 and 2021 was zero and approximately \$(176) thousand, respectively, and is included in other liabilities. Changes in the fair value and net cash settlement amounts related to the swap are recorded in other income of approximately \$176 thousand and approximately \$24 thousand during the years ended December 31, 2022 and 2021, respectively.

As the Company has paid the remaining balance of the term loan that was associated with the swap in its entirety, there is no longer underlying debt to hedge against with the swap. The changes in the fair value of the swap will continue to be accounted for as a financial instrument until its maturity, on February 1, 2023.

Future Liquidity

The Company requires cash to pay its operating expenses, purchase capital equipment, and to service its contractual obligations. The Company's principal sources of funds are its operations and its Second Amended and Restated Credit Agreement. The Company generated cash of approximately \$17.7 million in operations during the year ended December 31, 2022; however, the Company cannot guarantee that its operations will generate cash in future periods. The Company's longer-term liquidity is contingent upon future operating performance and the availability of draws on the revolving credit facility under the Second Amended and Restated Credit Agreement. Further, the continued economic uncertainty resulting from the Ukraine war, inflation or other factors beyond the control of the Company could affect the Company's long-term ability to access the public markets and obtain necessary capital in order to properly capitalize and continue operations.

Throughout fiscal 2023, the Company plans to continue to add capacity to enhance operating efficiencies in its manufacturing plants. The Company may consider additional acquisitions of companies, technologies, or products that are complementary to its business. The Company believes that its existing resources, including its revolving credit facility, together with cash expected to be generated from operations, will be sufficient to fund its cash flow requirements, including capital asset acquisitions, through the next twelve months.

The Company may also require additional capital in the future to fund capital expenditures, acquisitions or other investments. These capital requirements could be substantial. The Company anticipates that any future expansion of its business will be financed through existing resources, cash flow from operations, the Company's revolving credit facility, or other new financing. The Company cannot guarantee that it will be able to meet existing financial covenants or obtain other new financing on favorable terms, if at all. The Company's liquidity will be impacted to the extent additional stock repurchases are made under the Company's stock repurchase program.

Stock Repurchase Program

The Company accounts for treasury stock under the cost method, using the first-in, first-out cost flow assumption, and includes treasury stock as a component of stockholders' equity. On June 16, 2015, the Company announced that its Board of Directors authorized the repurchase of up to \$10.0 million of the Company's outstanding common stock. Under the program, the Company is authorized to repurchase shares through Rule 10b5-1 plans, open market purchases, privately negotiated transactions, block purchases or otherwise in accordance with applicable federal securities laws, including Rule 10b-18 of the Securities Exchange Act of 1934. The stock repurchase program will end upon the earlier of the date on which the plan is terminated by the Board or when all authorized repurchases are completed. The timing and amount of stock repurchases, if any, will be determined based upon our evaluation of market conditions and other factors. The stock repurchase program may be suspended, modified or discontinued at any time, and the Company has no obligation to repurchase any amount of its common stock under the program. There were no share repurchases during the years ended December 31, 2022, 2021, and 2020. At December 31, 2022, approximately \$9.4 million was available for future repurchases of the Company's common stock under this authorization.

Critical Accounting Estimates

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. The Company evaluates its estimates, including those listed below, on an ongoing basis. The Company bases its estimates on historical experience and on various other assumptions believed to be reasonable under the circumstances, including current and anticipated worldwide economic conditions, both in general and specifically in relation to the packaging and component product industries, 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 Report. The Company believes the following critical accounting policies necessitated that significant judgments and estimates be used in the preparation of its consolidated financial statements.

The Company has reviewed these policies with its Audit Committee.

Goodwill

In testing Goodwill for impairment, the Company uses several methods including the discounted cash flows method ("DCF") under the income approach to determine the fair value of the reporting unit for purposes of testing the reporting unit's carrying value of goodwill for impairment. The key assumptions used in our approach included:

- The reporting unit's estimated financials and five-year projections of financial results, which were based on strategic plans and long-range forecasts. Sales growth rates represent estimates based on current and forecasted sales mix and market conditions. The profit margins were projected based on historical margins, projected sales mix, current expense structure and anticipated expense modifications.
- The projected terminal value which reflects the total present value of projected cash flows beyond the last period in the DCF. This value reflects a growth rate for the reporting unit, which is approximately the same growth rate of expected inflation into perpetuity.
- The discount rate determined using a Weighted Average Cost of Capital method ("WACC"), which considered market and industry data as well as Company-specific risk factors.

Selection of guideline public companies which are similar in size and market capitalization to each other and to the Company.

Valuation of Intangible Assets and Contingent Consideration Liability

We base the fair value of identifiable intangible assets acquired in a business combination on detailed valuations that use information and assumptions provided by management, which consider management's best estimates of inputs and assumptions that a market participant would use. Further, for those arrangements that involve potential future contingent consideration, we record on the date of acquisition a liability equal to the fair value of the estimated additional consideration we may be obligated to pay in the future. We re-measure this liability each reporting period and record changes in the fair value through a separate line item within our consolidated statements of operations. Increases or decreases in the fair value of the contingent consideration liability can result from changes in discount rates, periods, timing and amount of projected revenue or timing or likelihood of achieving regulatory, revenue or commercialization-based milestones. The use of alternative valuation assumptions, including estimated revenue projections, growth rates, cash flows, discount rates, useful life or probability of achieving clinical, regulatory or revenue-based milestones could result in different purchase price allocations and recognized amortization expense and contingent consideration expense or benefit in current and future periods.

We review intangible assets subject to amortization quarterly to determine if any adverse conditions exist or a change in circumstances has occurred that would indicate impairment or adjustment to the remaining useful life. If we determine it is more likely than not that the asset is impaired based on our qualitative assessment of impairment indicators, we test the intangible asset for recoverability. If the carrying value of the intangible asset is determined not recoverable, we will write the carrying value down to fair value in the period the impairment is identified. We calculate fair value of our intangible assets as the present value of estimated future cash flows we expect to generate from the asset using a risk-adjusted discount rate. The use of alternative assumptions, including estimated cash flows, discount rates and alternative estimated remaining useful lives could result in different calculations of impairment.

Revenue Recognition

The Company recognizes revenue when a customer obtains control of a promised good or service. The amount of revenue recognized reflects the consideration that the Company expects to be entitled to in exchange for promised goods or services. The Company recognizes revenue in accordance with the core principles of ASC 606 which include (1) identifying the contract with a customer, (2) identifying separate performance obligations within the contract, (3) determining the transaction price, (4) allocating the transaction price to the performance obligations, and (5) recognizing revenue. The Company recognizes all but an immaterial portion of its product sales upon shipment. The Company recognizes revenue from the sale of tooling and machinery primarily upon customer acceptance, with the exception of certain tooling where control does not transfer to the customer, resulting in revenue being recognized over the estimated time for which parts are produced with the use of each respective tool. The Company recognizes revenue from engineering services, which are primarily product development services, as the services are performed or as otherwise determined based on the substance of the agreement. The Company recognizes revenue from bill and hold transactions at the time the specified goods are complete and available to the customer. In the ordinary course of business, the Company accepts sales returns from customers for defective goods, such amounts being immaterial. Although only applicable to an insignificant number of transactions, the Company has elected to exclude sales taxes from the transaction price. The Company has elected to account for shipping and handling activities for which the Company is responsible under the terms and conditions of the sale not as performance obligations but rather as fulfillment costs. These activities are required to fulfill the Company's promise to transfer the good and are expensed when revenue is recognized.

Recent Accounting Pronouncements

Refer to Note 1, "Summary of Significant Accounting Policies," in the accompanying notes to the consolidated financial statements for a discussion of recent accounting pronouncements.

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, 2022, the Company's cash and cash equivalents consisted primarily of bank accounts in U.S. dollars, and their valuation would not be affected by market risk. Interest under the Company's credit facility with Bank of America, N.A. calls for interest of BSBY plus a margin that ranges from 1.25% to 2.00% or, at the discretion of the Company, the bank's prime rate less a margin that ranges from 0.25% to zero. Therefore, future operations could be affected by interest rate changes. As of December 31, 2022, the applicable interest rate was approximately 5.2%.

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

Disclosure Controls and Procedures

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", excluding control procedures at Advant Medical (as defined in Exchange Act Rule 13a-15(e) and 15d-15(e)) as of the end of the period covered by this Report (the "Evaluation Date"). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the Evaluation Date, the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed in the reports that the Company files or submits under the Exchange Act is (i) recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms and (ii) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

The Company closed the acquisition of Advant Medical on March 16, 2022. Advant Medical's total assets and revenues constituted approximately 6.5% and 5.6%, respectively, of the Company's consolidated total assets and revenues as shown on our consolidated financial statements as of and for the year ended December 31, 2022. As the acquisition occurred during fiscal 2022, the Company excluded Advant Medical's internal control over financial reporting from the scope of the assessment of the effectiveness of the Company's disclosure controls and procedures. This exclusion is in accordance with the general guidance issued by the Staff of the Securities and Exchange Commission that an assessment of a recently acquired business may be omitted from the scope in the year of acquisition if specified conditions are satisfied.

Management's Report on Internal Control Over Financial Reporting

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) and 15d-15(f). The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance, as opposed to absolute assurance, of achieving their internal control objectives.

Management conducted an assessment of the Company's internal control over financial reporting as of December 31, 2022, based on criteria established in the 2013 Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Except as described above relating to the acquisition of Advant Medical, based on the assessment, management concluded that, as of December 31, 2022, the Company's internal control over financial reporting is effective.

Except as described above, 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

On March 14, 2023, the Compensation Committee of the Company's Board of Directors (the "Compensation Committee") approved certain amendments to the Company's 2003 Incentive Plan, as amended and restated (the "2003 Incentive Plan"). The amendments, among other things: (i) clarify that the Compensation Committee or the Board may delegate limited authority to the Chief Executive Officer of the Company or one or more other officers of the Company (each, a "Designated Officer") to assist the Compensation Committee administer and operate the 2003 Incentive Plan and to grant equity-based awards to persons other than a Designated Officer or any person who is an officer (as defined in Rule 16a-1(f) of the Exchange Act); (ii) increase the aggregate maximum of Cash Performance Awards (as defined in the 2003 Incentive Plan) that may be paid to any individual pursuant to the 2003 Incentive Plan; (iii) provide for additional flexibility in the grant of equity-based awards to employees who are foreign nationals or employed outside of the United States; and (iv) make other conforming and correcting changes thereto.

The foregoing summary of the 2003 Incentive Plan does not purport to be complete and is qualified in its entirety by reference to the complete text of the 2003 Incentive Plan, a copy of which is filed as Exhibit 10.33 to this Annual Report on Form 10-K and is incorporated herein by reference.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable

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 ACCOUNTING 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

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	Consolidated Statements of Comprehensive Income for the years ended December 31, 2022, 2021, and 2020	F-9
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All other schedules have been omitted because they are not required, not applicable, or the required information is otherwise included.

(a) (3) Exhibits

Exhibit Index

<u>Number</u>	<u>Description of Exhibit</u>
<u>2.01</u>	<u>Securities Purchase Agreement, dated as of December 22, 2021, by and among Parallax Investments, LLC, a Georgia limited liability company and its purchase price beneficiaries, DAS Medical Holdings, LLC, a Georgia corporation and the Company (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on December 23, 2021 (SEC File No. 001-12648)).</u>
<u>2.02</u>	<u>Agreement for the Purchase and Sale of Personal Goodwill, dated December 22, 2021, between and among the Company and Danny R. Lee, Daniel Lee, Houston Lee, Armond Groves, Thomas Bonner and Bruce Grady (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the SEC on December 23, 2021 (SEC File No. 001-12648)).</u>
<u>2.03</u>	<u>Stock Purchase Agreement, dated as of October 21, 2021 by and among the Company, Contech Medical, Inc., Contech Medical, Inc.'s shareholders, and Christopher M. Byrnes (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q, filed with the SEC on November 5, 2021 (SEC File No. 001-12648)).</u>
<u>3.01</u>	<u>Certificate of Incorporation of the Company, as amended (incorporated by reference to Exhibit 3.01 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2004, filed with the SEC on May 14, 2004 (SEC File No. 001-12648)).</u>
<u>3.02</u>	<u>Amended and Restated Certificate of Designation of Series A Junior Participating Preferred Stock of the Company (incorporated by reference to Exhibit 3.02 to the Company's Current Report on Form 8-K, filed with the SEC on March 24, 2009 (SEC File No. 001-12648)).</u>
<u>3.03</u>	<u>Amended and Restated Bylaws of the Company (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed with the SEC on June 15, 2020 (SEC File No. 001-12648)).</u>
<u>3.04</u>	<u>Certificate of Amendment to Certificate of Incorporation of UFP Technologies, Inc., dated June 10, 2020 (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K, filed with the SEC on June 15, 2020 (SEC File No. 001-12648)).</u>
<u>3.05</u>	<u>Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed with the SEC on June 14, 2022 (SEC File No. 001-12648)).</u>
<u>4.01</u>	Specimen Certificate for shares of the Company's Common Stock (incorporated by reference to Exhibit 4.01 to the Company's Registration Statement on Form S-1, filed with the SEC on December 15, 1993) (filed in paper format).
<u>4.02</u>	<u>Description of Capital Stock (contained in the Certificate of Incorporation of the Company, as amended, filed as Exhibit 3.01 hereto).</u>
<u>10.01</u>	Form of Indemnification Agreement for directors and officers of the Company (incorporated by reference to Exhibit 10.30 to the Company's Registration Statement on Form S-1, filed with the SEC on December 15, 1993) (filed in paper format). #
<u>10.02</u>	<u>Executive Non-qualified Excess Plan (incorporated by reference to Exhibit 10.41 to the Company's Quarterly Report on Form 10-Q for the three months ended September 30, 2006, filed with the SEC on November 13, 2006 (SEC File No. 001-12648)). #</u>
<u>10.03</u>	<u>Employment Agreement with R. Jeffrey Bailly dated October 8, 2007 (incorporated by reference to Exhibit 10.28 to the Company's Current Report on Form 8-K, filed with the SEC on October 12, 2007 (SEC File No. 001-12648)). #</u>

<u>Number</u>	<u>Description of Exhibit</u>
<u>10.04</u>	<u>2009 Non-Employee Director Stock Incentive Plan (incorporated by reference to Exhibit 10.66 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2013, filed with the SEC on May 10, 2013 (SEC File No. 001-12648)). #</u>
<u>10.05</u>	<u>Amendment No. 1 to Employment Agreement with R. Jeffrey Bailly (incorporated by reference to Exhibit 10.56 to the Company's Current Report on Form 8-K, filed with the SEC on March 8, 2011 (SEC File No. 001-12648)). #</u>
<u>10.06</u>	<u>Facility Lease between the Company and Susana Property Co. (incorporated by reference to Exhibit 10.61 to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2012, filed with the SEC on November 9, 2012 (SEC File No. 001-12648)).</u>
<u>10.07</u>	<u>Amendment No. 2 to Employment Agreement with R. Jeffrey Bailly (incorporated by reference to Exhibit 10.62 to the Company's Current Report on Form 8-K, filed with SEC on February 22, 2013 (SEC File No. 001-12648)). #</u>
<u>10.08</u>	<u>Form of 2019 CEO Stock Unit Award Agreement (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on February 25, 2019 (SEC File No. 001-12648)). #</u>
<u>10.09</u>	<u>Form of 2019 Stock Unit Award Agreement (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the SEC on February 25, 2019 (SEC File No. 001-12648)). #</u>
<u>10.10</u>	<u>Form of 2019 Non-Qualified Stock Option Agreement under the 2009 Non-Employee Director Stock Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2019, filed with the SEC on August 9, 2019 (SEC File No. 001-12648)). #</u>
<u>10.11</u>	<u>Form of 2019 Stock Unit Award Agreement under the 2009 Non-Employee Director Stock Incentive Plan (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2019, filed with the SEC on August 9, 2019 (SEC File No. 001-12648)). #</u>
<u>10.12</u>	<u>Form of 2020 Non-Qualified Stock Option Agreement under the 2009 Non-Employee Director Stock Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2020, filed with the SEC on August 7, 2020 (SEC File No. 001-12648)). #</u>
<u>10.13</u>	<u>Form of 2020 Stock Unit Award Agreement under the 2009 Non-Employee Director Stock Incentive Plan (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2020, filed with the SEC on August 7, 2020 (SEC File No. 001-12648)). #</u>
<u>10.14</u>	<u>First Amendment to Facility Lease between the Company and Susana Property Co. dated July 6, 2012 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2017, filed with the SEC on August 9, 2017 (SEC File No. 001-12648)).</u>
<u>10.15</u>	<u>Stock Purchase Agreement, dated as of January 30, 2018, by and among the Company, the Sellers defined therein, Dielectrics and the Sellers' Representative (incorporated by reference to Exhibit 10.20 to the Company's Annual Report on Form 10-K for the period ended December 31, 2017, filed with the SEC on March 16, 2018 (SEC File No. 001-12648)).</u>
<u>10.16</u>	<u>Agreement for the Purchase and Sale of Personal Goodwill, dated as of January 30, 2018, by and among the Company and Eric C. Stahl (incorporated by reference to Exhibit 10.21 to the Company's Annual Report on Form 10-K for the period ended December 31, 2017, filed with the SEC on March 16, 2018 (SEC File No. 001-12648)).</u>

<u>Number</u>	<u>Description of Exhibit</u>
<u>10.17</u>	<u>Lease dated as of February 1, 2018, by and between Eric C. Stahl and the Company (incorporated by reference to Exhibit 10.22 to the Company's Annual Report on Form 10-K for the period ended December 31, 2017, filed with the SEC on March 16, 2018 (SEC File No. 001-12648)).</u>
<u>10.18</u>	<u>Amended and Restated 2003 Incentive Plan (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2018, filed with the SEC on May 10, 2018 (SEC File No. 001-12648))#</u>
<u>10.19</u>	<u>Form of 2020 CEO Stock Unit Award Agreement (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on February 28, 2020 (SEC File No. 001-12648)). #</u>
<u>10.20</u>	<u>Form of 2020 Stock Unit Award Agreement (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the SEC on February 28, 2020 (SEC File No. 001-12648)). #</u>
<u>10.21</u>	<u>Form of 2021 CEO Stock Unit Award Agreement (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on February 26, 2021 (SEC File No. 001-12648)). #</u>
<u>10.22</u>	<u>Form of 2021 Stock Unit Award Agreement (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the SEC on February 26, 2021 (SEC File No. 001-12648)). #</u>
<u>10.23</u>	<u>Lease, dated August 9, 2021, between and among Logistica Industrial De Tijuana Este, S.A. DE C.V., Co Production De Tijuana, S.A. DE C.V., and the Company (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on August 13, 2021 (SEC File No. 001-126458)).</u>
<u>10.24</u>	<u>Second Amended and Restated Credit Agreement, dated December 22, 2021, between and among the Company, certain of its subsidiaries as guarantors and Bank of America, N.A., in its capacity as the initial lender, Administrative Agent, Swingline Lender and L/C Issuer (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K, filed with the SEC on December 23, 2021 (SEC File No. 001-12648)).</u>
<u>10.25</u>	<u>Form of 2022 CEO Stock Unit Award Agreement (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on February 22, 2022 (SEC File No. 001-12648)). #</u>
<u>10.26</u>	<u>Form of 2022 Stock Unit Award Agreement (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the SEC on February 22, 2022 (SEC File No. 001-12648)). #</u>
<u>10.27</u>	<u>Form of 2023 CEO Incentive Stock Option Agreement (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on February 21, 2023 (SEC File No. 001-12648)). #</u>
<u>10.28</u>	<u>Form of 2023 CEO Non-Qualified Stock Option Agreement (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the SEC on February 21, 2023 (SEC File No. 001-12648)). #</u>
<u>10.29</u>	<u>Form of 2023 CEO Stock Unit Award Agreement (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K, filed with the SEC on February 21, 2023 (SEC File No. 001-12648)). #</u>
<u>10.30</u>	<u>Form of 2023 Stock Unit Award Agreement (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K, filed with the SEC on February 21, 2023 (SEC File No. 001-12648)). #</u>
<u>10.31</u>	<u>Form of 2023 Stock Unit Award Agreement (Ireland). #*</u>
<u>10.32</u>	<u>Form of 2023 Stock Unit Award Agreement (Dominican Republic). #*</u>
<u>10.33</u>	<u>Amended and Restated 2003 Incentive Plan. #*</u>
<u>21.01</u>	<u>Subsidiaries of the Company. *</u>

<u>Number</u>	<u>Description of Exhibit</u>
23.01	Consent of Grant Thornton LLP. *
31.01	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. *
31.02	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. *
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. **
101.INS	Inline XBRL Instance Document. *
101.SCH	Inline XBRL Taxonomy Extension Schema Document. *
101.CAL	Inline XBRL Taxonomy Calculation Linkbase Document. *
101.LAB	Inline XBRL Taxonomy Label Linkbase Document. *
101.PRE	Inline XBRL Taxonomy Presentation Linkbase Document. *
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document. *
104	Cover Page Interactive Data File (formatted as inline XBRL with applicable taxonomy extension information contained in Exhibits 101)).

* Filed herewith.

** Furnished herewith.

Indicates management contract or compensatory plan or arrangement.

ITEM 16. Form 10-K Summary

None.

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 16, 2023 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.

<u>SIGNATURE</u>	<u>TITLE</u>	<u>DATE</u>
<u>/s/ R. Jeffrey Bailly</u> R. Jeffrey Bailly	Chairman, Chief Executive Officer, President, and Director	March 16, 2023
<u>/s/ Ronald J. Lataille</u> Ronald J. Lataille	Chief Financial Officer, Senior Vice President, Principal Financial and Accounting Officer	March 16, 2023
<u>/s/ Daniel C. Croteau</u> Daniel C. Croteau	Director	March 16, 2023
<u>/s/ Cynthia Feldmann</u> Cynthia Feldmann	Director	March 16, 2023
<u>/s/ Marc Kozin</u> Marc Kozin	Director	March 16, 2023
<u>/s/ Thomas Oberdorf</u> Thomas Oberdorf	Director	March 16, 2023
<u>/s/ Joseph John Hassett</u> Joseph John Hassett	Director	March 16, 2023
<u>/s/ Symeria Hudson</u> Symeria Hudson	Director	March 16, 2023

UFP TECHNOLOGIES, INC.

Consolidated Financial Statements
and Financial Statement Schedule

As of December 31, 2022 and 2021
And for the Years Ended December 31, 2022, 2021 and 2020

With Reports of Independent Registered Public Accounting Firm

UFP TECHNOLOGIES, INC.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders
UFP Technologies, Inc.

