

Management's Discussion and Analysis of Financial Condition and Results of Operations

General:

Park is a global advanced materials company which develops, manufactures, markets and sells high-technology digital and RF/microwave printed circuit materials principally for the telecommunications and internet infrastructure and high-end computing markets and advanced composite materials and parts principally for the aerospace markets. Park's core capabilities are in the areas of polymer chemistry formulation and coating technology. Park also specializes in the manufacture of complex composite aircraft and space vehicle parts. The Company's manufacturing facilities are located in Singapore, China, France, Connecticut, Kansas, Arizona, California and Washington. The Company's products are marketed and sold under the Nelco®, Nelcote® and Nova™ names.

The comparisons of the Company's results of operations for its 2009 fiscal year ended March 1, 2009 to the Company's results of operations for its 2008 fiscal year ended March 2, 2008 and the comparisons of the Company's results of operations for its 2008 fiscal year to the Company's results of operations for its 2007 fiscal year ended February 25, 2007 are impacted by the facts that the 2008 fiscal year consisted of 53 weeks and the 2009 and 2007 fiscal years each consisted of 52 weeks.

The Company's total net sales declined in the fiscal year ended March 1, 2009 compared to the fiscal year ended March 2, 2008 as a result of decreases in sales of the Company's printed circuit materials products in North America, Asia and Europe, following a decline in the Company's total net sales in the fiscal year ended March 2, 2008 compared to the fiscal year ended February 25, 2007 as a result of decreases in sales of the Company's printed circuit materials products in North America and Europe. These decreases in sales of the Company's printed circuit materials were only partially offset by increases in sales of the Company's advanced composite materials in the 2009 fiscal year compared to the 2008 fiscal year and in the 2008 fiscal year compared to the 2007 fiscal year and, in the 2009 fiscal year, by the addition of sales of the Company's advanced composite parts products as a result of the Company's acquisition of the composite parts business of Nova Composites in Lynnwood, Washington in the 2009 fiscal year first quarter.

As a result of the declines in the Company's total net sales in the 2009 and 2008 fiscal years compared to the immediately preceding fiscal years, the Company's earnings from continuing operations were lower in the 2009 fiscal year than in the 2008 fiscal year and lower in the 2008 fiscal year than in the 2007 fiscal year.

The significant decreases in sales of printed circuit materials products, combined with, among other things, substantial losses at the Company's Neltec Europe SAS electronic materials business unit in Mirebeau, France, resulted in lower gross profits and lower earnings from continuing operations in the 2009 fiscal year compared to the 2008 fiscal year. The declines in the Company's operating and earnings performances during the 2009 fiscal year compared to the 2008 fiscal year were partially offset by higher percentages of sales of higher margin, high performance printed circuit materials and advanced composite materials products during the 2009 fiscal year and by the benefits resulting from the restructurings of the Company's Neltec Europe SAS and Neltec SA business units in the 2008 fiscal year and from the workforce reductions at the Nelco Products, Inc., Neltec, Inc. and Nelco Products Pte. Ltd. business units and the closures of the New England Laminates Co., Inc. and Neltec Europe SAS business units in the 2009 fiscal years, all described elsewhere in this Discussion.

The Company's net earnings for the 2009 fiscal year were significantly increased by a discontinued operations benefit of \$16.5 million recorded by the Company in the 2009 fiscal year fourth quarter related to the elimination of a liability from discontinued operations of the Company's Dielektra GmbH subsidiary located in Germany as a result of certain legal proceedings in Germany. The Company's earnings were also increased by a tax benefit of \$4.7 million recorded by the Company in the 2009 fiscal year fourth quarter related to the elimination of certain valuation allowances resulting principally from the closure of the Company's New England Laminates Co., Inc. electronic materials business unit located in Newburgh, New York and by a tax benefit of \$1.2 million recorded by the Company in the 2009 fiscal year fourth quarter related to one-time pre-tax charges also recorded by the Company in such quarter for the aforementioned closure of the Company's New England Laminates Co., Inc. business unit and the closure of the Company's Neltec Europe SAS electronic materials business unit located in Mirebeau, France and for a workforce reduction and an asset impairment at the Company's Nelco Products Pte. Ltd. electronic materials and advanced composite materials business unit in Singapore. Such benefits were partially offset by the one-time pre-tax charges of \$5.7 million recorded by the Company in the 2009 fiscal year fourth quarter related to the aforementioned business unit closures, workforce reduction and asset impairment and by a one-time pre-tax charge of \$0.6 million recorded by the Company in the 2009 fiscal year third quarter related to restructurings at certain of its North American and European business units.