Opinion on the financial statements

We have audited the accompanying consolidated balance sheets of UFP Technologies, Inc. (a Delaware corporation) and subsidiaries (the “Company”) as of December 31, 2022 and 2021, the related consolidated statements of comprehensive income, changes in shareholders’ equity, and cash flows for each of the three years in the period ended December 31, 2022, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company’s internal control over financial reporting as of December 31, 2022, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”), and our report dated March 16, 2023 expressed an unqualified opinion.

Basis for opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical audit matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Valuation of acquired intangible assets

As described further in Note 2 to the financial statements, the Company completed the acquisition of Advant Medical on March 16, 2022 for total consideration of €19 million in cash (approximately \$21.2 million). The identified intangible assets acquired include customer contracts and relationships of \$2.9 million and intellectual property of \$2.1 million. We identified valuation of the intangible assets acquired for the Advant Medical acquisition as a critical audit matter.

The principal considerations for our determination that valuation of the intangible assets acquired for the Advant Medical acquisition is a critical audit matter are that the determination of the fair values of such assets required management to make significant estimates and assumptions related to forecasted revenues and operating margins as well as the discount rates used. These estimates and assumptions required a high degree of auditor judgement and effort, in the selection and application of audit procedures.

Our audit procedures related to the valuation of the intangible assets acquired and contingent consideration liabilities for the Advant Medical acquisition included the following, among others:

- We tested the design and operating effectiveness of controls relating to the determination of fair values of the intangible assets, including controls over the development of assumptions related to revenue growth rates, operating margins and discount rates.
- We evaluated the valuation methodologies and discount rates utilized by management with the assistance of our valuation professionals with specialized skill and knowledge.
- We tested the forecasted revenues and operating margins by assessing the reasonableness of management's forecasts compared to historical results and forecasted market and industry trends.

Valuation of contingent consideration liability

As described further in Notes 16 and 18 to the financial statements, in connection with the DAS Medical acquisition in 2021, the Company incurred liabilities for certain contingent consideration related to the valuation of earn-out payments based upon the performance of DAS Medical. This liability is recognized at fair value and re-measured every reporting period. We identified valuation of the DAS Medical contingent consideration liability as a critical audit matter.

The principal considerations for our determination that valuation of DAS Medical contingent consideration liability is a critical audit matter are that the determination of the fair values of such a liability required management to make significant estimates and assumptions related to forecasted revenues and operating margins as well as the discount rates used. These estimates and assumptions required a high degree of auditor judgement and effort, in the selection and application of audit procedures.

Our audit procedures related to the valuation of the DAS Medical contingent consideration liability included the following, among others:

- We tested the design and operating effectiveness of controls relating to the determination of the fair value of the contingent liability, including controls over the development of assumptions related to revenue growth rates, operating margins and discount rates.
- We evaluated the valuation methodologies and discount rates utilized by management with the assistance of our valuation professionals with specialized skill and knowledge.
- We tested the forecasted revenues and operating margins by assessing the reasonableness of management's forecasts compared to historical results and forecasted market and industry trends.

/s/ GRANT THORNTON LLP

We have served as the Company's auditor since 2005.

Boston, Massachusetts

March 16, 2023

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders
UFP Technologies, Inc.

Opinion on internal control over financial reporting

We have audited the internal control over financial reporting of UFP Technologies, Inc. (a Delaware corporation) and subsidiaries (the “Company”) as of December 31, 2022, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the consolidated financial statements of the Company as of and for the year ended December 31, 2022, and our report dated March 16, 2023 expressed an unqualified opinion on those financial statements.

Basis for opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control Over Financial Reporting (“Management’s Report”). Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Our audit of, and opinion on, the Company's internal control over financial reporting does not include the internal control over financial reporting of Advant Medical, a wholly-owned subsidiary, whose financial statements reflect total assets and revenues constituting 7 and 6 percent, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2022. As indicated in Management's Report, Advant Medical was acquired during 2022. Management's assertion on the effectiveness of the Company's internal control over financial reporting excluded internal control over financial reporting of Advant Medical.

Definition and limitations of internal control over financial reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ GRANT THORNTON LLP

Boston, Massachusetts
March 16, 2023

UFP TECHNOLOGIES, INC.
Consolidated Balance Sheets
(In thousands, except share data)

Assets	December 31,	
	2022	2021
Current assets:		
Cash and cash equivalents	\$ 4,451	\$ 11,117
Receivables, net	55,117	39,384
Inventories	53,536	33,436
Prepaid expenses	3,242	3,383
Total current assets	<u>116,346</u>	<u>87,320</u>
Property, plant and equipment, net	58,072	56,569
Goodwill	113,028	107,905
Intangible assets, net	68,361	67,585
Non-qualified deferred compensation plan	4,148	4,327
Right of use assets	13,153	9,324
Deferred income taxes	1,448	-
Other assets	3,636	1,102
Total assets	<u>\$ 378,192</u>	<u>\$ 334,132</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 19,961	\$ 10,611
Accrued expenses	23,122	16,777
Deferred revenue	4,679	4,247
Lease liabilities	2,517	2,239
Income taxes payable	1,682	909
Current installments, net of long-term debt	4,000	4,000
Total current liabilities	<u>55,961</u>	<u>38,783</u>
Long-term debt, excluding current installments	51,000	71,000
Deferred income taxes	448	3,263
Non-qualified deferred compensation plan	4,167	4,337
Lease liabilities	10,851	7,118
Other liabilities	18,220	15,185
Total liabilities	<u>140,647</u>	<u>139,686</u>
Commitments and contingencies (Note 16)		
Stockholders' equity:		
Preferred stock, \$.01 par value, 1,000,000 shares authorized; no shares issued	-	-
Common stock, \$.01 par value, 20,000,000 shares authorized; 7,611,244 and 7,581,685 shares issued and outstanding, respectively at December 31, 2022; and 7,564,645 and 7,535,086 shares issued and outstanding, respectively, at December 31, 2021	76	75
Additional paid-in capital	36,070	34,151
Retained earnings	202,596	160,807
Accumulated other comprehensive loss	(610)	-
Treasury stock at cost, 29,559 shares at December 31, 2022 and 2021	(587)	(587)
Total stockholders' equity	<u>237,545</u>	<u>194,446</u>
Total liabilities and stockholders' equity	<u>\$ 378,192</u>	<u>\$ 334,132</u>

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

UFP TECHNOLOGIES, INC.
Consolidated Statements of Comprehensive Income
(In thousands, except per share data)

	Years Ended December 31,		
	2022	2021	2020
Net sales	\$ 353,792	\$ 206,320	\$ 179,373
Cost of sales	263,532	155,206	134,689
Gross profit	90,260	51,114	44,684
Selling, general, and administrative expenses	45,796	29,480	27,493
Acquisition costs	1,027	430	-
Change in fair value of contingent consideration	9,837	-	-
Gain on sale of Molded Fiber business	(15,651)	-	-
(Gain) loss on disposal of property, plant and equipment	(6,149)	(14)	459
Operating income	55,400	21,218	16,732
Interest expense, net	2,763	39	83
Other (income) expense	(81)	(26)	366
Income before income tax provision	52,718	21,205	16,283
Income tax expense	10,929	5,319	2,914
Net income	<u>\$ 41,789</u>	<u>\$ 15,886</u>	<u>\$ 13,369</u>
Net income per common share outstanding:			
Basic	\$ 5.52	\$ 2.11	\$ 1.79
Diluted	\$ 5.45	\$ 2.09	\$ 1.77
Weighted average common shares outstanding:			
Basic	7,564	7,524	7,484
Diluted	7,663	7,615	7,568
Comprehensive Income			
Net Income	\$ 41,789	\$ 15,886	\$ 13,369
Other comprehensive income:			
Foreign currency translation adjustment	(610)	-	-
Other comprehensive loss	(610)	-	-
Comprehensive income	<u>\$ 41,179</u>	<u>\$ 15,886</u>	<u>\$ 13,369</u>

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

UFP TECHNOLOGIES, INC.
Consolidated Statements of Stockholders' Equity
Years Ended December 31, 2022, 2021 and 2020
(In thousands)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock		Total Stockholders' Equity
	Shares	Amount				Shares	Amount	
Balance at December 31, 2019	7,446	\$ 74	\$ 30,952	\$ 131,552	\$ -	30	\$ (587)	\$ 161,991
Share-based compensation	43	1	1,806	-	-	-	-	1,807
Exercise of stock options	26	-	474	-	-	-	-	474
Net share settlement of restricted stock units	(15)	-	(748)	-	-	-	-	(748)
Net income	-	-	-	13,369	-	-	-	13,369
Balance at December 31, 2020	7,500	\$ 75	\$ 32,484	\$ 144,921	\$ -	30	\$ (587)	\$ 176,893
Share-based compensation	45	-	2,428	-	-	-	-	2,428
Exercise of stock options	7	-	162	-	-	-	-	162
Net share settlement of restricted stock units	(17)	-	(923)	-	-	-	-	(923)
Net income	-	-	-	15,886	-	-	-	15,886
Balance at December 31, 2021	7,535	\$ 75	\$ 34,151	\$ 160,807	\$ -	30	\$ (587)	\$ 194,446
Share-based compensation	53	1	3,207	-	-	-	-	3,208
Exercise of stock options	17	-	390	-	-	-	-	390
Net share settlement of restricted stock units	(23)	-	(1,678)	-	-	-	-	(1,678)
Other comprehensive loss	-	-	-	-	(610)	-	-	(610)
Net income	-	-	-	41,789	-	-	-	41,789
Balance at December 31, 2022	7,582	\$ 76	\$ 36,070	\$ 202,596	\$ (610)	30	\$ (587)	\$ 237,545

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

UFP TECHNOLOGIES, INC.
Consolidated Statements of Cash Flows
(In thousands)

	Years Ended December 31,		
	2022	2021	2020
Cash flows from operating activities:			
Net income from consolidated operations	\$ 41,789	\$ 15,886	\$ 13,369
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	11,886	8,410	8,268
(Gain) loss on sales of property, plant and equipment	(6,149)	(14)	459
Gain on sale of Molded Fiber business	(15,651)	-	-
Share-based compensation	3,208	2,428	1,807
Change in fair value of contingent consideration	9,837	-	-
Deferred income taxes	(4,710)	(1,794)	136
Changes in operating assets and liabilities:			
Receivables, net	(16,864)	(7,754)	2,220
Inventories	(19,605)	(4,496)	(366)
Prepaid expenses	(692)	(557)	(256)
Income taxes	953	893	295
Other assets	(3,545)	(681)	(73)
Accounts payable	9,131	102	(681)
Accrued expenses	10,446	1,009	(537)
Deferred revenue	1,008	2,294	(687)
Other liabilities	(3,298)	(1,433)	1,083
Net cash provided by operating activities	<u>17,744</u>	<u>14,293</u>	<u>25,037</u>
Cash flows from investing activities:			
Additions to property, plant and equipment	(13,780)	(5,395)	(4,368)
Acquisitions, net of cash acquired	(20,653)	(96,178)	-
Proceeds from sale of Molded Fiber	29,007	-	-
Proceeds from sale of property, plant and equipment	6,717	114	107
Net cash provided by (used in) investing activities	<u>1,291</u>	<u>(101,459)</u>	<u>(4,261)</u>
Cash flows from financing activities:			
Proceeds from advances on revolving line of credit	44,000	34,839	5,500
Payments on revolving line of credit	(60,000)	-	(5,500)
Proceeds from the issuance of long-term debt	-	40,000	-
Principal repayment of long-term debt	(4,000)	-	-
Payment of contingent consideration	(4,543)	-	-
Principal payments on finance lease obligations	(63)	(29)	(11)
Proceeds from the exercise of stock options	390	162	474
Payment of statutory withholding for restricted stock units vested	(1,678)	(923)	(748)
Net cash (used in) provided by financing activities	<u>(25,894)</u>	<u>74,049</u>	<u>(285)</u>
Effect of foreign currency exchange rates on cash and cash equivalents	193	-	-
Net change in cash and cash equivalents	(6,666)	(13,117)	20,491
Cash and cash equivalents at beginning of year	11,117	24,234	3,743
Cash and cash equivalents at end of year	<u>\$ 4,451</u>	<u>\$ 11,117</u>	<u>\$ 24,234</u>

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

UFP TECHNOLOGIES, INC.
Notes to Consolidated Financial Statements

(1) Summary of Significant Accounting Policies

UFP Technologies, Inc. (“the Company”) is a design, engineering, and custom manufacturer of comprehensive solutions for medical devices, sterile packaging, and other highly engineered custom products. The Company is an important link in the medical device supply chain and a valued outsource partner to many of the top medical device manufacturers in the world. The Company’s single-use and single-patient devices and components are used in a wide range of medical devices and packaging for minimally invasive surgery, infection prevention, wound care, wearables, orthopedic soft goods, and orthopedic implants.

The Company is diversified by also providing highly engineered products and components to customers in the automotive, aerospace and defense, consumer, electronics, and industrial markets. Typical applications of its products include military uniform and gear components, automotive interior trim, athletic padding, air filtration, abrasive nail files, and protective cases and inserts.

(a) Principles of Consolidation

The consolidated financial statements of the Company include the accounts and results of operations of UFP Technologies, Inc. and its wholly-owned subsidiaries, Advant Medical Limited, and its wholly-owned subsidiary Munlu Leighis Advant Teoranta, Advant Costa Rica Limitada, Advant Medical Inc. (collectively “Advant Medical”), Dielectrics, Inc. (“Dielectrics”), Moulded Fibre Technology, Inc. (partial year; entity was sold in July 2022), Contech Medical, Inc. (“Contech”), DAS Medical Holdings, LLC (“DAS Medical”), and DAS Medical’s wholly-owned subsidiaries, Sterimed, LLC, One Degree Medical Holdings, LLC, DAS Medical Corporation, and its wholly-owned subsidiary DAS Medical International, S.R.L., Simco Industries, Inc., and UFP Realty LLC (“UFP Realty”), and UFP Realty’s wholly-owned subsidiaries. All significant inter-company balances and transactions have been eliminated in consolidation. The Company consists of a single operating and reportable segment. The Company has evaluated all subsequent events through the date of this filing.

(b) Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, including allowance for doubtful accounts and the net realizable value of inventory, and the fair value of goodwill, and the fair value of intangible assets, and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(c) Fair Value Measurement

The Company defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value for assets and liabilities, which are required to be recorded at fair value, the Company considers the principal or most advantageous market in which the Company would transact and the market-based risk measurement or assumptions that market participants would use in pricing the asset or liability, such as inherent risk, transfer restrictions, and credit risk.

(d) Fair Value of Financial Instruments

Cash and cash equivalents, accounts receivable, accounts payable, accrued expenses and other liabilities are stated at carrying amounts that approximate fair value because of the short maturity of those instruments. The carrying amount of the Company’s long-term debt approximates fair value as the interest rate on the debt approximates the Company’s current incremental borrowing rate.

(e) *Cash and Cash Equivalents*

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2022 and 2021, the Company did not have any cash equivalents.

The Company maintains its cash in bank deposit accounts that at times exceed federally insured limits. The Company periodically reviews the financial stability of institutions holding its accounts and does not believe it is exposed to any significant custodial credit risk on cash.

(f) *Accounts Receivable*

The Company periodically reviews the collectability of its accounts receivable. Provisions are recorded for accounts that are potentially uncollectable. Determining adequate reserves for accounts receivable requires management's judgment. Conditions impacting the realizability of the Company's receivables could cause actual asset write-offs to be materially different than the reserved balances as of December 31, 2022.

(g) *Inventories*

Inventories include material, labor, and manufacturing overhead and are valued at the lower of cost or net realizable value. Cost is determined using the first-in, first-out ("FIFO") method.

The Company periodically reviews the realizability of its inventory for potential excess or obsolescence. Determining the net realizable value of inventory requires management's judgment. Conditions impacting the realizability of the Company's inventory could cause actual asset write-offs to be materially different than the Company's current estimates as of December 31, 2022.

(h) *Property, Plant, and Equipment*

Property, plant, and equipment are stated at cost and are depreciated or amortized using the straight-line method over the estimated useful lives of the assets or the related lease term, if shorter.

Estimated useful lives of property, plant, and equipment are as follows:

Leasehold improvements	Shorter of estimated useful life or remaining lease term
Buildings and improvements (years)	20 -30
Machinery and equipment (years)	7 – 15
Furniture, fixtures, computers & software (years)	3 – 7

Property, plant, and equipment amounts are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss would be recognized when the carrying amount of an asset exceeds the estimated undiscounted future cash flows expected to result from the use of the asset and its eventual disposition. The amount of the impairment loss to be recorded is calculated by the excess of the asset's carrying value over its fair value. No events or changes in circumstances arose during the year ended December 31, 2022 that required management to perform an impairment analysis.

(i) *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. 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 consists of a single reporting unit. In performing the most recent "step 1" evaluation of goodwill impairment, the Company primarily utilized the guideline public company ("GPC") method under the market approach and the discounted cash flows method ("DCF") under the income approach to determine the fair value of the reporting unit for purposes of testing the reporting unit's carrying value of goodwill for impairment. The GPC method derives a value by generating a multiple of EBITDA through the comparison of the Company to similar publicly traded companies. The DCF approach derives a value based on the present value of a series of estimated future cash flows at the valuation date by the application of a discount rate, one that a prudent investor would require before making an investment in our equity securities.

The Company changed its annual impairment testing date in 2021 to October 1 in order to allow for sufficient time to complete its analysis. As of our most recent step 1 evaluation on October 1, 2022, based on calculations under the above noted approach, the fair value of the reporting unit significantly exceeded the carrying value of the reporting unit. In performing these calculations, management used its most reasonable estimates of the key assumptions discussed above. If the Company's actual operating results and/or the key assumptions utilized in management's calculations differ from our expectations, it is possible that a future impairment charge may be necessary.

(j) *Intangible Assets*

Intangible assets with a definite life are amortized on a straight-line basis, with estimated useful lives ranging from 5 to 20 years. Intangible assets with a definite life are tested for impairment whenever events or circumstances indicate that their carrying values may not be recoverable. No events or changes in circumstances arose during the year ended December 31, 2022 that required management to perform an impairment analysis.

(k) *Revenue Recognition*

The Company recognizes revenue when a customer obtains control of a promised good or service. The amount of revenue recognized reflects the consideration that the Company expects to be entitled to in exchange for promised goods or services. The Company recognizes revenue in accordance with the core principles of ASC 606 which include (1) identifying the contract with a customer, (2) identifying separate performance obligations within the contract, (3) determining the transaction price, (4) allocating the transaction price to the performance obligations, and (5) recognizing revenue. The Company recognizes all but an immaterial portion of its product sales upon shipment. The Company recognizes revenue from the sale of tooling and machinery primarily upon customer acceptance, with the exception of certain tooling where control does not transfer to the customer, resulting in revenue being recognized over the estimated time for which parts are produced with the use of each respective tool. The Company recognizes revenue from engineering services, which are primarily product development services, as the services are performed or as otherwise determined based on the substance of the agreement. The Company recognizes revenue from bill and hold transactions at the time the specified goods are complete and available to the customer. In the ordinary course of business, the Company accepts sales returns from customers for defective goods, such amounts being immaterial. Although only applicable to an insignificant number of transactions, the Company has elected to exclude sales taxes from the transaction price. The Company has elected to account for shipping and handling activities for which the Company is responsible under the terms and conditions of the sale not as performance obligations but rather as fulfillment costs. These activities are required to fulfill the Company's promise to transfer the good and are expensed when revenue is recognized.

(l) *Share-Based Compensation*

When accounting for equity instruments exchanged for employee services, share-based compensation cost is measured at the grant date, based on the calculated fair value of the award, and is recognized as an expense over the employee's requisite service period (generally the vesting period of the equity grant). Forfeitures are expensed as they occur.

(m) *Shipping and Handling Costs*

Costs incurred related to shipping and handling are included in cost of sales. Amounts charged to customers pertaining to these costs are included in net sales.

(n) *Income Taxes*

The Company's income taxes are accounted for under the asset and liability method. Under the asset and liability method, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and operating loss and tax credit carry-forwards. Deferred tax expense or benefit results from the net change during the year in deferred tax assets and liabilities. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

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 deferred tax assets in the future, an adjustment to the deferred tax assets would be charged to income in the period such determination was made.

The Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the consolidated financial statements from such positions are then measured based on the largest benefit that has a greater than 50% likelihood of being realized upon settlement. The Company recognizes interest and penalties accrued related to unrecognized tax benefits in tax expense.

(o) *Segments and Related Information*

The Company follows the provisions of Accounting Standards Codification (ASC) 280, *Segment Reporting*, which establish standards for the way public business enterprises report information and operating segments in annual financial statements (see Note 19).

(p) *Treasury Stock*

The Company accounts for treasury stock under the cost method, using the first-in, first out cost flow assumption, and includes treasury stock as a component of stockholders' equity. The Company did not repurchase any shares of common stock during the years ended December 31, 2022, 2021 and 2020.

(q) *Research and Development*

On a routine basis, the Company incurs costs related to research and development activity. These costs are expensed as incurred. Approximately \$9.3 million, \$8.5 million, and \$8.2 million were expensed in the years ended December 31, 2022, 2021 and 2020, respectively.

(r) *Foreign Currency Translation*

The Company translates all assets and liabilities of its foreign subsidiaries, where the U.S. dollar is not the functional currency, at the period-end exchange rate and translates income and expenses at the average exchange rates in effect during the period. The net effect of this translation is recorded in the consolidated financial statements as a component of Accumulated Other Comprehensive Income (AOCI). Translation adjustments are not adjusted for income taxes as they relate to permanent investments in the Company's foreign subsidiaries.

Recent Accounting Pronouncements

There are no newly issued accounting pronouncements that the Company expects to have a material effect on the financial statements.

Revisions

Certain revisions have been made to the December 31, 2021 Condensed Consolidated Balance Sheet to conform to the current year presentation relating to a reclassification of other liabilities (long-term) to accrued expenses (current). The reclassification resulted in an increase in accrued expenses of \$4.1 million and a decrease in other liabilities of \$4.1 million. These revisions had no impact on previously reported earnings, net income or cash flows and are deemed immaterial to the previously issued financial statements.

(2) Acquisitions and Divestiture

Molded Fiber

On July 26, 2022, pursuant to a share purchase agreement and related agreements, the Company sold its Moulded Fiber Technology, Inc. (“MFT”) and related real estate in Iowa to CKF USA INCORPORATED (“CKF”) (a Delaware Corporation) for approximately \$31.5 million (including a working capital adjustment of approximately \$0.1 million that decreased the total consideration). The net book value of the assets sold were approximately \$15.4 million and the Company recorded a net gain on sale of approximately \$15.7 million, which was recorded in the year ended December 31, 2022. \$2.6 million of the purchase price is being held in escrow to indemnify CKF against certain claims, losses, and liabilities. The Securities Purchase Agreement contains customary representations, warranties, and covenants customary for transactions of this type. MFT’s annual revenue was approximately \$21.3 million for the year ended December 31, 2021. Proceeds from the sale were used to pay down debt on the Company’s revolving credit facility, as well as income tax obligations on the related gain.

Advant Medical

On March 16, 2022, the Company purchased 100% of the outstanding shares of common stock of Advant Medical, Ltd., Advant Medical Inc. and Advant Medical Costa Rica, Limitada, (together Advant), pursuant to a Stock Purchase Agreement and related agreements, for an aggregate purchase price of €19.0 million in cash along with a working capital adjustment at closing (total consideration in U.S. Dollars amounted to approximately \$21.2 million). The purchase price was subject to additional adjustment based upon Advant’s final working capital at closing. A portion of the purchase price is being held in escrow to indemnify the Company against certain claims, losses, and liabilities. The Stock Purchase Agreement contains customary representations, warranties, and covenants customary for transactions of this type.

Founded in 1993, Advant is headquartered in Galway, Ireland, with operations in Costa Rica and partner manufacturing in Mexico. Advant is a developer and manufacturer of Class I, II, and III medical devices and packaging, primarily for catheters and guide wires.

The following table summarizes the allocation of consideration paid to the acquisition date fair value of the assets acquired and liabilities assumed based on management’s estimates of fair value (in thousands):

Fair value of considerations transferred	
Cash paid at closing	\$ 23,608
Other liability	395
Cash from Advant	(2,840)
Total consideration	\$ 21,163
Purchase price allocation	
Accounts receivable	\$ 2,299
Inventory	2,410
Other current assets	213
Property, plant, and equipment	5,704
Customer contracts & relationships	2,925
Intellectual property	2,127
Non-compete agreement	259
Lease right of use assets	289
Other assets	41
Goodwill	7,140
Total identifiable assets	\$ 23,407
Accounts payable	(772)
Accrued expenses	(668)
Income taxes	(66)
Deferred taxes	(449)
Lease liabilities	(289)
Net assets acquired	\$ 21,163

Acquisition costs associated with the transaction were approximately \$789 thousand, of which \$759 thousand was charged to expense in the year ended December 31, 2022, and \$30 thousand was charged to expense in the year ended December 31, 2021. These costs were primarily for legal, investment banking, and valuation services, as well as stamp duty filings and are reflected on the face of the income statement.

The amount of revenue and earnings of Advant recognized since the acquisition date, which is included in the condensed consolidated statement of income for the year ended December 31, 2022, was approximately \$20.0 million and \$2.4 million, respectively.

Pro-forma statements

The following table contains an unaudited pro forma condensed consolidated statement of operations for the years ended December 31, 2022, and 2021, as if the Advant acquisition had occurred at the beginning of 2021 (in thousands):

	Year Ended December 30,	
	2022	2021
	(Unaudited)	(Unaudited)
Sales	\$ 358,196	\$ 291,403
Operating Income	\$ 56,321	\$ 27,729
Net Income	\$ 42,311	\$ 21,805
Earnings per share:		
Basic	\$ 5.59	\$ 2.90
Diluted	\$ 5.52	\$ 2.86

The above unaudited pro forma information is presented for illustrative purposes only and may not be indicative of the results of operations that would have occurred had the acquisition occurred as presented. In addition, future results may vary significantly from the results reflected in such pro forma information.

DAS Medical

On December 22, 2021, the Company purchased 100% of the outstanding membership interests of DAS Medical Holdings, LLC, (DAS Medical) pursuant to a Securities Purchase Agreement, for a net purchase price of \$66.7 million in cash. The purchase price was subject to adjustment based upon DAS Medical's final working capital at closing, and the purchase price may be increased by up to \$20.0 million in earn-out payments based upon the achievement of certain EBITDA and/or revenue targets of DAS Medical for the years ended December 31, 2022, 2023, 2024 and 2025. A portion of the purchase price is being held in escrow to indemnify the Company against certain claims, losses, and liabilities. The Securities Purchase Agreement contains customary representations, warranties, and covenants customary for transactions of this type. As a result of the final working capital adjustment, the total consideration was reduced by approximately \$115 thousand.

In connection with its entry into the Purchase Agreement, the Company also entered into an Agreement for the Purchase and Sale of Personal Goodwill (the "Goodwill Agreement") with the purchase price beneficiaries. Pursuant to the terms of the Goodwill Agreement, on December 22, 2021, the Company purchased from the beneficiaries their personal goodwill, including business relationships, trade secrets and knowledge in connection with DAS Medical's business, for a purchase price of \$20 million in cash.

The Company has also entered into Non-Competition Agreements with the beneficiaries and the Company has agreed to pay additional consideration to the parties to the Non-Competition Agreements, including an aggregate of \$10.0 million in payments over the ten years following the closing of the DAS Medical acquisition for the 10-year noncompetition covenants of certain key owners.

Founded in 2010, DAS Medical is headquartered in Atlanta, Georgia, with manufacturing in the Dominican Republic. DAS Medical is a medical device contract manufacturer specializing in the design, development and production of single-use surgical equipment covers, robotic draping systems and fluid control pouches.

The following table summarizes the allocation of consideration paid to the acquisition date fair value of the assets acquired and liabilities assumed based on management's estimates of fair value (in thousands):

Fair value of considerations transferred	
Cash paid at closing	\$ 95,000
Contingent liability (Earn-out)	5,188
Non-compete agreements	8,855
Cash from DAS	(8,316)
Working capital adjustment	(115)
Total consideration	\$ 100,612
Purchase price allocation	
Accounts receivable	\$ 2,351
Inventory	7,570
Other current assets	68
Property, plant, and equipment	3,314
Customer contracts & relationships	36,730
Intellectual property	2,380
Non-compete agreement	4,697
Lease right of use assets	1,221
Goodwill	51,742
Total identifiable assets	\$ 110,073
Accounts payable	(5,238)
Accrued expenses	(2,995)
Deferred revenue	(7)
Lease liabilities	(1,221)
Net assets acquired	\$ 100,612

Acquisition costs associated with the transaction were approximately \$448 thousand, of which \$155 thousand was charged to expense in the year ended December 31, 2022, and \$293 thousand was charged to expense in the year ended December 31, 2021. These costs were primarily for legal and valuation services and are reflected on the face of the income statement.

The amount of revenue and net income of DAS Medical recognized since the acquisition date, which is included in the condensed consolidated statement of income for the year ended December 31, 2021, was approximately \$1.4 million and \$0.1 million, respectively.

Contech Medical

On October 12, 2021, the Company purchased 100% of the outstanding shares of common stock of Contech Medical, Inc., pursuant to a stock purchase agreement and related agreements, for an aggregate purchase price of \$9.5 million in cash, the assumption of a contingent liability of \$0.5 million plus up to an additional \$5 million based upon the achievement of certain EBITDA targets of Contech for the 12-month period ended June 30, 2022. The purchase price was subject to adjustment based upon Contech's working capital at closing. A portion of the purchase price is being held in escrow to indemnify the Company against certain claims, losses, and liabilities. The Purchase Agreement contains customary representations, warranties, and covenants customary for transactions of this type.

Founded in 1987, Contech is based in Providence, Rhode Island with partner manufacturing in Costa Rica. Contech is a global leader in the design, development, and manufacture of Class III medical device packaging primarily for catheters and guide wires. The Company has leased the Providence location from a realty trust owned by the selling shareholders and affiliates. The lease is for five years with one five-year renewal option.

The following table summarizes the allocation of consideration paid to the acquisition date fair value of the assets acquired and liabilities assumed based on management's estimates of fair value (in thousands):

Fair value of consideration transferred:	
Cash paid at closing	\$ 9,766
Contingent liability (Earn-out)	4,543
Other liability	500
Cash from Contech	(266)
Total consideration	\$ 14,543
Purchase Price Allocation:	
Accounts receivable	\$ 2,851
Inventory	2,320
Other current assets	37
Property, plant and equipment	1,170
Customer Contracts & Relationships	3,043
Intellectual Property	2,247
Non-Compete agreement	86
Lease right of use assets	1,523
Goodwill	4,278
Total identifiable assets	\$ 17,555
Accounts payable	(1,015)
Accrued expenses	(414)
Deferred revenue	(60)
Lease liabilities	(1,523)
Net assets acquired	\$ 14,543

Acquisition costs associated with the transaction were approximately \$153 thousand, of which \$113 thousand was charged to expense in the year ended December 31, 2022, and \$40 thousand was charged to expense in the year ended December 31, 2021. These costs were primarily for legal and valuation services and are reflected on the face of the income statement.

The amount of revenue and net income of Contech recognized since the acquisition date, which is included in the condensed consolidated statement of income for the year ended December 31, 2021, was approximately \$4.5 million and \$0.5 million, respectively.

The following table contains an unaudited pro forma condensed consolidated statement of operations for the years ended December 31, 2021, and 2020, as if both acquisitions had occurred at the beginning of 2020 (in thousands):

	Year Ended December 31,	
	2021	2020
	(Unaudited)	(Unaudited)
Sales	\$ 269,932	\$ 235,328
Operating Income	\$ 25,878	\$ 22,617
Net Income	\$ 20,562	\$ 18,354
Earnings per share:		
Basic	\$ 2.73	\$ 2.45
Diluted	\$ 2.70	\$ 2.43

The above unaudited pro forma information is presented for illustrative purposes only and may not be indicative of the results of operations that would have occurred had both acquisitions occurred as presented. In addition, future results may vary significantly from the results reflected in such pro forma information.

(3) Revenue Recognition

Disaggregated Revenue

The following table presents the Company's revenue disaggregated by the major types of goods and services sold to our customers (in thousands) (See Note 19 for further information regarding net sales by market):

	Years Ended December 31,		
	2022	2021	2020
Net sales of:			
Products	\$ 342,742	\$ 201,248	\$ 172,299
Tooling and Machinery	6,307	1,814	2,787
Engineering services	4,743	3,258	4,287
Total net sales	<u>\$ 353,792</u>	<u>\$ 206,320</u>	<u>\$ 179,373</u>

Contract balances

Timing of revenue recognition may differ from the timing of invoicing to customers. When invoicing occurs prior to revenue recognition, the Company has deferred revenue (contract liabilities) included within "deferred revenue" on the condensed consolidated balance sheet.

The following table presents opening and closing balances of contract liabilities for the years ended December 31, 2022, and 2021 (in thousands):

	Contract Liabilities	
	Years Ended December 31,	
	2022	2021
Deferred revenue - beginning of period	\$ 4,247	\$ 1,887
Acquired in business combinations	-	69
Increases due to consideration received from customers	6,337	4,007
Revenue recognized	(5,330)	(1,716)
Decrease due to sale of Molded Fiber	(575)	-
Deferred revenue - end of period	<u>\$ 4,679</u>	<u>\$ 4,247</u>

Revenue recognized during the years ended December 31, 2022 and 2021 from amounts included in deferred revenue at the beginning of the period was approximately \$2.2 million and \$0.8 million, respectively.

When invoicing occurs after revenue recognition, the Company has unbilled receivables (contract assets) included within “receivables” on the condensed consolidated balance sheet.

The following table presents opening and closing balances of contract assets for the years ended December 31, 2022 and 2021 (in thousands):

	Contract Assets	
	Years Ended	
	December 31,	
	2022	2021
Unbilled Receivables - beginning of period	\$ 74	\$ 271
Increases due to revenue recognized, not invoiced to customers	3,653	1,815
Decreases due to customer invoicing	(3,457)	(2,012)
Unbilled Receivables - end of period	<u>\$ 270</u>	<u>\$ 74</u>

(4) Supplemental Cash Flow Information

	Years Ended December 31,		
	2022	2021	2020
	(in thousands)		
Cash paid for:			
Interest	\$ 2,721	\$ 53	\$ 71
Income taxes, net of refunds	13,200	5,914	2,481
Non-cash investing and financing activities:			
Capital additions accrued but not yet paid	\$ 125	\$ 135	\$ 225
Accrued contingent consideration	14,568	9,731	-
Present value of non-competition payments	10,043	9,477	-
Finance lease right of use assets	-	187	108
Finance lease liabilities	-	(187)	(108)
Operating lease right of use assets	329	7,782	-
Operating lease liabilities	(329)	(7,782)	-

(5) Receivables and Allowance for Credit Losses

Receivables consist of the following (in thousands):

	December 31,	
	2022	2021
Accounts receivable–trade	\$ 55,850	\$ 39,903
Less allowance for credit losses	(733)	(519)
Receivables, net	<u>\$ 55,117</u>	<u>\$ 39,384</u>

The Company is exposed to credit losses primarily through sales of products and services. The Company’s expected loss allowance methodology for accounts receivable is developed using historical collection experience, current and future economic and market conditions, and a review of the current status of customers’ trade accounts receivables. Due to the short-term nature of such receivables, the estimate of the amount of accounts receivable that may not be collected is based on aging of the accounts receivable balances and the financial condition of customers. Additionally, specific allowance amounts are established to record the appropriate provision for customers that have a higher probability of default. The Company’s monitoring activities include timely account reconciliation, dispute resolution, payment confirmation, consideration of customers’ financial condition and macroeconomic conditions. Balances are written-off when determined to be uncollectible. Estimates based on an assessment of anticipated payment and all other historical, current, and future information that is reasonably available are used to determine the allowance.

The following table provides a roll-forward of the allowance for credit losses that is deducted from accounts receivable to present the net amount expected to be collected for the years ended December 31, 2022 and 2021 (in thousands):

	Allowance for Credit Losses	
	Year Ended December 31,	
	2022	2021
Allowance - beginning of period	\$ 519	\$ 484
Provision for expected credit losses	293	179
Amounts written off against the allowance, net of recoveries	(40)	(144)
Decrease due to sale of Molded Fiber business	(39)	-
Allowance - end of period	<u>\$ 733</u>	<u>\$ 519</u>

(6) Inventories

Inventories consist of the following (in thousands):

	December 31,	
	2022	2021
Raw materials	\$ 42,475	\$ 22,184
Work in process	4,183	4,205
Finished goods	6,878	7,047
Total Inventory	<u>\$ 53,536</u>	<u>\$ 33,436</u>

(7) Goodwill and Other Intangible Assets

The changes in the carrying amount of goodwill for the years ended December 31, 2022 and 2021 are as follows (in thousands):

	2022	2021
Opening balance	\$ 107,905	\$ 51,838
Acquired in business combinations (See Note 2)	7,140	56,067
DAS working capital adjustment	196	-
DAS opening balance sheet reclassification	(243)	-
Sale of Molded Fiber	(1,778)	-
Foreign currency translation	(192)	-
Ending balance	<u>\$ 113,028</u>	<u>\$ 107,905</u>

Approximately \$106.0 million of goodwill at December 31, 2022, is deductible for tax purposes

The carrying values of the Company's definite-lived intangible assets as of December 31, 2022 and 2021 are as follows (in thousands):

	Customer List	Intellectual Property / Tradename & Brand	Non- Compete	Total
December 31, 2022				
Weighted-average useful life	20 years	11.9 years	9.3 years	
Gross amount	\$ 65,174	\$ 7,064	\$ 5,497	\$ 77,735
Accumulated amortization	(7,665)	(727)	(982)	\$ (9,374)
Net balance	\$ 57,509	\$ 6,337	\$ 4,515	\$ 68,361

	Customer List	Intellectual Property / Tradename & Brand	Non- Compete	Total
December 31, 2021				
Weighted-average useful life	20 years	11.9 years	9.5 years	
Gross amount	\$ 62,328	\$ 4,994	\$ 5,245	\$ 72,567
Accumulated amortization	(4,442)	(175)	(365)	\$ (4,982)
Net balance	\$ 57,886	\$ 4,819	\$ 4,880	\$ 67,585

Amortization expense related to intangible assets was approximately \$4.4 million, \$1.3 million, and \$1.3 million for the years ended December 31, 2022, 2021, and 2020, respectively. The estimated remaining amortization expense as of December 31, 2022 is as follows (in thousands):

2023	\$ 4,408
2024	4,401
2025	4,401
2026	4,399
2027	4,397
Thereafter	46,355
Total	\$ 68,361

(8) Property, Plant and Equipment

Property, plant, and equipment consist of the following (in thousands):

	December 31,	
	2022	2021
Land and improvements	\$ 4,811	\$ 3,191
Buildings and improvements	34,446	36,234
Leasehold improvements	5,503	4,859
Machinery & equipment	52,233	72,963
Furniture, fixtures, computers & software	6,401	6,052
Construction in progress	7,272	3,538
Property, plant and equipment	\$ 110,666	\$ 126,837
Accumulated depreciation and amortization	(52,594)	(70,268)
Net property, plant and equipment	\$ 58,072	\$ 56,569

Depreciation and amortization expense of Property, Plant and Equipment for the years ended December 31, 2022, 2021, and 2020 was approximately \$7.5 million, \$7.1 million, and \$7.0 million, respectively.

(9) Debt

On December 22, 2021, the Company, as the borrower, entered into a secured \$130 million Second Amended and Restated Credit Agreement (the “Second Amended and Restated Credit Agreement”) with certain of the Company’s subsidiaries (the “Subsidiary Guarantors”) and Bank of America, N.A., in its capacity as the initial lender, Administrative Agent, Swingline Lender and L/C Issuer, and certain other lenders from time-to-time party thereto. The Second Amended and Restated Credit Agreement amends and restates the Company’s prior credit agreement, originally dated as of February 1, 2018.

The credit facilities under the Second Amended and Restated Credit Agreement consist of a \$40 million secured term loan to the Company and a secured revolving credit facility, under which the Company may borrow up to \$90 million. The Second Amended and Restated Credit Agreement matures on December 21, 2026. The secured term loan requires quarterly principal payments of \$1 million that commenced on March 31, 2022. The proceeds of the Second Amended and Restated Credit Agreement may be used for general corporate purposes, including funding the acquisition of DAS Medical, as well as certain other permitted acquisitions. The Company’s obligations under the Second Amended and Restated Credit Agreement are guaranteed by the Subsidiary Guarantors.

The Second Amended and Restated Credit Agreement calls for interest determined by the Bloomberg Short-Term Bank Yield Index rate (“BSBY”) plus a margin that ranges from 1.25% to 2.0% 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. Under the Second Amended and Restated Credit Agreement, the Company is subject to a minimum fixed-charge coverage financial covenant as well as a maximum total funded debt to EBITDA financial covenant. The Second Amended and Restated Credit Agreement contains other covenants customary for transactions of this type, including restrictions on certain payments, permitted indebtedness, and permitted investments.

At December 31, 2022, the Company had approximately \$55 million in borrowings outstanding under the Second Amended and Restated Credit Agreement, which were used as partial consideration for the DAS Medical and Advant acquisitions, and also had approximately \$0.7 million in standby letters of credit outstanding, drawable as a financial guarantee on worker’s compensation insurance policies. At December 31, 2022, the applicable interest rate was approximately 5.2% and the Company was in compliance with all covenants under the Second Amended and Restated Credit Agreement.

Long-term debt consists of the following (in thousands):

	December 31, 2022
Revolving credit facility	\$ 19,000
Term loan	36,000
Total long-term debt	55,000
Current portion	(4,000)
Long-term debt, excluding current portion	\$ 51,000

Future maturities of long-term debt at December 31, 2022 are as follows (in thousands):

Year ended December 31,	Term Loan	Revolving credit facility	Total
2023	\$ 4,000	\$ -	\$ 4,000
2024	4,000	-	4,000
2025	4,000	-	4,000
2026	24,000	19,000	43,000
	\$ 36,000	\$ 19,000	\$ 55,000

Derivative Financial Instruments

The Company used interest-rate-related derivative instruments to manage its exposure related to changes in interest rates on certain of its variable-rate debt instruments. The Company does not enter into derivative instruments for any purpose other than cash flow hedging. Derivative financial instruments expose the Company to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. When the fair value of a derivative contract is positive, the counterparty owes the Company, creating credit risk for the Company. When the fair value of a derivative contract is negative, the Company owes the counterparty and, therefore, in these circumstances the Company is not exposed to the counterparty's credit risk. The Company minimizes counterparty credit risk in derivative instruments by entering into transactions with carefully selected major financial institutions based upon their credit profile. Market risk is the adverse effect on the value of a derivative instrument that results from a change in interest rates.

The Company assesses interest rate risk by continually identifying and monitoring changes in interest rate exposures that may adversely impact expected future cash flows and by evaluating hedging opportunities. The Company's debt obligations exposed the Company to variability in interest payments due to changes in interest rates. The Company believed that it was prudent to limit the variability of a portion of its interest payments. To meet this objective, in connection with the first Amended and Restated Credit Agreement, the Company entered into a \$20 million, 5-year interest rate swap agreement under which the Company receives three-month LIBOR plus the applicable margin and pays a 2.7% fixed rate plus the applicable margin. The swap modified the Company's interest rate exposure by converting the previous term loan from a variable rate to a fixed rate in order to hedge against the possibility of rising interest rates during the term of the loan. The notional amount was approximately \$5.7 million at December 31, 2022. The fair value of the swap as of December 31, 2022 and 2021 was zero and approximately \$(176) thousand, respectively, and is included in other liabilities. Changes in the fair value and net cash settlement amounts related to the swap are recorded in other income of approximately \$176 thousand and approximately \$24 thousand during the years ended December 31, 2022 and 2021, respectively.

As the Company has paid the remaining balance of the term loan that was associated with the swap in its entirety, there is no longer underlying debt to hedge against with the swap. The changes in the fair value of the swap will continue to be accounted for as a financial instrument until its maturity, on February 1, 2023.

(10) Accrued Expenses

Accrued expenses consist of the following (in thousands):

	December 31,	
	2022	2021
Compensation	\$ 7,949	\$ 6,498
Current portion of contingent consideration	5,000	4,543
Current portion of present value of non-competition payments	1,888	156
Accrued customer rebates	3,493	1,241
Other	4,792	4,339
	<u>\$ 23,122</u>	<u>\$ 16,777</u>

Certain amounts for the year ended December 31, 2021 were revised to conform to the current year presentation (See Note 1).

(11) Income Tax

The Company's domestic and foreign net income before provision for income taxes for the years ended December 31, 2022, 2021, and 2020 consists of the following (in thousands):

	Years Ended December 31,		
	2022	2021	2020
Domestic	\$ 34,654	\$ 21,205	\$ 16,283
Foreign	18,064	-	-
Total	52,718	21,205	16,283

The Company's income tax provision for the years ended December 31, 2022, 2021, and 2020 consists of the following (in thousands):

	Years Ended December 31,		
	2022	2021	2020
Current			
Federal	\$ 11,238	\$ 5,793	\$ 2,223
State	2,309	1,320	555
Foreign	1,863	-	-
Total Current	15,410	7,113	2,778
Deferred			
Federal	(3,856)	(1,399)	(28)
State	(624)	(395)	164
Foreign	(1)	-	-
Total Deferred	(4,481)	(1,794)	136
Total income tax provision	\$ 10,929	\$ 5,319	\$ 2,914

The approximate tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities are as follows (in thousands):

	December 31,	
	2022	2021
Deferred tax assets:		
Reserves	\$ 450	\$ 380
Inventory capitalization	305	706
Compensation programs	2,120	1,842
Equity-based compensation	690	668
Lease liability	3,298	2,427
Intangible assets	1,132	877
Deferred revenue	1,115	365
Other	362	17
Gross deferred tax assets	9,472	7,282
Valuation allowance	-	(17)
Net deferred tax assets	9,472	7,265
Deferred tax liabilities:		
Excess of book over tax basis of fixed assets	(2,782)	(4,481)
Goodwill	(2,445)	(3,628)
Right of use asset	(3,245)	(2,419)
Total deferred tax liabilities	(8,472)	(10,528)
Net long-term deferred tax assets (liabilities)	\$ 1,000	\$ (3,263)

The amounts recorded as deferred tax assets as of December 31, 2022 and 2021 represent the amount of tax benefits of existing deductible temporary differences or carryforwards that are more likely than not to be realized through the generation of sufficient future taxable income within the carryforward period. The Company had gross deferred tax assets of approximately \$9.5 million at December 31, 2022, that it believes are more likely than not to be realized in the carryforward period. Management reviews the recoverability of deferred tax assets during each reporting period.

The Company has provided a valuation allowance of zero and \$17 thousand at December 31, 2022 and 2021, respectively, for deferred tax assets (net of federal tax benefit).

The actual tax provision for the years presented differs from that derived from using a U.S federal statutory rate of 21% to income before income tax expense as follows:

	Years Ended December 31,		
	2022	2021	2020
U.S. federal statutory rate	21.0%	21.0%	21.0%
Increase (decrease) in income taxes resulting from:			
State taxes, net of federal tax benefit	3.2	4.0	4.2
Meals and entertainment	-	-	0.1
Tax credits	(0.7)	(1.7)	(7.2)
Return to provision adjustments	-	0.7	-
Foreign rate differential	(3.7)	-	-
GILTI impact	0.8	-	-
Excess tax benefits on equity awards	-	-	(1.2)
Excess compensation	0.8	0.7	0.8
Other	(0.7)	0.6	0.2
Change in valuation allowance	-	(0.2)	-
Effective tax rate	<u>20.7%</u>	<u>25.1%</u>	<u>17.9%</u>

The Company's foreign subsidiary earnings are subject to current U.S. taxation under the Tax Cuts and Jobs Act of 2017, which also repealed U.S. taxation on the subsequent repatriation of those earnings. We intend to repatriate substantially all of our future foreign subsidiary earnings. The repatriation of earnings outside of the U.S. generally does not represent a material net tax impact to the Company. The withholding taxes associated with the Company's earnings in the Dominican Republic are generally fully creditable against the Company US tax liability and therefore do not produce any incremental tax consequences. The earnings of the Company's other foreign subsidiaries, and therefore the withholding taxes associated with those earnings, are not material as of December 31, 2022.

The Company files income tax returns in the U.S. federal jurisdiction and various state jurisdictions, as well as Ireland and Costa Rica. It currently does not have a local filing obligation with respect to its subsidiary in the Dominican Republic. The Company has not been audited by any state for income taxes with the exception of returns filed in Michigan which have been audited through 2004, income tax returns filed in Massachusetts which have been audited through 2007, income tax returns filed in Florida which have been audited through 2019, income tax returns filed in New Jersey which have been audited through 2012, income tax returns in Colorado which have been audited through 2017, and income tax returns in Iowa which have been audited through 2019. The Company's federal tax return is currently being audited for the years 2019 and 2020. Federal and state tax returns for the years 2019 through 2022 remain open to examination by the IRS and various state jurisdictions. The Company's non-US tax returns in Ireland and Costa Rica are open back to 2018.

At December 31, 2022 and 2021, the Company did not have any gross unrecognized tax benefits ("UTB") resulting from uncertain tax positions.

(12) Net Income Per Share

Basic income per share is based upon the weighted average common shares outstanding during each year. Diluted income per share is based upon the weighted average of common shares and dilutive common stock equivalent shares outstanding during each year. The weighted average number of shares used to compute both basic and diluted income per share consisted of the following (in thousands):

	Years Ended December 31,		
	2022	2021	2020
Basic weighted average common shares outstanding during the year	7,564	7,524	7,484
Weighted average common equivalent shares due to stock options and restricted stock units	99	91	84
Diluted weighted average common shares outstanding during the year	7,663	7,615	7,568

The computation of diluted earnings per share excludes the effect of the potential exercise of stock awards, including stock options, when the average market price of the common stock is lower than the exercise price of the related options during the period. These outstanding stock awards are not included in the computation of diluted earnings per share because the effect would have been antidilutive.

For the years ended December 31, 2022, 2021, and 2020, the number of stock awards excluded from the computation was 9,876, 10,716, and 14,892, respectively.

(13) Share-Based Compensation

The Company issues share-based awards through several plans that are described in detail below.

Incentive Plan

In June 2003, the Company formally adopted the 2003 Incentive Plan (the “Plan”). As amended and restated to date, the Plan is intended to benefit the Company by offering equity-based and other incentives to certain of the Company’s executives and employees who are in a position to contribute to the long-term success and growth of the Company, thereby encouraging the continuance of their involvement with the Company and/or its subsidiaries.

Two types of equity awards may be granted to participants under the Plan: restricted shares or other stock awards. Restricted shares are shares of common stock awarded subject to restrictions and to possible forfeiture upon the occurrence of specified events. Other stock awards are awards that are denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to, shares of common stock. Such awards may include Restricted Stock Unit Awards (“RSUs”), incentive and non-qualified stock options, performance shares, or stock appreciation rights. The Company determines the form, terms, and conditions, if any, of any awards made under the Plan.

Through December 31, 2022, 1,327,064 shares of common stock were issued under the 2003 Incentive Plan, none of which have been restricted. An additional 98,448 shares are being reserved for outstanding grants of RSUs and other share-based compensation that are subject to various performance and time-vesting contingencies. The Company has also granted awards in the form of stock options under this Plan. Through December 31, 2022, 185,000 options were granted and no options are outstanding. At December 31, 2022, 738,769 shares or options are available for future issuance in the 2003 Incentive Plan.

Director Plan

Effective July 15, 1998, the Company adopted the 1998 Director Plan, which was amended and renamed on June 3, 2009 as the 2009 Non-Employee Director Stock Incentive Plan (the “Director Plan”). The Director Plan was amended on March 7, 2013, to (i) prohibit the repricing of stock options or other equity awards without the consent of the Company’s shareholders, and (ii) prohibit the Company from buying out underwater stock options. The Director Plan was amended on June 8, 2022, to increase the maximum number of shares issuable under the Director Plan from 975,000 to 1,075,000. The Director Plan, as amended, provides for the issuance of stock options and other equity-based securities to non-employee members of the Company’s board of directors.

Through December 31, 2022, 400,510 options were granted, and 93,302 options are outstanding. For the year ended December 31, 2022, 3,882 RSUs are being reserved for outstanding grants of RSUs and 131,846 shares remain available to be issued under the Director Plan.

Share-based compensation is measured at the grant date based on the fair value of the award and is recognized as an expense over the requisite service period (generally the vesting period of the equity grant). Share-based compensation is included in selling, general & administrative expenses as follows (in thousands):

Share-based compensation related to:	Years Ended December 31,		
	2022	2021	2020
Common stock grants	\$ 400	\$ 400	\$ 400
Stock option grants	263	210	232
Restricted Stock Unit awards	2,545	1,818	1,175
Total share-based compensation	<u>\$ 3,208</u>	<u>\$ 2,428</u>	<u>\$ 1,807</u>

The total income tax benefit recognized in the consolidated statements of income for share-based compensation arrangements was approximately \$1.3 million, \$0.8 million, and \$0.7 million for the years ended December 31, 2022, 2021, and 2020, respectively.

Common stock grants

The compensation expense for common stock granted during the three-year period ended December 31, 2022, was determined based on the market price of the shares on the date of grant.

Stock option grants

The compensation expense for stock options granted during the three-year period ended December 31, 2022, was determined as the fair value of the options using the Black Scholes valuation model. The assumptions are noted as follows:

	Years Ended December 31,		
	2022	2021	2020
Expected volatility	34.7%	33.7%	32.8%
Expected dividends	None	None	None
Risk-free interest rate	2.9%	0.8%	0.3%
Exercise price	\$ 77.28	\$ 57.34	\$ 43.95
Expected term (years)	6.2	6.2	6.1
Weighted-average grant date fair value	\$ 30.37	\$ 19.60	\$ 14.10

The stock volatility for each grant is determined based on a review of the experience of the weighted average of historical daily price changes of the Company's common stock over the expected option term, and the risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant for periods corresponding with the expected term of the option. The expected term is estimated based on historical option exercise activity.

The following is a summary of stock option activity for the year ended December 31, 2022:

	Shares Under Options	Weighted Average Exercise Price (per share)	Weighted Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding December 31, 2021	98,671	\$ 33.53		
Granted	9,876	77.28		
Exercised	(16,472)	23.72		
Outstanding December 31, 2022	<u>92,075</u>	<u>\$ 39.98</u>	<u>5.95</u>	<u>\$ 7,174</u>
Exercisable at December 31, 2022	<u>82,199</u>	<u>\$ 35.50</u>	<u>5.53</u>	<u>\$ 6,773</u>
Vested and expected to vest at December 31, 2022	<u>92,075</u>	<u>\$ 39.98</u>	<u>5.95</u>	<u>\$ 7,174</u>

During the years ended December 31, 2022, 2021, and 2020, the total intrinsic value of all options exercised (i.e., the difference between the market price and the price paid by the employees to exercise the options) was approximately \$1.2 million, \$0.2 million, and \$0.8 million, respectively, and the total amount of consideration received from the exercise of these options was approximately \$0.4 million, \$0.2 million, and \$0.5 million, respectively. At its discretion, the Company allows option holders to surrender previously owned common stock in lieu of paying the exercise price and withholding taxes. During the year ended December 31, 2022, 1,876 shares were redeemed for this purpose at an average market price of \$95.82. During both the years ended December 31, 2021 and 2020, no shares were redeemed for this purpose.

Restricted Stock Unit awards ("RSUs")

The Company grants RSUs to its directors, executive officers and employees. The stock unit awards are subject to various time-based vesting requirements, and certain portions of these awards are subject to performance criteria of the Company. Compensation expense on these awards is recorded based on the fair value of the award at the date of grant, which is equal to the Company's closing stock price, and is charged, to expense ratably during the service period. No compensation expense is taken on awards that do not become vested, and the amount of compensation expense recorded is adjusted based on management's determination of the probability that these awards will become vested.

The following table summarizes information about stock unit award activity during the year ended December 31, 2022:

	Restricted Stock Units	Weighted Average Award Date Fair Value
Outstanding at December 31, 2021	101,168	\$ 41.78
Awarded	51,981	74.66
Shares vested	(49,575)	41.05
Forfeitures	(1,244)	63.34
Outstanding at December 31, 2022	<u>102,330</u>	<u>\$ 56.02</u>

At the Company's discretion, RSU holders are given the option to net-share settle to cover the required minimum withholding tax, and the remaining amount is converted into the equivalent number of common shares. During the year ended December 31, 2022, 19,425 shares were redeemed for this purpose at an average market price of \$67.05. During the years ended December 31, 2021 and 2020, 14,190 and 11,423 shares were redeemed for this purpose at an average market price of \$52.55 and \$49.91, respectively.

The following summarizes the future share-based compensation expense the Company will record as the equity securities granted through December 31, 2022, vest (in thousands):

	Options	Restricted Stock Units	Total
2023	\$ 131	\$ 2,186	\$ 2,317
2024	-	1,287	1,287
2025	-	150	150
Total	<u>\$ 131</u>	<u>\$ 3,623</u>	<u>\$ 3,754</u>

(14) Leases

The Company has operating and finance leases for offices, manufacturing plants, vehicles and certain office and manufacturing equipment. Leases with an initial term of 12 months or less are not recorded on the balance sheet. The Company accounts for each separate lease component of a contract and its associated non-lease components as a single lease component, thus causing all fixed payments to be capitalized. Variable lease payment amounts that cannot be determined at the commencement of the lease such as increases in lease payments based on changes in index rates or usage, are not included in the right of use ("ROU") assets or lease liabilities. These are expensed as incurred and recorded as variable lease expense. The Company determines if an arrangement is a lease at the inception of a contract. Operating and finance lease ROU assets and operating and finance lease liabilities are stated separately in the condensed consolidated balance sheet.

ROU assets represent the Company's right to use an underlying asset during the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at commencement date based on the net present value of fixed lease payments over the lease term. The Company's lease term includes options to extend or terminate the lease when it is reasonably certain that it will exercise that option. ROU assets are also adjusted for any deferred or accrued rent. As the Company's leases do not typically provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments.

ROU assets and lease liabilities consist of the following (in thousands):

	December 31,	
	2022	2021
Operating lease ROU assets	\$ 12,942	\$ 9,053
Finance lease ROU assets	211	271
Total ROU assets	<u>\$ 13,153</u>	<u>\$ 9,324</u>
Operating lease liabilities - current	\$ 2,458	\$ 2,181
Finance lease liabilities - current	59	58
Total lease liabilities - current	<u>\$ 2,517</u>	<u>\$ 2,239</u>
Operating lease liabilities - long-term	\$ 10,695	\$ 6,903
Finance lease liabilities - long-term	156	215
Total lease liabilities - long-term	<u>\$ 10,851</u>	<u>\$ 7,118</u>

	Year Ended December 31, (\$ in thousands)	
	2022	2021
Lease Cost:		
Finance lease cost:		
Amortization of right of use assets	\$ 60	\$ 27
Interest on lease liabilities	5	3
Operating lease cost	2,621	1,263
Variable lease cost	304	263
Short-term lease cost	57	43
Total lease cost	\$ 3,047	\$ 1,599
Cash paid for amounts included in measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 2,452	\$ 1,284
Financing cash flows from finance leases	63	29
ROU assets obtained in exchange for finance lease obligations	-	198
Weighted-average remaining lease term (years):		
Finance	3.54	4.54
Operating	5.34	3.95
Weighted-average discount rate:		
Finance	2.10%	2.10%
Operating	3.00%	2.63%

The aggregate future lease payments for leases as of December 31, 2022 were as follows (in thousands):

	December 31, 2022	
	Finance	Operating (a)
2023	\$ 63	\$ 2,492
2024	63	2,420
2025	63	2,234
2026	28	2,012
2027	6	1,709
Thereafter	-	3,611
Total lease payments	223	14,478
Less: Interest	(8)	(1,325)
Present value of lease liabilities	\$ 215	\$ 13,153

(a) Future operating lease payments have not been reduced by minimum sublease rentals of approximately \$2.1 million due in the future under non-cancelable subleases.

Rent expense amounted to approximately \$2.6 million, \$1.4 million, and \$1.3 million in 2022, 2021, and 2020, respectively.

(15) Other Long-Term Liabilities

Other long-term liabilities consist of the following (in thousands):

	December 31,	
	2022	2021
Accrued contingent consideration (earn-out)	\$ 9,568	\$ 5,188
Present value of non-competition payments	8,155	9,321
Other	497	676
	<u>\$ 18,220</u>	<u>\$ 15,185</u>

Certain amounts for the year ended December 31, 2021 were revised to conform to the current year presentation (See Note 1).

(16) Commitments and Contingencies

- (a) Legal – From time to time, the Company may be a party to various suits, claims and complaints arising in the ordinary course of business. In the opinion of management of the Company, these suits, claims and complaints should not result in final judgments or settlements that, in the aggregate, would have a material adverse effect on the Company’s financial condition or results of operations.
- (b) Contingent Consideration – In conjunction with both the Contech Medical and DAS Medical acquisitions in the fourth quarter of 2021, the Company incurred liabilities for certain contingent consideration related to the valuation of earn-out payments based upon the performance of the business. Also in conjunction with the DAS Medical acquisition, the Company incurred a liability for contingent consideration related to the present value of non-competition payments. We re-measure contingent liabilities each reporting period and record changes in the fair value through a separate line item within our consolidated statements of operations. Increases or decreases in the fair value of the contingent consideration liability can result from changes in discount rates, periods, timing and amount of projected revenue or timing or likelihood of achieving regulatory, revenue or commercialization-based milestones. The use of alternative valuation assumptions, including estimated revenue projections, growth rates, cash flows, discount rates, useful life, or probability of achieving clinical, regulatory, or revenue-based milestones could result in different purchase price allocations and recognized amortization expense and contingent consideration expense or benefit in current and future periods.

(17) Employee Benefit Plans

The Company maintains 401(k) and profit-sharing plans for eligible employees. Contributions to the Plans are made in the form of matching contributions to employee 401(k) deferrals, and until 2020, discretionary profit-sharing amounts determined by the Board of Directors to be funded by March 15 following each fiscal year. Contributions to the Plan were approximately \$0.7 million, \$0.6 million, and \$0.9 million for the years 2022, 2021, and 2020, respectively.

The Company has a partially self-insured health insurance program that covers all eligible participating employees. The maximum liability is limited by a stop loss of \$225 thousand per insured person, along with an aggregate stop loss determined by the number of participants.

The Company has an Executive, Non-qualified “Excess” Plan (“the Plan”), which is a deferred compensation plan available to certain executives. The Plan permits participants to defer receipt of part of their current compensation to a later date as part of their personal retirement or financial planning. Participants have an unsecured contractual commitment from the Company to pay amounts due under the Plan.

The compensation withheld from Plan participants, together with gains or losses determined by the participants’ deferral elections is reflected as a deferred compensation obligation to participants and is classified within the liabilities section in the accompanying balance sheets. At December 31, 2022 and 2021, the balance of the deferred compensation liability totaled approximately \$4.2 million and \$4.3 million, respectively. The related assets, which are held in the form of a Company-owned, variable life insurance policy that names the Company as the beneficiary, are classified within the other assets section of the accompanying balance sheets and are accounted for based on the underlying cash surrender values of the policies and totaled approximately \$4.1 and \$4.3 million as of December 31, 2022 and 2021, respectively.

(18) Fair Value of Financial Instruments

Financial instruments recorded at fair value in the consolidated balance sheets, or disclosed at fair value in the footnotes, are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Hierarchical levels defined by ASC 820, *Fair Value Measurements and Disclosures*, and directly related to the amount of subjectivity associated with inputs to fair valuation of these assets and liabilities, are as follows:

Level 1

Valued based on unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2

Valued based on either directly or indirectly observable prices for the asset or liability through correlation with market data at the measurement date and for the duration of the instrument's anticipated life.

Level 3

Valued based on management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs to the model.

The following table presents the fair value and hierarchy levels, for financial assets that are measured at fair value on a recurring basis (in thousands):

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Level 2</u>		
<u>Liabilities:</u>		
Derivative financial instruments	\$ -	\$ 176
<u>Level 3</u>		
Purchase price contingent consideration (Note 2):		
Accrued contingent consideration (earn-out)	\$ 14,568	\$ 9,731
Present value of non-competition payments	10,043	9,477

Derivative financial instruments consist of an interest rate swap for which fair value is determined through the use of a pricing model that utilizes verifiable inputs such as market interest rates that are observable at commonly quoted intervals for the full term of the swap agreement.

In connection with the acquisitions discussed in Note 2, "Acquisitions," the Company is required to make contingent payments, subject to the entities achieving certain financial performance thresholds. The contingent consideration payments for both acquisitions combined are up to \$25 million. The fair value of the liabilities for the contingent consideration payments recognized upon the acquisition as part of the purchase accounting opening balance sheets totaled approximately \$9.7 million and was estimated by discounting to present value the probability-weighted contingent payments expected to be made. Assumptions used in this calculation were managements financial forecasts, discount rate and various probability factors. The ultimate settlement of contingent consideration could deviate from current estimates based on the actual results of these financial measures. This liability is considered to be a Level 3 financial liability that is re-measured each reporting period. The change in fair value of contingent consideration for the acquisition is included in change in fair value of contingent consideration in the consolidated statements of operations.

Also in connection with the DAS Medical acquisition, the Company has entered into Non-Competition Agreements with the beneficiaries and the Company has agreed to pay additional consideration to the parties to the Non-Competition Agreements, including an aggregate of \$10.0 million in payments over the ten years following the closing of the DAS Medical acquisition for the 10-year noncompetition covenants of certain key owners. The present value of the Non-Competition Agreements totaled approximately \$8.9 million. This liability is considered to be a Level 3 financial liability that is re-measured each reporting period. The change in fair value of contingent consideration for the acquisition is included in change in fair value of contingent consideration in the consolidated statements of operations.

The Company has financial instruments, such as accounts receivable, accounts payable, and accrued expenses, that are stated at carrying amounts that approximate fair value because of the short maturity of those instruments. The carrying amount of the Company's long-term debt approximates fair value as the interest rate on the debt approximates the estimated borrowing rate currently available to the Company.

(19) Segment Data

The Company consists of a single operating and reportable segment.

Revenues shipped to customers outside of the United States comprised approximately 16% of the Company's consolidated revenues for the year ended December 31, 2022. One customer comprised approximately 21% of the Company's consolidated revenues for the year ended December 31, 2022. No customer comprised more than 10% of the Company's consolidated revenues for the years ended December 31, 2021 and 2020. One customer represented approximately 10% of gross accounts receivable for both years ended December 31, 2022 and 2021. Approximately 17% of all long-lived assets are located outside of the United States.

The Company's custom products are primarily sold to customers within the Medical, Automotive, Consumer, Aerospace & Defense, Industrial, and Electronics markets. Sales by market for the years ended December 31, 2022, 2021, and 2020 as follows (in thousands):

Market	2022		2021		2020	
	Net Sales	%	Net Sales	%	Net Sales	%
Medical	\$ 286,180	80.9%	\$ 132,505	64.2%	\$ 120,258	67.2%
Automotive	17,487	4.9%	15,596	7.6%	14,607	8.1%
Consumer	17,255	4.9%	26,048	12.6%	18,316	10.2%
Aerospace & Defense	15,328	4.3%	16,380	7.9%	12,810	7.1%
Industrial	10,322	2.9%	8,413	4.1%	7,622	4.2%
Electronics	7,220	2.1%	7,378	3.6%	5,760	3.2%
Net Sales	\$ 353,792	100.0%	\$ 206,320	100.0%	\$ 179,373	100.0%

Certain amounts for the year ended December 31, 2021 were reclassified between markets to conform to the current year presentation.

(20) Quarterly Financial Information (unaudited)

Summarized quarterly financial data is as follows (in thousands, except per share data):

2022	Q1	Q2	Q3	Q4
Net sales	\$ 71,242	\$ 94,343	\$ 96,970	\$ 91,237
Gross profit	17,134	24,324	25,523	23,279
Net income	4,858	8,929	19,540	8,462
Basic net income per share	0.64	1.18	2.58	1.12
Diluted net income per share	0.64	1.17	2.56	1.10

2021	Q1		Q2		Q3		Q4	
Net sales	\$	48,599	\$	50,655	\$	50,723	\$	56,343
Gross profit		12,609		13,414		12,016		13,075
Net income		4,163		4,715		3,789		3,219
Basic net income per share		0.55		0.63		0.50		0.43
Diluted net income per share		0.55		0.62		0.50		0.42

UFP TECHNOLOGIES, INC.**Consolidated Financial Statement Schedule**

Valuation and Qualifying Accounts

Years ended December 31, 2022, 2021, and 2020

Accounts receivable, allowance for credit losses:

	2022	2021	2020
Balance at beginning of year	\$ 519	\$ 484	\$ 486
Provision for bad debt	293	179	13
Write-offs, net of recoveries	(40)	(144)	(15)
Sale of Molded Fiber business	(39)	-	-
Balance at end of year	<u>\$ 733</u>	<u>\$ 519</u>	<u>\$ 484</u>

Exhibit E

STOCK UNIT AWARD AGREEMENT
(with Ireland Supplement)

(Granted under the UFP Technologies, Inc. 2003 Incentive Plan)

This Stock Unit Award Agreement is entered into as of the 14th day of February, 2023 by and between UFP Technologies, Inc. (hereinafter the “Company”) and _____ (the “Awardee”). Capitalized terms used but not defined herein shall have the meanings assigned to them in the Company’s 2003 Incentive Plan, as amended (the “Plan”). Stock Unit Awards (SUA’s represent the Company’s unfunded and unsecured promise to issue shares of Common Stock at a future date, subject to the terms of this Award Agreement, including, without limitation, the performance objectives set forth in Schedule A hereto, and the Plan. Awardee has no rights under the SUAs other than the rights of a general unsecured creditor of the Company.

1. Grant of Stock Unit Awards; Performance Objectives; Vesting.

(a) The Company, in the exercise of its sole discretion pursuant to the Plan, does hereby award to the Awardee the number of SUAs set forth on Schedule A hereto upon the terms and subject to the conditions hereinafter contained. The SUA’s shall consist of a Threshold Award, a Target Award and an Exceptional Award. The Target Award and the Exceptional Award are each awarded subject to attainment during the Performance Cycle described on Schedule A of the Performance Objectives set forth on Schedule A.

(b) Subject to attainment of any applicable Performance Objectives, payment with respect to vested SUA’s shall be made entirely in the form of shares of Common Stock of the Company on each respective vesting date as set forth on Schedule A.

(c) As soon as possible after the end of the Performance Cycle, the Committee will certify in writing whether and to what extent the Performance Objectives have been met for the Performance Cycle. The date of the Committee’s certification pursuant to this subsection (c) shall hereinafter be referred to as the “Certification Date”. The Company will notify the Awardee of the Committee’s certification following the Certification Date (such notice, the “Determination Notice”). The Determination Notice shall specify (i) the Performance Objective, as derived from the Company’s audited financial statements; and (ii) the extent, if any, to which the Performance Objectives were satisfied with respect to the Target Award and the Exceptional Award.

2. Change in Control. Notwithstanding the vesting schedule set forth in Schedule A: if there is a Change in Control of the Company (as defined in the Plan) following the end of the Performance Cycle, and the Awardee’s Continuous Status as an employee, as contemplated by Section 4 hereof, shall not have been terminated as of the date immediately prior to the effective date of such Change in Control, then subject to attainment during the Performance Cycle described on Schedule A of any applicable Performance Objective set forth on Schedule A, and subject to the provisions of Section 21 of this Award Agreement, any SUA’s representing the Threshold, Target and the Exceptional Award, which are not already vested shall become vested in full as of the effective date of such Change in Control.

3. Termination. Unless terminated earlier under Section 4, 5 or 6 below, an Awardee's rights under this Award Agreement with respect to the SUAs issued under this Award Agreement shall terminate at the time such SUAs are converted into shares of Common Stock.

4. Termination of Awardee's Continuous Status as an Employee. Except as otherwise specified in Section 5 and 6 below, in the event of termination of Awardee's Continuous Status as an employee of the Company, Awardee's rights under this Award Agreement in any unvested SUAs shall terminate. For purposes of this Award Agreement, an Awardee's Continuous Status as an employee shall mean the absence of any interruption or termination of service as an employee. Continuous Status as an employee shall not be considered interrupted in the case of sick leave or leave of absence for which Continuous Status is not considered interrupted as determined by the Company in its sole discretion.

5. Disability of Awardee. Notwithstanding the provisions of Section 4 above, in the event of termination of Awardee's Continuous Status as an employee as a result of disability (within the meaning of Section 409A of the Internal Revenue Code, and hereinafter referred to as "Disability"), the SUAs which would have vested during the twelve (12) months following the date of such termination, set out in Schedule A, shall become vested as of the date of such termination, subject, however, to the provisions of Section 21 of this Award Agreement. If Awardee's Disability originally required him or her to take a short-term disability leave which was later converted into long-term disability, then for the purposes of the preceding sentence the date on which Awardee ceased performing services shall be deemed to be the date of commencement of the short-term disability leave. The Awardee's rights in any unvested SUAs that remain unvested after the application of this Section 5 shall terminate at the time Awardee ceases to be in Continuous Status as an employee.

6. Death of Awardee. Notwithstanding the provisions of Section 4 above, in the event of the death of Awardee:

(a) If the Awardee was, at the time of death, in Continuous Status as an employee, the SUAs which would have vested during the twelve (12) months following the date of death of Awardee, set out in Schedule A, shall become vested as of the date of death.

(b) The Awardee's rights in any unvested SUAs that remain after the application of Section 6(a) shall terminate at the time of the Awardee's death.

7. Value of Unvested SUAs. In consideration of the award of these SUAs, Awardee agrees that upon and following termination of Awardee's Continuous Status as an employee for any reason (whether or not in breach of applicable laws), and regardless of whether Awardee is terminated with or without cause, notice, or pre-termination procedure or whether Awardee asserts or prevails on a claim that Awardee's employment was terminable only for cause or only with notice or pre-termination procedure, any unvested SUAs under this Award Agreement shall be deemed to have a value of zero dollars (\$0.00).

8. Conversion of SUAs to shares of Common Stock; Responsibility for Taxes.

(a) Provided Awardee has satisfied the requirements of Section 8(b) below, and subject to the provisions of Section 21 below, on the vesting of any SUAs, such vested SUAs shall be converted into an equivalent number of shares of Common Stock that will be distributed to Awardee or, in the event of Awardee's death, to Awardee's legal representative, as soon as practicable. The distribution to the Awardee, or in the case of the Awardee's death, to the Awardee's legal representative, of shares of Common Stock in respect of the vested SUAs shall be evidenced by a stock certificate, appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company, or other appropriate means as determined by the Company.

(b) Regardless of any action the Company takes with respect to any or all income tax (including federal, state and local taxes), social security, payroll tax or other tax-related withholding ("Tax Related Items"), Awardee acknowledges that the ultimate liability for all Tax Related Items legally due by Awardee is and remains Awardee's responsibility and that the Company (i) makes no representations or undertakings regarding the treatment of any Tax Related Items in connection with any aspect of the SUAs, including the grant of the SUAs, the vesting of SUAs, the conversion of the SUAs into shares of Common Stock, the subsequent sale of any shares of Common Stock acquired at vesting and the receipt of any dividends; and (ii) does not commit to structure the terms of the grant or any aspect of the SUAs to reduce or eliminate the Awardee's liability for Tax Related Items. Prior to the issuance of shares of Common Stock upon vesting of SUAs as provided in Section 8(a) above, Awardee shall pay, or make adequate arrangements satisfactory to the Company, in its sole discretion, to satisfy all withholding obligations of the Company. In this regard, Awardee authorizes the Company to withhold all applicable Tax Related Items legally payable by Awardee from Awardee's wages or other cash compensation payable to Awardee by the Company. Alternatively, or in addition, if permissible under applicable law, the Company may, in its sole discretion, (i) sell or arrange for the sale of shares of Common Stock to be issued to satisfy the withholding obligation, and/or (ii) withhold in shares of Common Stock, provided that the Company shall withhold only the amount of shares necessary to satisfy the minimum withholding amount. Awardee shall pay to the Company any amount of Tax Related Items that the Company may be required to withhold as a result of Awardee's receipt of SUAs, or the conversion of SUAs to shares of Common Stock that cannot be satisfied by the means previously described. Except where applicable legal or regulatory provisions prohibit, the standard process for the payment of an Awardee's Tax Related Items shall be for the Company to withhold in shares of Common Stock only to the amount of shares necessary to satisfy the minimum withholding amount. The Company may refuse to deliver shares of Common Stock to Awardee if Awardee fails to comply with Awardee's obligation in connection with the Tax Related Items as described herein.

(c) In lieu of issuing fractional shares of Common Stock, on the vesting of a fraction of a SUA, the Company shall round the shares to the nearest whole share and any such share which represents a fraction of a SUA will be included in a subsequent vest date.

(d) Until the distribution to Awardee of the shares of Common Stock in respect to the vested SUAs is evidenced by a stock certificate, appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company, or other appropriate means, Awardee shall have no right to vote or receive dividends or any other rights as a shareholder with respect to such shares of Common Stock, notwithstanding the vesting of SUAs. Subject to the provisions of Section 21 below, the Company shall cause such distribution to Awardee to occur promptly upon the vesting of SUAs. No adjustment will be made for a dividend or other right for which the record date is prior to the date Awardee is recorded as the owner of the shares of Common Stock, except as provided in Section 8 of the Plan.

(e) By accepting the Award of SUAs evidenced by this Award Agreement, Awardee agrees not to sell any of the shares of Common Stock received on account of vested SUAs at a time when applicable laws or Company policies prohibit a sale. This restriction shall apply so long as Awardee is an Employee, Consultant or outside director of the Company or a Subsidiary of the Company.

(f) Adjustments and other matters relating to stock dividends, stock splits, recapitalizations, reorganizations, Corporate Events and the like shall be made and determined in accordance with Section 6 of the Plan, as in effect on the date of this Agreement.

9. Non-Transferability of SUAs. Awardee's right in the SUAs awarded under this Award Agreement and any interest therein may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner, other than by will or by the laws of descent or distribution, prior to the distribution of the shares of Common Stock in respect of such SUAs. SUAs shall not be subject to execution, attachment or other process.

10. Acknowledgment of Nature of Plan and SUAs. In accepting the Award, Awardee acknowledges that:

(a) the Plan is established voluntarily by the Company, it is discretionary in nature and may be modified, amended, suspended or terminated by the Company at any time, as provided in the Plan;

(b) the Award of SUAs is voluntary and occasional and does not create any contractual or other right to receive future awards of SUAs, or benefits in lieu of SUAs even if SUAs have been awarded repeatedly in the past;

(c) all decisions with respect to future awards, if any, will be at the sole discretion of the Company;

(d) Awardee's participation in the Plan is voluntary;

(e) the future value of the underlying shares of Common Stock is unknown and cannot be predicted with certainty;

(f) if Awardee receives shares of Common Stock, the value of such shares of Common Stock acquired on vesting of SUAs may increase or decrease in value;

(g) notwithstanding any terms or conditions of the Plan to the contrary and consistent with Section 4 and Section 7 above, in the event of involuntary termination of Awardee's employment (whether or not in breach of applicable laws), Awardee's right to receive SUAs and vest under the Plan, if any, will terminate effective as of the date that Awardee is no longer actively employed and will not be extended by any notice period mandated under applicable law; furthermore, in the event of involuntary termination of employment (whether or not in breach of applicable laws), Awardee's right to receive shares of Common Stock pursuant to the SUAs after termination of employment, if any, will be measured by the date of termination of Awardee's active employment and will not be extended by any notice period mandated under applicable law. The Committee shall have the exclusive discretion to determine when Awardee is no longer actively employed for purposes of the award of SUAs; and

(h) Awardee acknowledges and agrees that, regardless of whether Awardee is terminated with or without cause, notice or pre-termination procedure or whether Awardee asserts or prevails on a claim that Awardee's employment was terminable only for cause or only with notice or pre-termination procedure, Awardee has no right to, and will not bring any legal claim or action for, (a) any damages for any portion of the SUAs that have been vested and converted into Common Shares, or (b) termination of any unvested SUAs under this Award Agreement.

11. No Employment Right. Awardee acknowledges that neither the fact of this Award of SUAs nor any provision of this Award Agreement or the Plan or the policies adopted pursuant to the Plan shall confer upon Awardee any right with respect to employment or continuation of current employment with the Company, or to employment that is not terminable at will. Awardee further acknowledges and agrees that neither the Plan nor this Award of SUAs makes Awardee's employment with the Company for any minimum or fixed period, and that such employment is subject to the mutual consent of Awardee and the Company, and subject to any written employment agreement that may be in effect from time to time between the Company and the Awardee, may be terminated by either Awardee or the Company at any time, for any reason or no reason, with or without cause or notice or any kind of pre- or post-termination warning, discipline or procedure.

12. Administration. The authority to manage and control the operation and administration of this Award Agreement shall be vested in the Committee (as such term is defined in Section 2 of the Plan), and the Committee shall have all powers and discretion with respect to this Award Agreement as it has with respect to the Plan. Any interpretation of the Award Agreement by the Committee and any decision made by the Committee with respect to the Award Agreement shall be final and binding on all parties.

13. Plan Governs. Notwithstanding anything in this Award Agreement to the contrary, the terms of this Award Agreement shall be subject to the terms of the Plan, and this Award Agreement is subject to all interpretations, amendments, rules and regulations promulgated by the Committee from time to time pursuant to the Plan.

14. Notices. Any written notices provided for in this Award Agreement which are sent by mail shall be deemed received three business days after mailing, but not later than the date of actual receipt. Notices shall be directed, if to Awardee, at the Awardee's address indicated by the Company's records and, if to the Company, at the Company's principal executive office.

15. Electronic Delivery. The Company may, in its sole discretion, decide to deliver any documents related to SUAs awarded under the Plan or future SUAs that may be awarded under the Plan by electronic means or request Awardee's consent to participate in the Plan by electronic means. Awardee hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company.

16. Acknowledgment. By Awardee's acceptance as evidenced below, Awardee acknowledges that Awardee has received and has read, understood and accepted all the terms, conditions and restrictions of this Award Agreement and the Plan. Awardee understands and agrees that this Award Agreement is subject to all the terms, conditions, and restrictions stated in this Award Agreement and the Plan, as the latter may be amended from time to time in the Company's sole discretion. In addition, the Awardee acknowledges that the Award and rights granted to the Awardee hereunder shall be subject to forfeiture to the Company in accordance with any policy that may hereafter be promulgated by the Company to comply with the requirements of Section 10D(b)(2) of the Securities Exchange Act of 1934, as amended.

17. [Intentionally Omitted]

18. Governing Law. This Award Agreement shall be governed by the laws of the State of Delaware, without regard to Delaware laws that might cause other law to govern under applicable principles of conflicts of law.

19. Severability. If one or more of the provisions of this Award Agreement shall be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby and the invalid, illegal or unenforceable provisions shall be deemed null and void; however, to the extent permissible by law, any provisions which could be deemed null and void shall first be construed, interpreted or revised retroactively to permit this Award Agreement to be construed so as to foster the intent of this Award Agreement and the Plan.

20. Complete Award Agreement and Amendment. This Award Agreement and the Plan constitute the entire agreement between Awardee and the Company regarding SUAs. Any prior agreements, commitments or negotiations concerning these SUAs are superseded. This Award Agreement may be amended only by written agreement of Awardee and the Company, without consent of any other person. Awardee agrees not to rely on any oral information regarding this Award of SUAs or any written materials not identified in this Section 20.

21. Section 409A. This Award Agreement is intended to be in compliance with the provisions of Section 409A of the Internal Revenue Code to the extent applicable, and the Regulations issued thereunder. Anything in this Agreement to the contrary notwithstanding, if at the time of the Awardee's separation from service within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended, and the regulations thereunder (the "Code"), the Company determines that the Awardee is a "specified employee" within the meaning of Section 409A(a)(2)(B)(i) of the Code, then to the extent any payment or benefit that the Awardee becomes entitled to under this Agreement would be considered deferred compensation subject to the 20 percent additional tax imposed pursuant to Section 409A(a) of the Code as a result of the application of Section 409A(a)(2)(B)(i) of the Code, such payment shall not be payable and such benefit shall not be provided until the date that is the earlier of (A) six months and one day after the Awardee's separation from service, or (B) the Awardee's death. The determination of whether and when a separation from service has occurred shall be made in accordance with the presumptions set forth in Treasury Regulation Section 1.409A-1(h). To the extent that any provision of this Agreement is ambiguous as to its compliance with Section 409A of the Code, the provision shall be read in such a manner so that all payments hereunder comply with Section 409A of the Code. The parties agree that this Agreement may be amended, as reasonably requested by either party, and as may be necessary to fully comply with Section 409A of the Code and all related rules and regulations in order to preserve the payments and benefits provided hereunder without additional cost to either party. Solely for the purposes of Section 409A of the Code, the share increments issuable on each vesting date on Schedule A shall be considered a separate payment. The Company makes no representation or warranty and shall have no liability to the Awardee or any other person if any provisions of this Agreement are determined to constitute deferred compensation subject to Section 409A of the Code but do not satisfy an exemption from, or the conditions of, such Section.

22. Ireland Supplement. If the Awardee is an employee located in Ireland then in addition to the terms and conditions set forth above, the provisions of the Ireland Supplement attached hereto shall also apply.

EXECUTED the day and year first above written.

UFP TECHNOLOGIES, INC.

By: _____

R. Jeffrey Bailly
Chief Executive Officer

AWARDEE'S ACCEPTANCE:

I have read and fully understood this Award Agreement and, as referenced in Section 16 above, I accept and agree to be bound by all of the terms, conditions and restrictions contained in this Award Agreement and the other documents referenced in it.

SCHEDULE A

The SUA's issuable under this Agreement shall consist of a Threshold Award, a Target Performance Award and an Exceptional Performance Award, each in the amounts set forth below, each such award issuable in one-third increments on the vesting dates set forth below, provided the respective performance objective (if applicable) is satisfied.

The Performance Objective established by the Committee with respect to the Target Performance Award and Exceptional Performance Award is Adjusted Operating Income** for 2023

	Performance Objective	Performance Cycle	Number of Shares of Common Stock	Vesting Dates: March 1 of:		
				*2024	*2025	*2026
				[1/3]	[1/3]	[1/3]
a. Threshold Award [50% of total]	none	n/a	_____	_____	_____	_____
b. Target Performance Award [25% of total]	of Adjusted Operating Income**	Calendar Year 2023	_____ (in addition to (a) above)	_____	_____	_____
c. Exceptional Performance Award [25% of total]	of Adjusted Operating Income**	Calendar Year 2023	_____ *** (in addition to (a) and (b) above)	_____	_____	_____

*Vesting is subject to the Compensation Committee's determination of satisfaction of any applicable performance target for 2023 (for Target and Exceptional Performance Awards), and subject to continued employment on each such vesting date (for all Awards).

** Adjusted Operating Income is defined herein as Operating Income on the Company's 10-K, excluding the effect of (i) non-recurring restructuring charges related to plant closings and consolidations; and (ii) the impact of acquired or disposed of operations during such year.

*** Between Adjusted Operating Income of \$XXX and \$XXX the number of shares of Common Stock issuable under the Exceptional Performance Award (in addition to the shares issuable upon attainment of the Target Performance Award) would range from 0, representing the number of shares issuable upon attainment of \$XXX of Adjusted Operating Income, to the full number of shares otherwise issuable under the Exceptional award, based on straight line interpolation rounded up or down to the nearest whole share (not to exceed \$XXX of Adjusted Operating Income for purposes of this calculation).

UFP TECHNOLOGIES, INC.

STOCK UNIT AWARD

IRELAND SUPPLEMENT

This supplement to the Stock Unit Award Agreement applies to any Participant who is resident or employed in Ireland (an “**Ireland Participant**”) at the time of grant of an Award.

An Award made to an Ireland Participant shall be subject to the following supplementary terms and conditions and, in the event of any conflict between any term, condition or other provision contained in the Plan or in an Award agreement for an Ireland Participant and any supplementary term or condition provided for in this supplement, the supplementary term or condition in this supplement shall govern and prevail. All capitalised terms used herein but not otherwise defined shall have the respective meanings set forth in the Plan.

1. Relationship of Plan to Contract of Employment. Notwithstanding any other provision of the Plan or an Award agreement:
 - (a) the Plan and any Award agreement shall not form part of any contract of employment between the Company or a Subsidiary and an Ireland Participant;
 - (b) unless expressly so provided in his or her contract of employment, an Ireland Participant has no right or entitlement to an Award or any expectation that an Award might be made to him or her, whether subject to any conditions or at all;
 - (c) the benefit to an Ireland Participant of participation in the Plan (including, in particular but not by way of limitation, of any Award made to him or her) shall not form any part of his or her remuneration or count as his or her remuneration for any purpose and shall not be pensionable;
 - (d) the rights or opportunity granted to an Ireland Participant on the grant of an Award shall not give the Ireland Participant any rights or additional rights and if an Ireland Participant ceases to be employed by the Company or a Subsidiary, he or she shall not be entitled to compensation for the loss of any right or benefit or prospective right or benefit under the Plan (including, in particular but not by way of limitation, any Award held by him or her which lapses by reason of his or her ceasing to be employed by the the Company or a Subsidiary) whether by way of damages for unfair dismissal, wrongful dismissal, breach of contract or otherwise;
 - (e) the rights or opportunity granted to an Ireland Participant on the making of an Award shall not give the Ireland Participant any rights or additional rights in respect of any pension scheme operated by the Company or a Subsidiary; and
 - (f) an Ireland Participant shall not be entitled to any compensation or damages for any loss or potential loss which he or she may suffer by reason of being unable to acquire or retain Stock or any interest in Stock (or any equivalent or connected interest) pursuant to an Award in consequence of the loss or termination of his or her employment with the Company or a Subsidiary for any reason whatsoever (whether or not the termination is ultimately held to be wrongful or unfair).
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2. **Taxation.** An Ireland Participant shall be responsible for and shall indemnify the Company and its Subsidiaries against, any tax, universal social charge or employee social security liability relating to the grant and subsequent vesting or exercise of an Award and the release or disposal of any resulting Stock. The tax withholding provisions in Section 7(e) of the Plan shall, where applicable, apply as if each reference to taxes included reference to universal social charge and employee pay related social insurance.
 3. **Provision of Information.**
 - (a) An Ireland Participant shall provide to the Company and its Subsidiaries as soon as reasonably practicable such information as the Company or its Subsidiary reasonably requests for the purpose of complying with its share scheme reporting obligations (if any) under the Taxes Consolidation Act 1997 (as amended) of Ireland and current requirements of the Revenue Commissioners of Ireland.
 - (b) An Ireland Participant who is a director or shadow director or secretary of any Subsidiary that is incorporated in Ireland (an “**Ireland Subsidiary**”) shall notify the Ireland Subsidiary in writing within five business days of such Ireland Participant receiving or disposing of a “disclosable interest” (within the meaning of and for the purposes of Chapter 5 of Part 5 of the Companies Act 2014 of Ireland) in the Company, or within five business days of such Ireland Participant becoming aware of the event giving rise to the notification requirement, or within five business days of such Ireland Participant becoming a director or shadow director or secretary if such a “disclosable interest” exists at the time.
 4. **Personal Data.** By accepting the grant of an Award, an Ireland Participant acknowledges, in respect of the processing and disclosure of the Ireland Participant’s personal data, that:
 - (a) the Company or its Subsidiary is required to collect, process and utilise the Ireland Participant’s personal data for purposes directly relevant to the employment relationship between the Company or its Subsidiary and the Ireland Participant, and, for the purpose of administering the Plan, to disclose or transfer some or all of that personal data, as necessary, between the Company or its Subsidiaries or to any third party engaged by the Company or its Subsidiary to assist with the administration of the Plan;
 - (b) the Company or its Subsidiary and any such third party may utilise such personal data for the purpose of administering the Plan and the Ireland Participant’s Award, provided that such personal data shall be kept confidential and shall not be used by the third party for any purposes not related to the administration of the Plan;
 - (c) a Subsidiary and any such third party may be located in the European Economic Area (the “**EEA**”) or outside of the EEA and the personal data may be transferred within the EEA or outside of the EEA for the purpose of administering the Plan (in which case the transfer shall be governed by “model contract clauses” or equivalent measures required under the European Union’s data protection laws);
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- (d) the Ireland Participant's personal data may be processed and disclosed by and to any future purchaser of the Company (or of a Subsidiary thereof that has the employment relationship with the Ireland Participant or of their respective undertakings or any parts thereof) for the purpose of administering the Plan and/or confirming the Ireland Participant's entitlement to an Award where such entitlement is relevant to such purchase;
 - (e) the purposes described in this paragraph 4 for the processing of the Ireland Participant's personal data are necessary for the administration of the Plan or are otherwise necessary for the legitimate interests of the Company or its Subsidiary in connection with the administration of the Plan; and
 - (f) should the Ireland Participant exercise certain data subject rights in relation to the Ireland Participant's personal data, such as the right of objection or erasure, the Ireland Participant acknowledges that it may no longer be possible to administer the Plan or the Ireland Participant's Award pursuant to the Plan and any Award agreement and, in that case, the Award shall lapse and the Ireland Participant shall be deemed to have waived (without any right to compensation) any right to the Award.
5. Securities Law. Where an Award offered under the Plan is deemed to be an offer of securities to the public in Ireland, Article 1(4)(i) of Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 (the "**Prospectus Regulation**") provides, among others, an exemption (the "**Exemption**") from the obligation to publish a prospectus if the securities are offered to existing or former directors or employees by their employer or by an affiliated undertaking provided that a document is made available containing information on the number and nature of the securities and the reasons for and details of the offer. Accordingly, in reliance on the Exemption, no prospectus has been prepared or filed with any competent regulatory authority in the EEA in relation to offers made to existing or former directors or employees by the Company or its Subsidiaries pursuant to the Plan, and no such prospectus has been approved and/or published in the EEA. The Plan, this supplement and the Award agreement contains the information that must be made available in order to avail of the Exemption, namely information on the number and nature of the securities and the reasons for and details of the offer.

UFP TECHNOLOGIES, INC.

2003 INCENTIVE PLAN
As Amended and Restated on March 14, 2023

1. Statement of Purpose. The purpose of this 2003 Incentive Plan (hereinafter referred to as the “Plan”) is to benefit UFP TECHNOLOGIES, INC. (the “Company”) through the maintenance and development of its businesses by offering equity-based and other incentives to certain present and future executives and other employees who are in a position to contribute to the long-term success and growth of the Company, thereby encouraging the continuance of their involvement with the Company and/or its subsidiaries.

2. Administration of the Plan.

(a) Board or Committee Administration. Except as otherwise provided in subsection 2(d) below, the Plan shall be administered by the Compensation Committee of the Company's Board of Directors (the “Board”) or such other committee thereof consisting of such members (not less than two) of the Board as are appointed from time to time by the Board (the “Compensation Committee”), each of the members of which, at the time of any action under the Plan, shall be (i) a “non-employee director” as then defined under Rule 16b-3 under the Act (or meeting comparable requirements of any successor rule relating to exemption from Section 16(b) of the Act) and (ii) an “independent director” as then defined under the rules of the Nasdaq Stock Market (or meeting comparable requirements of any stock exchange on which the Company's Common Stock, \$.01 par value (the “Common Stock”) may then be listed). Hereinafter, all references in this Plan to the “Committee” shall mean the Board if no Committee has been appointed. The Committee shall have all necessary powers to administer and interpret the Plan. Such powers of the Compensation Committee include exclusive authority (within the limitations described and except as otherwise provided in the Plan) to select the employees or determine classes of employees to be granted Awards under the Plan, to determine the aggregate amount, type, size, and terms of the Awards to be made to eligible employees, and to determine the time when Awards will be granted. The Compensation Committee may take into consideration recommendations from the appropriate officers of the Company with respect to making the foregoing determinations as to Plan Awards, administration, and interpretation. The Committee shall have full power and authority to adopt such rules, regulations, agreements and instruments for the administration of the Plan and for the conduct of its business as the Committee deems necessary or advisable. The Committee's interpretations of the Plan and all action taken and determinations made by the Committee pursuant to the powers vested in it hereunder shall be conclusive and binding on all parties concerned, including the Company, its shareholders and any director or employee of the Company or any Subsidiary.

(b) Committee Actions. The Committee may select one of its members as its chairman and shall hold meetings at such time and places as it may determine. A majority of the Committee shall constitute a quorum and acts of a majority of the members of the Committee at a meeting at which a quorum is present, or acts reduced to or approved in writing by all the members of the Committee (if consistent with applicable state law), shall be the valid acts of the Committee. From time to time the Board may increase the size of the Committee and appoint additional members thereof, remove members (with or without cause) and appoint new members in substitution therefor, fill vacancies however caused, or remove all members of the Committee and thereafter directly administer the Plan.

(c) Section 409A. The Committee shall take into account compliance with Section 409A of the Internal Revenue Code in connection with any grant of an Award under the Plan, to the extent applicable.

(d) Delegation by the Board to a Designated Officer. To the extent permitted by law, the Board may delegate to the Chief Executive Officer of the Company or one or more other officers of the Company (each herein a “Designated Officer”) the duties or powers it may deem advisable to assist the Committee in the administration and operation of the Plan and may grant to the Designated Officer authority to enter into 1 or more transactions to grant equity-based Awards and with respect to such transactions, such Awards may be issued in such numbers, at such times and for such consideration as the Designated Officer may determine; provided that the resolution fixes (i) the maximum number of rights or options subject to the equity-based Awards, and the maximum number of shares issuable upon exercise thereof, that may be issued pursuant to such resolution, (ii) a time period during which such equity-based Awards and during which the shares issuable upon exercise thereof, may be issued, and (iii) a minimum amount of consideration (if any) for which such rights or options subject to such equity-based Awards may be issued and a minimum amount of consideration for the shares issuable upon exercise thereof and provided further, however, (i) the Committee shall not delegate such responsibilities to the Designated Officer for Awards granted to the Designated Officer or any employee who is considered an officer (as defined in Rule 16a-1(f)) of the Exchange Act. The Designated Officer(s) shall report periodically to the Committee regarding the nature and scope of the Awards granted pursuant to the authority delegated. To the extent authority under the Plan is delegated to the Designated Officer, references in the other provisions of this Plan to the Committee shall instead mean to the Designated Officer.

3. Eligibility. Participation in the Plan shall be limited to executives or other employees (including officers and directors who are also employees) of the Company and its Subsidiaries selected on the basis of such criteria as the Committee may determine. Employees who participate in other incentive or benefit plans of the Company or any Subsidiary may also participate in this Plan. As used herein, the term “employee” shall mean any person employed full time or part time by the Company or a Subsidiary on a salaried basis, and the term “employment” shall mean full-time or part-time salaried employment by the Company or a Subsidiary.

4. Rules Applicable to Awards.

(a) All Awards.

(i) Awards. Awards may be granted in the form of any or a combination of the following: Stock Options; SARs; Restricted Stock; Unrestricted Stock; Stock Unit Awards, other Stock Based Awards; Cash Performance Awards; other Performance Awards; or grants of cash, or loans, made in connection with other Awards in order to help defray in whole or in part the economic cost (including tax cost) of the Award to the Participant.

(ii) Terms of Awards. The Committee shall determine the terms of all Awards subject to the limitations provided herein.

(iii) Performance Criteria. Where rights under an Award depend in whole or in part on satisfaction of Performance Criteria, actions by the Company that have an effect, however material, on such Performance Criteria or on the likelihood that they will be satisfied will not be deemed an amendment or alteration of the Award.

(iv) Vesting, Etc. Without limiting the generality of Section 4(a)(ii), the Committee may determine the time or times at which an Award will vest (i.e., become free of forfeiture restrictions) or become exercisable and the terms on which an Award requiring exercise will remain exercisable.

(b) Awards Requiring Exercise.

(i) Time and Manner of Exercise. Unless the Committee expressly provides otherwise, (A) an Award requiring exercise by the holder will not be deemed to have been exercised until the Committee receives a written notice of exercise (in form acceptable to the Committee) signed by the appropriate person and accompanied by any payment required under the Award; and (B) if the Award is exercised by any person other than the Participant, the Committee may require satisfactory evidence that the person exercising the Award has the right to do so.

(ii) Exercise Price. The Committee shall determine the exercise price of each Stock Option or SAR; provided, however, that each Stock Option or SAR must have an exercise price that is not less than the fair market value of the Stock subject to the Stock Option, determined as of the date of grant. Except as provided in Section 6, in no event may any Stock Option or SAR previously granted under the Plan (i) be amended to decrease the exercise price or strike price thereof, as the case may be, (ii) be cancelled in conjunction with the grant of any new Stock Option or SAR with a lower exercise price or strike price, as the case may be, (iii) be amended to provide for a cash buyout of the Stock Option or SAR if such Stock Option or SAR is not "in the money," (iv) be subject to a voluntary surrender and subsequent grant of "in the money" Stock Option or SAR (v) otherwise be subject to any action that would be treated under the NASDAQ rules as a "repricing" of such Stock Option or SAR unless such amendment, cancellation or action is approved by the Company's shareholders.

(iii) Payment of Exercise Price, If Any. Where the exercise of an Award is to be accompanied by payment, the Committee may determine the required or permitted forms of payment.

(c) Awards Not Requiring Exercise.

(i). Restricted Stock. Restricted Stock awards shall be evidenced by a written agreement in the form prescribed by the Committee in its discretion, which shall set forth the number of shares of Common Stock awarded, the restrictions imposed thereon (which may include, without limitation, restrictions on the right of the grantee to sell, assign, transfer or encumber shares while such shares are subject to other restrictions imposed under this Section 4), the duration of such restrictions; the events (which may, in the discretion of the Committee, include performance-based events or objectives) the occurrence of which would cause a forfeiture of the Restricted Stock in whole or in part; and such other terms and conditions as the Committee in its discretion deems appropriate. If so determined by the Committee at the time of an award of Restricted Stock, the lapse of restrictions on Restricted Stock may be based on the extent of achievement over a specified performance period of one or more performance targets based on performance criteria established by the Committee. Restricted Stock awards shall be effective upon execution of the applicable Restricted Stock agreement by the Company and the Participant. Following a Restricted Stock award and prior to the lapse or termination of the applicable restrictions, the share certificates for such Restricted Stock shall be held in escrow by the Company. Upon the lapse or termination of the applicable restrictions (and not before such time), the certificates for the Restricted Stock shall be issued or delivered to the Participant. From the date a Restricted Stock award is effective, the Participant shall be a shareholder with respect to all the shares represented by such certificates and shall have all the rights of a shareholder with respect to all such shares, including the right to vote such shares and to receive all dividends and other distributions paid with respect to such shares, subject only to the restrictions imposed by the Committee.

(ii). Stock Unit Awards. Stock Unit Awards shall be evidenced by a written agreement in the form prescribed by the Committee in its discretion, which shall set forth the number of shares of Common Stock to be awarded pursuant to the Award, the restrictions imposed thereon (which may include, without limitation: restrictions on the right of the grantee to sell, assign, transfer or encumber the Award prior to vesting, and, in the discretion of the Committee, certain continued service requirements and terms under which the vesting of such Awards might be accelerated) and such other terms and conditions as the Committee in its discretion deems appropriate. If so determined by the Committee at the time of the grant of a Stock Unit Award, vesting of the Award may be contingent on achievement over a specified performance period of one or more performance targets based on performance criteria established by the Committee. Stock Unit Awards shall be effective upon execution of the applicable Stock Unit Award Agreement by the Company and the Participant. Upon a determination of satisfaction of the applicable performance-related conditions and satisfaction of the applicable continued service requirements, (and not before such time), shares of Stock shall be issued to the Participant pursuant to the Award. The Participant shall not have any rights of a shareholder of the Company with respect to such shares prior to such issuance.

(iii) Unrestricted Stock and Other Stock-Based Awards. The Committee shall have the authority in its discretion to grant to eligible Participants Unrestricted Stock and other Stock-Based Awards. The Committee shall determine the terms and conditions, if any, of any Other Stock Based Awards made under the Plan.

(iv) Non Stock – Based Awards. The Committee shall have the authority in its discretion to grant to eligible Participants Awards not based on the Stock, including, without limitation, Cash Performance Awards, and other Performance Awards as deemed by the Committee to be consistent with the purposes of the Plan.

5. Limits on Awards under the Plan.

(a) Number of Shares. A maximum of 2,250,000 shares of Common Stock, subject to adjustment as provided in Section 6, may be delivered in satisfaction of Stock-Based Awards under the Plan.

(b) Share Counting Rules. The Committee may adopt reasonable counting procedures to ensure appropriate counting, avoid double counting (as, for example, in the case of tandem or substitute awards) and make adjustments if the number of shares of Stock actually delivered differs from the number of shares previously counted in connection with an Award. To the extent that an Award expires or is canceled, forfeited, settled in cash or otherwise terminated or concluded without a delivery to the Participant of the full number of shares to which the Award related, the undelivered shares will again be available for grant. Shares withheld in payment of the exercise price or taxes relating to an Award and shares equal to the number surrendered in payment of any exercise price or taxes relating to an Award shall be deemed to constitute shares not delivered to the Participant and shall be deemed to again be available for Awards under the Plan; provided, however, that, where shares are withheld or surrendered more than ten years after the date of the most recent stockholder approval of the Plan or any other transaction occurs that would result in shares becoming available under this Section 5(b), such shares shall not become available if and to the extent that it would constitute a material revision of the Plan subject to stockholder approval under then applicable rules of the national securities exchange on which the Stock is listed or the Nasdaq Stock Market, as applicable.

(c) Type of Shares. Common Stock delivered by the Company under the Plan may be authorized but unissued Common Stock or previously issued Common Stock acquired by the Company and held in treasury. No fractional shares of Common Stock will be delivered under the Plan.

(d) Other Stock-Based Award Limits. The maximum number of shares of Common Stock subject to Awards that may be granted to any person in any calendar year shall be 150,000. In addition, in no event shall the number of Awards providing for the acquisition of shares of Common Stock for a consideration less than Fair Market Value as of the date of grant or exercise of such Awards granted to all Participants in any Fiscal Year exceed 250,000. For this purpose, Fair Market Value may be determined as of a date not more than two trading days prior to the date of grant or exercise in order to facilitate compliance with the reporting requirements under Section 16 of the Act. Subject to these limitations, each person eligible to participate in the Plan shall be eligible in any year to receive Awards covering up to the full number of shares of Common Stock then available for Awards under the Plan.

(e) Other Award Limits. No more than \$2,000,000 may be paid to any individual with respect to any Cash Performance Award (for the avoidance of doubt, Awards expressed in terms of shares of Common Stock or units representing Common Stock, shall be subject to the limit set forth in Section 5(d) above). In applying the dollar limitation of the preceding sentence: (A) multiple Cash Performance Awards to the same individual that are determined by reference to performance periods of one year or less ending with or within the same fiscal year of the Company shall be subject in the aggregate to one \$2,000,000 limit, and (B) multiple Cash Performance Awards to the same individual that are determined by reference to one or more multi-year performance periods ending in the same fiscal year of the Company shall be subject in the aggregate to separate \$2,000,000 limits.

6. Adjustments for Recapitalizations, Mergers, Etc.

(a) Dilution and Other Adjustments. Notwithstanding any other provision of the Plan, in the event of any change in the outstanding shares of Common Stock by reason of any stock dividend or split, recapitalization, merger, consolidation, combination or exchange of shares, or other similar corporate change (including a Corporate Event, as defined below), an equitable adjustment shall be made, as determined by the Committee, so as to preserve, without increasing or decreasing, the value of Awards and authorizations, in (i) the maximum number or kind of shares issuable or Awards which may be granted under the Plan, (ii) the maximum number, kind or value of any Plan Awards which may be awarded or paid in general or to any one employee or to all employees in a Fiscal Year, (iii) the performance-based events or objectives applicable to any Plan Awards, (iv) any other aspect or aspects of the Plan or outstanding Awards made thereunder as specified by the Committee, or (v) any combination of the foregoing. Such adjustments shall be made by the Committee and shall be conclusive and binding for all purposes of the Plan.

(b) Corporate Events. Notwithstanding the foregoing, except as may otherwise be provided in an Award agreement or a written employment agreement between the Participant and the Company which has been approved by the Committee, upon any Corporate Event, in lieu of providing the adjustment set forth in Section 6(a) above, the Committee may, in its discretion, cancel any or all vested and/or unvested Awards as of the consummation of such Corporate Event, and provide that holders of Awards so cancelled will receive a payment in respect of cancellation of their Awards based on the amount of the per share consideration being paid for the Stock in connection with such Corporate Event, less, in the case of Options and other Awards subject to exercise, the applicable exercise price; provided, however, that holders of (i) Options shall only be entitled to consideration in respect of cancellation of such Awards if the per share consideration less the applicable exercise price is greater than zero, and (ii) Performance Awards shall only be entitled to consideration in respect of cancellation of such Awards to the extent that applicable performance criteria are achieved prior to or as a result of such Corporate Event, and shall not otherwise be entitled to payment in consideration of cancelled unvested Awards. Payments to holders pursuant to the preceding sentence shall be made in cash, or, in the sole discretion of the Committee, in such other consideration necessary for a holder of an Award to receive property, cash or securities as such holder would have been entitled to receive upon the occurrence of the transaction if the holder had been, immediately prior to such transaction, the holder of the number of shares of Stock covered by the Award at such time.

7. Miscellaneous Provisions.

(a) The holder of a Plan Award shall have no rights as a Company shareholder with respect thereto unless, and until the date as of which, shares of Common Stock shall have been issued in respect of such Award.

(b) Except as the Committee shall otherwise determine in connection with determining the terms of Awards to be granted or shall thereafter permit, no Plan Award or any rights or interests therein of the recipient thereof shall be assignable or transferable by such recipient except upon death to his or her Designated Beneficiary or by will or the laws of descent and distribution, and, except as aforesaid, during the lifetime of the recipient, a Plan Award shall be exercisable only by, or payable only to, as the case may be, such recipient or his or her guardian or legal representative.

(c) All Awards granted under the Plan shall be evidenced by agreements in such form and containing and/or incorporating such terms and conditions (not inconsistent with the Plan and applicable law) in addition to those provided for herein as the Committee shall approve.

(d) No shares of Common Stock shall be issued, delivered or transferred upon exercise or in payment of any Award granted hereunder unless and until all legal requirements applicable to the issuance, delivery or transfer of such shares have been complied with to the satisfaction of the Committee and the Company, including, without limitation, compliance with the provisions of the Securities Act of 1933, the Act, any other laws to which the issuance, delivery or transfer of such shares would be subject, and the applicable requirements of the exchanges on which the Company's Common Stock may, at the time, be listed. The Committee and the Company shall have the right to condition any issuance of shares of Common Stock made to any Participant hereunder on such Participant's undertaking in writing to comply with such restrictions on his or her subsequent disposition of such shares as the Committee and/or the Company shall deem necessary or advisable as a result of any applicable law, regulation or official interpretation thereof, and certificates, if any, representing such shares may be legended to reflect any such restrictions.

(e) The Company shall have the right to make such provision for the withholding of taxes as it deems necessary. In furtherance of the foregoing, the Company shall have the right to require, as a condition of the distribution of Awards in Common Stock, that the Participant or other person receiving such Common Stock either (i) pay to the Company at the time of distribution thereof the amount of any federal, state, or local taxes which the Company is required to withhold with respect to such Common Stock or (ii) make such other arrangements as the Company may authorize from time to time to provide for such withholding including without limitation having the number of the units of the Award cancelled or the number of the shares of Common Stock to be distributed reduced by an amount with a value equal to the value of such taxes required to be withheld. Notwithstanding the foregoing, the Committee may, in its discretion, in connection with the grant of any Award of Common Stock, authorize the Company to pay to Participant receiving the Award, a cash gross-up payment in an amount necessary to cover such federal, state or local taxes attributable to such Award and to such cash payment.

(f) No employee or director of the Company or a Subsidiary or other person shall have any claim or right to be granted an Award under this Plan. Neither this Plan nor any action taken hereunder shall be construed as giving any employee any right to be retained in the employ of the Company or a Subsidiary, it being understood that all Company and Subsidiary employees who have or may receive Awards under this Plan are employed at the will of the Company or such Subsidiary and in accord with all statutory provisions.

(g) Awards may be granted to employees who are foreign nationals or employed outside the United States, or both, on such terms and conditions different from those applicable to Awards to employees employed in the United States as may, in the judgment of the Committee, be necessary or desirable in order to recognize differences in local law or tax policy. The Committee also may impose conditions on the exercise or vesting of Awards in order to minimize the Company's obligation with respect to tax equalization for employees on assignments outside their home country. Notwithstanding the foregoing, no Award may be granted pursuant to this Section if the granting of such Award, or the application of the proposed terms and conditions with respect thereto, would constitute an amendment to the Plan that would have required stockholder approval by applicable law, or by the rules of the Nasdaq Stock Market or any stock exchange on which Common Stock may be listed.

(i) The costs and expenses of administering this Plan shall be borne by the Company and not charged to any Award or to any employee or Participant receiving an Award.

(j) In addition to the terms defined elsewhere herein, the following terms as used in this Plan shall have the following meanings:

"Act" shall mean the Securities Exchange Act of 1934 as amended from time to time.

"Award" shall mean an award described in Section 4(a)(i).

"Business Combination" shall mean (i) the consummation of a reorganization, merger or consolidation or sale or disposition of all or substantially all of the assets of the Company.

"Cash Performance Award" shall mean a Performance Award payable in cash. The right of the Company to extinguish an Award in exchange for cash or the exercise by the Company of such right shall not make an Award otherwise not payable in cash a Cash Performance Award.

"Change in Control" shall, unless otherwise provided in an Award agreement, or an employee's effective negotiated employment, change in control, severance or similar arrangement, mean: (i) a Business Combination, unless, in each case following such Business Combination, (A) all or substantially all of the individuals and entities who were the beneficial owners of the Common Stock of the Company immediately before the consummation of such Business Combination beneficially own, directly or indirectly, more than 50% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation that as a result of the transaction owns the Company or all or substantially all of the assets of the Company either directly or indirectly through one or more subsidiaries); and (B) no person or group (as defined in Section 13(d) or 14(d)(2) of the Securities Exchange Act of 1934) of the Company or the corporation resulting from the Business Combination) beneficially owns, directly or indirectly, more than 50% of the then outstanding shares of the common stock of the corporation resulting from the Business Combination; (ii) individuals who, as of the date of grant of an Award hereunder constitute the Board of Directors of the Company (the "Incumbent Board") thereafter cease for any reason to constitute at least a majority of the Board of Directors of the Company, provided, however, that any individual's becoming a director after the date of grant of such Award whose election, or nomination for election by the stockholders of the Company, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board will be considered as though the individual were a member of the Incumbent Board, but excluding, for this purpose, any individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or (iii) any person (as defined in Section 13(d) or 14(d)(2) of the Securities Exchange Act of 1934) shall become at any time or in any manner the beneficial owner of capital stock of the Company representing more than 50% of the voting power of the Company.

“Corporate Event” means (i) a merger or consolidation involving the Company in which the Company is not the surviving corporation; (ii) a merger or consolidation involving the Company in which the Company is the surviving corporation but the holders of shares of Stock receive securities of another corporation and/or other property, including cash; or (iii) the reorganization or liquidation of the Company.

“Designated Beneficiary” shall mean the person or persons, if any, last designated as such by the Participant on a form filed by him or her with the Company in accordance with such procedures as the Committee shall approve.

“Fair Market Value” of a share of Common Stock of the Company on any date shall mean the closing price of the Common Stock on the trading day coinciding with such date, or if not trading on such date, then the closing price as of the next following trading day. If shares of the Common Stock shall not have been traded on any national exchange or interdealer quotation system for more than 10 days immediately preceding such date or if deemed appropriate by the Committee for any other reason, the fair market value of shares of Common Stock shall be determined by the Committee in such other manner as it may deem appropriate.

“Fiscal Year” shall mean the twelve-month period used as the annual accounting period by the Company and shall be designated according to the calendar year in which such period ends.

“Internal Revenue Code” shall mean the Internal Revenue Code of 1986 and regulations thereunder as amended from time to time. References to particular sections of the Internal Revenue Code shall include any successor provisions.

“ISO” shall mean an incentive stock option under Section 422 of the Internal Revenue Code.

“Participant” shall mean, as to any Award granted under this Plan and for so long as such Award is outstanding, the employee to whom such Award has been granted.

“Performance Award” shall mean an Award subject to Performance Criteria. To the extent any Performance Award that was issued prior to adoption of the Tax Cuts and Jobs Act of 2017 was intended to be eligible for the performance-based compensation exception under Section 162(m) of the Internal Revenue Code, the Plan and such award shall be construed to the maximum extent permitted by law in a manner consistent with qualifying the award for such exception.

“Performance Criteria” shall mean specified criteria the satisfaction of which is a condition for the exercisability, vesting or full enjoyment of an Award. Performance Criterion shall mean: (a) an objectively determinable measure of performance relating to any of the following (determined either on a consolidated basis or, as the context permits, on a divisional, subsidiary, line of business, project or geographical basis, or in combinations thereof): (i) sales; revenues; assets; liabilities; costs; expenses; earnings before or after deduction for all or any portion of interest, taxes, depreciation, amortization or other items, whether or not on a continuing operations or an aggregate or per share basis; comparisons with various stock market indices; return on equity, investment, capital or assets; one or more operating ratios; borrowing levels, leverage ratios or credit rating; market share; capital expenditures; cash flow; working capital requirements; stock price; stockholder return; sales, contribution or gross margin, of particular products or services; particular operating or financial ratios; customer acquisition, expansion, retention; customer satisfaction; employee satisfaction; economic value added; attainment of strategic and operational initiatives; improvement in or attainment of expense levels or working capital levels, including cash, inventory and accounts receivable; operating margin; year-end cash; operating efficiencies; research and development achievements; manufacturing achievements (including obtaining particular yields from manufacturing runs and other measurable objectives related to process development activities); implementation, completion or attainment of measurable objectives with respect to manufacturing, commercialization, products or projects, production, volume levels, acquisitions and divestitures, recruiting and maintaining personnel; or any combination of the foregoing; or (ii) acquisitions and divestitures (in whole or in part); joint ventures and strategic alliances; strategic partnerships or transactions; spin-offs, split-ups and the like; reorganizations; recapitalizations, restructurings, financings (issuance of debt or equity) and refinancings; transactions that would constitute a change of control; or any combination of the foregoing, or (b) a subjectively determinable measure of performance. A Performance Criterion measure and targets with respect thereto determined by the Committee need not be based upon an increase, a positive or improved result or avoidance of loss. In determining attainment of a performance goal (A) the Committee may exclude the impact of unusual, non-recurring or extraordinary items attributable to (1) acquisitions or dispositions of stock or assets, (2) any changes in accounting standards or treatments that may be required or permitted by the Financial Accounting Standards Board, Public Company Accounting Oversight Board or adopted by the Company, the Subsidiaries or any applicable division, business segment or business unit after the goal is established, (3) restructuring activities, including, without limitation, plant closings, plant moves or consolidations, (4) disposal of a segment of a business, (5) discontinued operations, (6) unbudgeted capital expenditures, (7) the issuance or repurchase of equity securities and other changes in the number of outstanding shares, and (8) any business interruption event; and (B) the Committee may determine after the start of a Performance Period to exclude such other items, each determined according to Generally Accepted Accounting Principles (to the extent applicable) as identified in the Company’s accounts, financial statements, notes thereto, or management discussion and analysis.

“Restricted Stock” shall mean an Award of Stock subject to forfeiture to the Company if specified conditions are not satisfied.

“SARs” shall mean rights entitling the holder upon exercise to receive cash or Stock, as the Committee determines, equal to a function (determined by the Committee using such factors as it deems appropriate) of the amount by which the Stock has appreciated in value since the date of the Award.

“Stock” shall mean Common Stock of the Company, par value \$.01 per share.

“Stock-based Awards” shall mean such awards that are denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to, shares of Common Stock as deemed by the Committee to be consistent with the purposes of the Plan, and shall include, without limitation, all Stock Options, SARs, Restricted Stock, Stock Unit Awards and any Performance Awards consisting of any of the foregoing.

“Stock Options” shall mean options entitling the recipient to acquire shares of Stock upon payment of the exercise price and shall consist of ISO’s and non-statutory options.

“Stock Unit Awards” shall mean an award payable in shares of Stock. A Stock Unit Award may, but shall not be required to include a Performance Award.

“Subsidiary” shall mean any domestic or foreign corporation, partnership, association, joint stock company, trust or unincorporated organization “affiliated “ with the Company, that is, directly or indirectly, through one or more intermediaries, “controlling”, “controlled by” or “under common control with”, the Company.

“Unrestricted Stock” shall mean an Award of Stock not subject to any restrictions under the Plan.

(k) This Plan shall be governed by the laws of the Commonwealth of Massachusetts and shall be construed for all purposes in accordance with the laws of said Commonwealth except as may be required by the General Corporation Law of Delaware or by applicable federal law.

8. Amendments and Termination; Requisite Shareholder Approval. The Board may at any time terminate or from time to time amend or suspend the Plan in whole or in part in such respects as the Board may deem advisable in order that Awards granted thereunder shall conform to any change in the law, or in any other respect which the Board may deem to be in the best interests of the Company; provided, however, that no amendment of the Plan shall be made without shareholder approval if shareholder approval of the amendment is at the time required by applicable law, or by the rules of the Nasdaq Stock Market or any stock exchange on which Common Stock may be listed. The Board shall have the power to amend the Plan in any manner contemplated by this Section 8 deemed necessary or advisable for Awards granted under the Plan to qualify for the exemption provided by Rule 16b-3 (or any successor rule relating to exemption from Section 16(b) of the Act), or to comply with applicable law, and any such amendment shall, to the extent deemed necessary or advisable by the Board, be applicable to any outstanding Awards theretofore granted under the Plan notwithstanding any contrary provisions contained in any Award agreement. In the event of any such amendment to the Plan, the holder of any Award outstanding under the Plan shall, upon request of the Board and as a condition to the exercisability thereof, execute a conforming amendment in the form prescribed by the Board to any Award agreement relating thereto within such reasonable time as the Board shall specify in such request. With the consent of the Participant affected, the Board may amend outstanding agreements evidencing Plan Awards in a manner not inconsistent with the terms of the Plan. Notwithstanding anything contained in this Section 8 or in any other provision of the Plan, unless required by law, no action contemplated or permitted by this Section 8 shall adversely affect any rights of Participants or obligations of the Company to Participants with respect to any Award theretofore made under the Plan without the consent of the affected Participant.

9. Effective Date and Term of Plan. This Plan was adopted on April 8, 2003. The Plan was amended on February 26, 2007, March 22, 2007, February 21, 2008, March 2, 2011, March 7, 2013, March 17, 2016, March 14, 2018, March 16, 2021, and March 14, 2023. The Plan was last ratified by the Company's stockholders on June 9, 2021. The Plan shall remain in effect, subject to the right of the Board of Directors to further amend or terminate the Plan at any time pursuant to Section 8 hereof, until all shares subject to it shall have been purchased or acquired according to the Plan's provisions, provided, however, that no ISO may be granted under the Plan after the tenth anniversary of the date upon which the Plan has most recently been ratified by the Company's stockholders.

UFP TECHNOLOGIES, INC.

2003 INCENTIVE PLAN
As Amended and Restated on March 14, 2023

1. Statement of Purpose. The purpose of this 2003 Incentive Plan (hereinafter referred to as the “Plan”) is to benefit UFP TECHNOLOGIES, INC. (the “Company”) through the maintenance and development of its businesses by offering equity-based and other incentives to certain present and future executives and other employees who are in a position to contribute to the long-term success and growth of the Company, thereby encouraging the continuance of their involvement with the Company and/or its subsidiaries.

2. Administration of the Plan.

(a) Board or Committee Administration. Except as otherwise provided in subsection 2(d) below, the Plan shall be administered by the Compensation Committee of the Company’s Board of Directors (the “Board”) or such other committee thereof consisting of such members (not less than two) of the Board as are appointed from time to time by the Board (the “Compensation Committee”), each of the members of which, at the time of any action under the Plan, shall be (i) a “non-employee director” as then defined under Rule 16b-3 under the Act (or meeting comparable requirements of any successor rule relating to exemption from Section 16(b) of the Act) and (ii) an “independent director” as then defined under the rules of the Nasdaq Stock Market (or meeting comparable requirements of any stock exchange on which the Company’s Common Stock, \$.01 par value (the “Common Stock”) may then be listed). Hereinafter, all references in this Plan to the “Committee” shall mean the Board if no Committee has been appointed. The Committee shall have all necessary powers to administer and interpret the Plan. Such powers of the Compensation Committee include exclusive authority (within the limitations described and except as otherwise provided in the Plan) to select the employees or determine classes of employees to be granted Awards under the Plan, to determine the aggregate amount, type, size, and terms of the Awards to be made to eligible employees, and to determine the time when Awards will be granted. The Compensation Committee may take into consideration recommendations from the appropriate officers of the Company with respect to making the foregoing determinations as to Plan Awards, administration, and interpretation. The Committee shall have full power and authority to adopt such rules, regulations, agreements and instruments for the administration of the Plan and for the conduct of its business as the Committee deems necessary or advisable. The Committee’s interpretations of the Plan and all action taken and determinations made by the Committee pursuant to the powers vested in it hereunder shall be conclusive and binding on all parties concerned, including the Company, its shareholders and any director or employee of the Company or any Subsidiary.

(b) Committee Actions. The Committee may select one of its members as its chairman and shall hold meetings at such time and places as it may determine. A majority of the Committee shall constitute a quorum and acts of a majority of the members of the Committee at a meeting at which a quorum is present, or acts reduced to or approved in writing by all the members of the Committee (if consistent with applicable state law), shall be the valid acts of the Committee. From time to time the Board may increase the size of the Committee and appoint additional members thereof, remove members (with or without cause) and appoint new members in substitution therefor, fill vacancies however caused, or remove all members of the Committee and thereafter directly administer the Plan.

(c) Section 409A. The Committee shall take into account compliance with Section 409A of the Internal Revenue Code in connection with any grant of an Award under the Plan, to the extent applicable.

(d) Delegation by the Board to a Designated Officer. To the extent permitted by law, the Board may delegate to the Chief Executive Officer of the Company or one or more other officers of the Company (each herein a "Designated Officer") the duties or powers it may deem advisable to assist the Committee in the administration and operation of the Plan and may grant to the Designated Officer authority to enter into 1 or more transactions to grant equity-based Awards and with respect to such transactions, such Awards may be issued in such numbers, at such times and for such consideration as the Designated Officer may determine; provided that the resolution fixes (i) the maximum number of rights or options subject to the equity-based Awards, and the maximum number of shares issuable upon exercise thereof, that may be issued pursuant to such resolution, (ii) a time period during which such equity-based Awards and during which the shares issuable upon exercise thereof, may be issued, and (iii) a minimum amount of consideration (if any) for which such rights or options subject to such equity-based Awards may be issued and a minimum amount of consideration for the shares issuable upon exercise thereof and provided further, however, (i) the Committee shall not delegate such responsibilities to the Designated Officer for Awards granted to the Designated Officer or any employee who is considered an officer (as defined in Rule 16a-1(f)) of the Exchange Act. The Designated Officer(s) shall report periodically to the Committee regarding the nature and scope of the Awards granted pursuant to the authority delegated. To the extent authority under the Plan is delegated to the Designated Officer, references in the other provisions of this Plan to the Committee shall instead mean to the Designated Officer.

3. Eligibility. Participation in the Plan shall be limited to executives or other employees (including officers and directors who are also employees) of the Company and its Subsidiaries selected on the basis of such criteria as the Committee may determine. Employees who participate in other incentive or benefit plans of the Company or any Subsidiary may also participate in this Plan. As used herein, the term "employee" shall mean any person employed full time or part time by the Company or a Subsidiary on a salaried basis, and the term "employment" shall mean full-time or part-time salaried employment by the Company or a Subsidiary.

4. Rules Applicable to Awards.

(a) All Awards.

(i) Awards. Awards may be granted in the form of any or a combination of the following: Stock Options; SARs; Restricted Stock; Unrestricted Stock; Stock Unit Awards, other Stock Based Awards; Cash Performance Awards; other Performance Awards; or grants of cash, or loans, made in connection with other Awards in order to help defray in whole or in part the economic cost (including tax cost) of the Award to the Participant.

(ii) Terms of Awards. The Committee shall determine the terms of all Awards subject to the limitations provided herein.

(iii) Performance Criteria. Where rights under an Award depend in whole or in part on satisfaction of Performance Criteria, actions by the Company that have an effect, however material, on such Performance Criteria or on the likelihood that they will be satisfied will not be deemed an amendment or alteration of the Award.

(iv) Vesting, Etc. Without limiting the generality of Section 4(a)(ii), the Committee may determine the time or times at which an Award will vest (i.e., become free of forfeiture restrictions) or become exercisable and the terms on which an Award requiring exercise will remain exercisable.

(b) Awards Requiring Exercise.

(i) Time and Manner of Exercise. Unless the Committee expressly provides otherwise, (A) an Award requiring exercise by the holder will not be deemed to have been exercised until the Committee receives a written notice of exercise (in form acceptable to the Committee) signed by the appropriate person and accompanied by any payment required under the Award; and (B) if the Award is exercised by any person other than the Participant, the Committee may require satisfactory evidence that the person exercising the Award has the right to do so.

(ii) Exercise Price. The Committee shall determine the exercise price of each Stock Option or SAR; provided, however, that each Stock Option or SAR must have an exercise price that is not less than the fair market value of the Stock subject to the Stock Option, determined as of the date of grant. Except as provided in Section 6, in no event may any Stock Option or SAR previously granted under the Plan (i) be amended to decrease the exercise price or strike price thereof, as the case may be, (ii) be cancelled in conjunction with the grant of any new Stock Option or SAR with a lower exercise price or strike price, as the case may be, (iii) be amended to provide for a cash buyout of the Stock Option or SAR if such Stock Option or SAR is not "in the money," (iv) be subject to a voluntary surrender and subsequent grant of "in the money" Stock Option or SAR (v) otherwise be subject to any action that would be treated under the NASDAQ rules as a "repricing" of such Stock Option or SAR unless such amendment, cancellation or action is approved by the Company's shareholders.

(iii) Payment of Exercise Price, If Any. Where the exercise of an Award is to be accompanied by payment, the Committee may determine the required or permitted forms of payment.

(c) Awards Not Requiring Exercise.

(i). Restricted Stock. Restricted Stock awards shall be evidenced by a written agreement in the form prescribed by the Committee in its discretion, which shall set forth the number of shares of Common Stock awarded, the restrictions imposed thereon (which may include, without limitation, restrictions on the right of the grantee to sell, assign, transfer or encumber shares while such shares are subject to other restrictions imposed under this Section 4), the duration of such restrictions; the events (which may, in the discretion of the Committee, include performance-based events or objectives) the occurrence of which would cause a forfeiture of the Restricted Stock in whole or in part; and such other terms and conditions as the Committee in its discretion deems appropriate. If so determined by the Committee at the time of an award of Restricted Stock, the lapse of restrictions on Restricted Stock may be based on the extent of achievement over a specified performance period of one or more performance targets based on performance criteria established by the Committee. Restricted Stock awards shall be effective upon execution of the applicable Restricted Stock agreement by the Company and the Participant. Following a Restricted Stock award and prior to the lapse or termination of the applicable restrictions, the share certificates for such Restricted Stock shall be held in escrow by the Company. Upon the lapse or termination of the applicable restrictions (and not before such time), the certificates for the Restricted Stock shall be issued or delivered to the Participant. From the date a Restricted Stock award is effective, the Participant shall be a shareholder with respect to all the shares represented by such certificates and shall have all the rights of a shareholder with respect to all such shares, including the right to vote such shares and to receive all dividends and other distributions paid with respect to such shares, subject only to the restrictions imposed by the Committee.

(ii). Stock Unit Awards. Stock Unit Awards shall be evidenced by a written agreement in the form prescribed by the Committee in its discretion, which shall set forth the number of shares of Common Stock to be awarded pursuant to the Award, the restrictions imposed thereon (which may include, without limitation: restrictions on the right of the grantee to sell, assign, transfer or encumber the Award prior to vesting, and, in the discretion of the Committee, certain continued service requirements and terms under which the vesting of such Awards might be accelerated) and such other terms and conditions as the Committee in its discretion deems appropriate. If so determined by the Committee at the time of the grant of a Stock Unit Award, vesting of the Award may be contingent on achievement over a specified performance period of one or more performance targets based on performance criteria established by the Committee. Stock Unit Awards shall be effective upon execution of the applicable Stock Unit Award Agreement by the Company and the Participant. Upon a determination of satisfaction of the applicable performance-related conditions and satisfaction of the applicable continued service requirements, (and not before such time), shares of Stock shall be issued to the Participant pursuant to the Award. The Participant shall not have any rights of a shareholder of the Company with respect to such shares prior to such issuance.

(iii) Unrestricted Stock and Other Stock-Based Awards. The Committee shall have the authority in its discretion to grant to eligible Participants Unrestricted Stock and other Stock-Based Awards. The Committee shall determine the terms and conditions, if any, of any Other Stock Based Awards made under the Plan.

(iv) Non Stock – Based Awards. The Committee shall have the authority in its discretion to grant to eligible Participants Awards not based on the Stock, including, without limitation, Cash Performance Awards, and other Performance Awards as deemed by the Committee to be consistent with the purposes of the Plan.

5. Limits on Awards under the Plan.

(a) Number of Shares. A maximum of 2,250,000 shares of Common Stock, subject to adjustment as provided in Section 6, may be delivered in satisfaction of Stock-Based Awards under the Plan.

(b) Share Counting Rules. The Committee may adopt reasonable counting procedures to ensure appropriate counting, avoid double counting (as, for example, in the case of tandem or substitute awards) and make adjustments if the number of shares of Stock actually delivered differs from the number of shares previously counted in connection with an Award. To the extent that an Award expires or is canceled, forfeited, settled in cash or otherwise terminated or concluded without a delivery to the Participant of the full number of shares to which the Award related, the undelivered shares will again be available for grant. Shares withheld in payment of the exercise price or taxes relating to an Award and shares equal to the number surrendered in payment of any exercise price or taxes relating to an Award shall be deemed to constitute shares not delivered to the Participant and shall be deemed to again be available for Awards under the Plan; provided, however, that, where shares are withheld or surrendered more than ten years after the date of the most recent stockholder approval of the Plan or any other transaction occurs that would result in shares becoming available under this Section 5(b), such shares shall not become available if and to the extent that it would constitute a material revision of the Plan subject to stockholder approval under then applicable rules of the national securities exchange on which the Stock is listed or the Nasdaq Stock Market, as applicable.

(c) Type of Shares. Common Stock delivered by the Company under the Plan may be authorized but unissued Common Stock or previously issued Common Stock acquired by the Company and held in treasury. No fractional shares of Common Stock will be delivered under the Plan.

(d) Other Stock-Based Award Limits. The maximum number of shares of Common Stock subject to Awards that may be granted to any person in any calendar year shall be 150,000. In addition, in no event shall the number of Awards providing for the acquisition of shares of Common Stock for a consideration less than Fair Market Value as of the date of grant or exercise of such Awards granted to all Participants in any Fiscal Year exceed 250,000. For this purpose, Fair Market Value may be determined as of a date not more than two trading days prior to the date of grant or exercise in order to facilitate compliance with the reporting requirements under Section 16 of the Act. Subject to these limitations, each person eligible to participate in the Plan shall be eligible in any year to receive Awards covering up to the full number of shares of Common Stock then available for Awards under the Plan.

(e) Other Award Limits. No more than \$2,000,000 may be paid to any individual with respect to any Cash Performance Award (for the avoidance of doubt, Awards expressed in terms of shares of Common Stock or units representing Common Stock, shall be subject to the limit set forth in Section 5(d) above). In applying the dollar limitation of the preceding sentence: (A) multiple Cash Performance Awards to the same individual that are determined by reference to performance periods of one year or less ending with or within the same fiscal year of the Company shall be subject in the aggregate to one \$2,000,000 limit, and (B) multiple Cash Performance Awards to the same individual that are determined by reference to one or more multi-year performance periods ending in the same fiscal year of the Company shall be subject in the aggregate to separate \$2,000,000 limits.

6. Adjustments for Recapitalizations, Mergers, Etc.

(a) Dilution and Other Adjustments. Notwithstanding any other provision of the Plan, in the event of any change in the outstanding shares of Common Stock by reason of any stock dividend or split, recapitalization, merger, consolidation, combination or exchange of shares, or other similar corporate change (including a Corporate Event, as defined below), an equitable adjustment shall be made, as determined by the Committee, so as to preserve, without increasing or decreasing, the value of Awards and authorizations, in (i) the maximum number or kind of shares issuable or Awards which may be granted under the Plan, (ii) the maximum number, kind or value of any Plan Awards which may be awarded or paid in general or to any one employee or to all employees in a Fiscal Year, (iii) the performance-based events or objectives applicable to any Plan Awards, (iv) any other aspect or aspects of the Plan or outstanding Awards made thereunder as specified by the Committee, or (v) any combination of the foregoing. Such adjustments shall be made by the Committee and shall be conclusive and binding for all purposes of the Plan.

(b) Corporate Events. Notwithstanding the foregoing, except as may otherwise be provided in an Award agreement or a written employment agreement between the Participant and the Company which has been approved by the Committee, upon any Corporate Event, in lieu of providing the adjustment set forth in Section 6(a) above, the Committee may, in its discretion, cancel any or all vested and/or unvested Awards as of the consummation of such Corporate Event, and provide that holders of Awards so cancelled will receive a payment in respect of cancellation of their Awards based on the amount of the per share consideration being paid for the Stock in connection with such Corporate Event, less, in the case of Options and other Awards subject to exercise, the applicable exercise price; provided, however, that holders of (i) Options shall only be entitled to consideration in respect of cancellation of such Awards if the per share consideration less the applicable exercise price is greater than zero, and (ii) Performance Awards shall only be entitled to consideration in respect of cancellation of such Awards to the extent that applicable performance criteria are achieved prior to or as a result of such Corporate Event, and shall not otherwise be entitled to payment in consideration of cancelled unvested Awards. Payments to holders pursuant to the preceding sentence shall be made in cash, or, in the sole discretion of the Committee, in such other consideration necessary for a holder of an Award to receive property, cash or securities as such holder would have been entitled to receive upon the occurrence of the transaction if the holder had been, immediately prior to such transaction, the holder of the number of shares of Stock covered by the Award at such time.

7. Miscellaneous Provisions.

(a) The holder of a Plan Award shall have no rights as a Company shareholder with respect thereto unless, and until the date as of which, shares of Common Stock shall have been issued in respect of such Award.

(b) Except as the Committee shall otherwise determine in connection with determining the terms of Awards to be granted or shall thereafter permit, no Plan Award or any rights or interests therein of the recipient thereof shall be assignable or transferable by such recipient except upon death to his or her Designated Beneficiary or by will or the laws of descent and distribution, and, except as aforesaid, during the lifetime of the recipient, a Plan Award shall be exercisable only by, or payable only to, as the case may be, such recipient or his or her guardian or legal representative.

(c) All Awards granted under the Plan shall be evidenced by agreements in such form and containing and/or incorporating such terms and conditions (not inconsistent with the Plan and applicable law) in addition to those provided for herein as the Committee shall approve.

(d) No shares of Common Stock shall be issued, delivered or transferred upon exercise or in payment of any Award granted hereunder unless and until all legal requirements applicable to the issuance, delivery or transfer of such shares have been complied with to the satisfaction of the Committee and the Company, including, without limitation, compliance with the provisions of the Securities Act of 1933, the Act, any other laws to which the issuance, delivery or transfer of such shares would be subject, and the applicable requirements of the exchanges on which the Company's Common Stock may, at the time, be listed. The Committee and the Company shall have the right to condition any issuance of shares of Common Stock made to any Participant hereunder on such Participant's undertaking in writing to comply with such restrictions on his or her subsequent disposition of such shares as the Committee and/or the Company shall deem necessary or advisable as a result of any applicable law, regulation or official interpretation thereof, and certificates, if any, representing such shares may be legended to reflect any such restrictions.

(e) The Company shall have the right to make such provision for the withholding of taxes as it deems necessary. In furtherance of the foregoing, the Company shall have the right to require, as a condition of the distribution of Awards in Common Stock, that the Participant or other person receiving such Common Stock either (i) pay to the Company at the time of distribution thereof the amount of any federal, state, or local taxes which the Company is required to withhold with respect to such Common Stock or (ii) make such other arrangements as the Company may authorize from time to time to provide for such withholding including without limitation having the number of the units of the Award cancelled or the number of the shares of Common Stock to be distributed reduced by an amount with a value equal to the value of such taxes required to be withheld. Notwithstanding the foregoing, the Committee may, in its discretion, in connection with the grant of any Award of Common Stock, authorize the Company to pay to Participant receiving the Award, a cash gross-up payment in an amount necessary to cover such federal, state or local taxes attributable to such Award and to such cash payment.

(f) No employee or director of the Company or a Subsidiary or other person shall have any claim or right to be granted an Award under this Plan. Neither this Plan nor any action taken hereunder shall be construed as giving any employee any right to be retained in the employ of the Company or a Subsidiary, it being understood that all Company and Subsidiary employees who have or may receive Awards under this Plan are employed at the will of the Company or such Subsidiary and in accord with all statutory provisions.

(g) Awards may be granted to employees who are foreign nationals or employed outside the United States, or both, on such terms and conditions different from those applicable to Awards to employees employed in the United States as may, in the judgment of the Committee, be necessary or desirable in order to recognize differences in local law or tax policy. The Committee also may impose conditions on the exercise or vesting of Awards in order to minimize the Company's obligation with respect to tax equalization for employees on assignments outside their home country. Notwithstanding the foregoing, no Award may be granted pursuant to this Section if the granting of such Award, or the application of the proposed terms and conditions with respect thereto, would constitute an amendment to the Plan that would have required stockholder approval by applicable law, or by the rules of the Nasdaq Stock Market or any stock exchange on which Common Stock may be listed.

(i) The costs and expenses of administering this Plan shall be borne by the Company and not charged to any Award or to any employee or Participant receiving an Award.

(j) In addition to the terms defined elsewhere herein, the following terms as used in this Plan shall have the following meanings:

"Act" shall mean the Securities Exchange Act of 1934 as amended from time to time.

"Award" shall mean an award described in Section 4(a)(i).

"Business Combination" shall mean (i) the consummation of a reorganization, merger or consolidation or sale or disposition of all or substantially all of the assets of the Company.

"Cash Performance Award" shall mean a Performance Award payable in cash. The right of the Company to extinguish an Award in exchange for cash or the exercise by the Company of such right shall not make an Award otherwise not payable in cash a Cash Performance Award.

"Change in Control" shall, unless otherwise provided in an Award agreement, or an employee's effective negotiated employment, change in control, severance or similar arrangement, mean: (i) a Business Combination, unless, in each case following such Business Combination, (A) all or substantially all of the individuals and entities who were the beneficial owners of the Common Stock of the Company immediately before the consummation of such Business Combination beneficially own, directly or indirectly, more than 50% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation that as a result of the transaction owns the Company or all or substantially all of the assets of the Company either directly or indirectly through one or more subsidiaries); and (B) no person or group (as defined in Section 13(d) or 14(d)(2) of the Securities Exchange Act of 1934) of the Company or the corporation resulting from the Business Combination) beneficially owns, directly or indirectly, more than 50% of the then outstanding shares of the common stock of the corporation resulting from the Business Combination; (ii) individuals who, as of the date of grant of an Award hereunder constitute the Board of Directors of the Company (the "Incumbent Board") thereafter cease for any reason to constitute at least a majority of the Board of Directors of the Company, provided, however, that any individual's becoming a director after the date of grant of such Award whose election, or nomination for election by the stockholders of the Company, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board will be considered as though the individual were a member of the Incumbent Board, but excluding, for this purpose, any individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or (iii) any person (as defined in Section 13(d) or 14(d)(2) of the Securities Exchange Act of 1934) shall become at any time or in any manner the beneficial owner of capital stock of the Company representing more than 50% of the voting power of the Company.

“Corporate Event” means (i) a merger or consolidation involving the Company in which the Company is not the surviving corporation; (ii) a merger or consolidation involving the Company in which the Company is the surviving corporation but the holders of shares of Stock receive securities of another corporation and/or other property, including cash; or (iii) the reorganization or liquidation of the Company.

“Designated Beneficiary” shall mean the person or persons, if any, last designated as such by the Participant on a form filed by him or her with the Company in accordance with such procedures as the Committee shall approve.

“Fair Market Value” of a share of Common Stock of the Company on any date shall mean the closing price of the Common Stock on the trading day coinciding with such date, or if not trading on such date, then the closing price as of the next following trading day. If shares of the Common Stock shall not have been traded on any national exchange or interdealer quotation system for more than 10 days immediately preceding such date or if deemed appropriate by the Committee for any other reason, the fair market value of shares of Common Stock shall be determined by the Committee in such other manner as it may deem appropriate.

“Fiscal Year” shall mean the twelve-month period used as the annual accounting period by the Company and shall be designated according to the calendar year in which such period ends.

“Internal Revenue Code” shall mean the Internal Revenue Code of 1986 and regulations thereunder as amended from time to time. References to particular sections of the Internal Revenue Code shall include any successor provisions.

“ISO” shall mean an incentive stock option under Section 422 of the Internal Revenue Code.

“Participant” shall mean, as to any Award granted under this Plan and for so long as such Award is outstanding, the employee to whom such Award has been granted.

“Performance Award” shall mean an Award subject to Performance Criteria. To the extent any Performance Award that was issued prior to adoption of the Tax Cuts and Jobs Act of 2017 was intended to be eligible for the performance-based compensation exception under Section 162(m) of the Internal Revenue Code, the Plan and such award shall be construed to the maximum extent permitted by law in a manner consistent with qualifying the award for such exception.

“Performance Criteria” shall mean specified criteria the satisfaction of which is a condition for the exercisability, vesting or full enjoyment of an Award. Performance Criterion shall mean: (a) an objectively determinable measure of performance relating to any of the following (determined either on a consolidated basis or, as the context permits, on a divisional, subsidiary, line of business, project or geographical basis, or in combinations thereof): (i) sales; revenues; assets; liabilities; costs; expenses; earnings before or after deduction for all or any portion of interest, taxes, depreciation, amortization or other items, whether or not on a continuing operations or an aggregate or per share basis; comparisons with various stock market indices; return on equity, investment, capital or assets; one or more operating ratios; borrowing levels, leverage ratios or credit rating; market share; capital expenditures; cash flow; working capital requirements; stock price; stockholder return; sales, contribution or gross margin, of particular products or services; particular operating or financial ratios; customer acquisition, expansion, retention; customer satisfaction; employee satisfaction; economic value added; attainment of strategic and operational initiatives; improvement in or attainment of expense levels or working capital levels, including cash, inventory and accounts receivable; operating margin; year-end cash; operating efficiencies; research and development achievements; manufacturing achievements (including obtaining particular yields from manufacturing runs and other measurable objectives related to process development activities); implementation, completion or attainment of measurable objectives with respect to manufacturing, commercialization, products or projects, production, volume levels, acquisitions and divestitures, recruiting and maintaining personnel; or any combination of the foregoing; or (ii) acquisitions and divestitures (in whole or in part); joint ventures and strategic alliances; strategic partnerships or transactions; spin-offs, split-ups and the like; reorganizations; recapitalizations, restructurings, financings (issuance of debt or equity) and refinancings; transactions that would constitute a change of control; or any combination of the foregoing, or (b) a subjectively determinable measure of performance. A Performance Criterion measure and targets with respect thereto determined by the Committee need not be based upon an increase, a positive or improved result or avoidance of loss. In determining attainment of a performance goal (A) the Committee may exclude the impact of unusual, non-recurring or extraordinary items attributable to (1) acquisitions or dispositions of stock or assets, (2) any changes in accounting standards or treatments that may be required or permitted by the Financial Accounting Standards Board, Public Company Accounting Oversight Board or adopted by the Company, the Subsidiaries or any applicable division, business segment or business unit after the goal is established, (3) restructuring activities, including, without limitation, plant closings, plant moves or consolidations, (4) disposal of a segment of a business, (5) discontinued operations, (6) unbudgeted capital expenditures, (7) the issuance or repurchase of equity securities and other changes in the number of outstanding shares, and (8) any business interruption event; and (B) the Committee may determine after the start of a Performance Period to exclude such other items, each determined according to Generally Accepted Accounting Principles (to the extent applicable) as identified in the Company’s accounts, financial statements, notes thereto, or management discussion and analysis.

“Restricted Stock” shall mean an Award of Stock subject to forfeiture to the Company if specified conditions are not satisfied.

“SARs” shall mean rights entitling the holder upon exercise to receive cash or Stock, as the Committee determines, equal to a function (determined by the Committee using such factors as it deems appropriate) of the amount by which the Stock has appreciated in value since the date of the Award.

“Stock” shall mean Common Stock of the Company, par value \$.01 per share.

“Stock-based Awards” shall mean such awards that are denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to, shares of Common Stock as deemed by the Committee to be consistent with the purposes of the Plan, and shall include, without limitation, all Stock Options, SARs, Restricted Stock, Stock Unit Awards and any Performance Awards consisting of any of the foregoing.

“Stock Options” shall mean options entitling the recipient to acquire shares of Stock upon payment of the exercise price and shall consist of ISO’s and non-statutory options.

“Stock Unit Awards” shall mean an award payable in shares of Stock. A Stock Unit Award may, but shall not be required to include a Performance Award.

“Subsidiary” shall mean any domestic or foreign corporation, partnership, association, joint stock company, trust or unincorporated organization “affiliated “ with the Company, that is, directly or indirectly, through one or more intermediaries, “controlling”, “controlled by” or “under common control with”, the Company.

“Unrestricted Stock” shall mean an Award of Stock not subject to any restrictions under the Plan.

(k) This Plan shall be governed by the laws of the Commonwealth of Massachusetts and shall be construed for all purposes in accordance with the laws of said Commonwealth except as may be required by the General Corporation Law of Delaware or by applicable federal law.

8. Amendments and Termination; Requisite Shareholder Approval. The Board may at any time terminate or from time to time amend or suspend the Plan in whole or in part in such respects as the Board may deem advisable in order that Awards granted thereunder shall conform to any change in the law, or in any other respect which the Board may deem to be in the best interests of the Company; provided, however, that no amendment of the Plan shall be made without shareholder approval if shareholder approval of the amendment is at the time required by applicable law, or by the rules of the Nasdaq Stock Market or any stock exchange on which Common Stock may be listed. The Board shall have the power to amend the Plan in any manner contemplated by this Section 8 deemed necessary or advisable for Awards granted under the Plan to qualify for the exemption provided by Rule 16b-3 (or any successor rule relating to exemption from Section 16(b) of the Act), or to comply with applicable law, and any such amendment shall, to the extent deemed necessary or advisable by the Board, be applicable to any outstanding Awards theretofore granted under the Plan notwithstanding any contrary provisions contained in any Award agreement. In the event of any such amendment to the Plan, the holder of any Award outstanding under the Plan shall, upon request of the Board and as a condition to the exercisability thereof, execute a conforming amendment in the form prescribed by the Board to any Award agreement relating thereto within such reasonable time as the Board shall specify in such request. With the consent of the Participant affected, the Board may amend outstanding agreements evidencing Plan Awards in a manner not inconsistent with the terms of the Plan. Notwithstanding anything contained in this Section 8 or in any other provision of the Plan, unless required by law, no action contemplated or permitted by this Section 8 shall adversely affect any rights of Participants or obligations of the Company to Participants with respect to any Award theretofore made under the Plan without the consent of the affected Participant.

9. Effective Date and Term of Plan. This Plan was adopted on April 8, 2003. The Plan was amended on February 26, 2007, March 22, 2007, February 21, 2008, March 2, 2011, March 7, 2013, March 17, 2016, March 14, 2018, March 16, 2021, and March 14, 2023. The Plan was last ratified by the Company’s stockholders on June 9, 2021. The Plan shall remain in effect, subject to the right of the Board of Directors to further amend or terminate the Plan at any time pursuant to Section 8 hereof, until all shares subject to it shall have been purchased or acquired according to the Plan’s provisions, provided, however, that no ISO may be granted under the Plan after the tenth anniversary of the date upon which the Plan has most recently been ratified by the Company’s stockholders.

UFP Technologies, Inc. wholly owns the following companies:

1. Advant Medical Limited, a private limited company incorporated under the laws of Ireland, its wholly-owned subsidiary:
 - a. Munlu Leighis Advant Teoranta, a private limited company incorporated under the laws of Ireland
2. Advant Costa Rica Limitada, incorporated under the laws of Costa Rica
3. Advant Medical Inc., a Delaware corporation
4. Simco Industries, Inc., a Michigan company
5. Dielectrics, Inc., a Massachusetts company
6. Contech Medical, Inc., a Rhode Island company
7. DAS Medical Holdings, LLC, a Georgia limited liability company, and its wholly-owned subsidiaries:
 - a. Sterimed, LLC, a Georgia limited liability company
 - b. One Degree Medical Holdings, LLC, a Georgia limited liability company
 - c. DAS Medical Corporation, a Delaware company, and its wholly-owned subsidiary:
 - i. DAS Medical International, S.R.L., a Dominican Republic company
8. UFP Realty LLC, a Massachusetts limited liability company, and its wholly-owned subsidiaries:
 - a. UFPT MA, LLC, a Massachusetts limited liability company
 - b. UFP CO, LLC, a Colorado limited liability company
 - c. UFP FL, LLC, a Florida limited liability company
 - d. UFP TX, LLC, a Texas limited liability company
 - e. UFP MI, LLC, a Michigan limited liability company
 - f. UFP IA, LLC, an Iowa limited liability company

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our reports dated March 16, 2023, with respect to the consolidated financial statements and internal controls over financial reporting included in the Annual Report of UFP Technologies, Inc. on Form 10-K for the year ended December 31, 2022. We hereby consent to the incorporation by reference of said reports in the Registration Statements of UFP Technologies, Inc. on Forms S-8 (File No. 333-265651, File No. 333-174907, File No. 333-151883, File No. 333-143673, File No. 333-116436, File No. 333-56741, File No. 333-91408, File No. 333-106390, File No. 333-39946, and File No. 333-76640).

/s/ GRANT THORNTON LLP

Boston, MA
March 16, 2023

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, R. Jeffrey Bailly, President and Chief Executive Officer of UFP Technologies, Inc., certify that:

1. I have reviewed this annual report on Form 10-K of UFP Technologies, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

March 16, 2023

Date

/s/ R. Jeffrey Bailly

R. Jeffrey Bailly
Chairman, Chief Executive Officer,
President, and Director
(Principal Executive Officer)

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Ronald J. Lataille, Chief Financial Officer of UFP Technologies, Inc., certify that:

1. I have reviewed this annual report on Form 10-K of UFP Technologies, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

March 16, 2023

Date

/s/ Ronald J. Lataille

Ronald J. Lataille
Chief Financial Officer
(Principal Financial Officer)

CERTIFICATION

**Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), the undersigned officers of UFP Technologies, Inc., a Delaware corporation (the "Company"), do hereby certify, to the best of such officers' knowledge and belief, that:

(1) The Annual Report on Form 10-K for the year ended December 31, 2022, (the "Form 10-K") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Form 10-K fairly presents, in all materials respects, the financial condition and results of operations of the Company.

March 16, 2023

Date

/s/ R. Jeffrey Bailly

R. Jeffrey Bailly
Chairman, Chief Executive Officer,
President, and Director
(Principal Executive Officer)

March 16, 2023

Date

/s/ Ronald J. Lataille

Ronald J. Lataille
Chief Financial Officer
(Principal Financial Officer)

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to UFP Technologies, Inc. and will be retained by UFP Technologies, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.