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The Company's net earnings for the fiscal year ended March 2, 2008 were increased by a tax benefit of \$1.5 million recorded by the Company in the 2008 fiscal year fourth quarter resulting from the reduction of tax reserves in the United States related to transfer pricing and were reduced by a charge of \$1.4 million recorded by the Company in the 2008 fiscal year fourth quarter for employment termination benefits and other expenses related to a restructuring and workforce reduction at the Company's Neltec Europe SAS business unit.

The markets for the Company's printed circuit materials products have contracted from the levels that existed in the 2007 fiscal year. Consequently, sales of the Company's printed circuit materials products decreased in the 2009 fiscal year compared to the 2008 fiscal year and in the 2008 fiscal year compared to the 2007 fiscal year. The markets for the Company's advanced composite materials and parts continued to be relatively strong during the first half of the 2009 fiscal year, and sales of the Company's advanced composite materials products increased in the 2009 fiscal year compared to the 2008 fiscal year and in the 2008 fiscal year compared to the prior fiscal year principally as a result of the Company's marketing and sales efforts.

The global markets for the Company's printed circuit materials products continue to be very difficult to forecast, and it is not clear to the Company what the condition of the global markets for the Company's printed circuit materials products will be in the 2010 fiscal year. Further, the Company is not able to predict the impact the current global financial and credit crisis will have on the markets for its advanced composite materials and parts products in the 2010 fiscal year.

As previously reported, in the first quarter of the Company's 2009 fiscal year, the Company's wholly owned subsidiary, Park Aerospace Structures Corp., acquired substantially all the assets and business of Nova Composites, Inc., a manufacturer of composite parts and the tooling for such parts, located in Lynnwood, Washington, for a cash purchase price of \$4.5 million paid at the closing of the acquisition and up to an additional \$5.5 million payable over five years depending on the achievement of specified earn-out objectives.

In addition, in the fourth quarter of the Company's 2009 fiscal year, the Company completed the construction of a new development and manufacturing facility in Newton, Kansas to produce advanced composite materials principally for the aircraft industry. The Company spent approximately \$15 million on the facility and equipment in Kansas.

In the fourth quarter of the 2009 fiscal year, the Company recorded a discontinued operation benefit of \$16.5 million related to the elimination of a liability from discontinued operations of the Company's Dielektra GmbH subsidiary located in Germany as a result of certain legal proceedings in Germany.

In the fourth quarter of the 2008 fiscal year, the Company opened its new advanced composite materials manufacturing plant in Singapore, which it had acquired in the 2007 fiscal year and modified and expanded for use as a composite materials manufacturing plant.

As previously reported, the Company discontinued its participation in the bidding for certain of the assets and business of Columbia Aircraft Manufacturing Corporation ("Columbia") in an auction conducted in the United States Bankruptcy Court for the District of Oregon in Portland, Oregon on November 27, 2007 and incurred approximately \$0.5 million in out-of-pocket expenses relating to its extensive due diligence investigation of Columbia in Bend, Oregon and elsewhere, all of which was expensed in the 2008 fiscal year third quarter ended November 25, 2007.

In the fourth quarter of the 2008 fiscal year, the Company also recorded a tax benefit of \$1.5 million relating to the reduction of tax reserves in the United States related to transfer pricing.

In the 2007 fiscal year, the Company completed the construction of a new manufacturing facility in the Zhuhai Free Trade Zone in Guangdong Province in southern China. During the 2008 fiscal year, the Company modified certain of the equipment in this facility so that it can laminate polytetrafluoroethylene ("PTFE") based circuitry materials in Asia. In addition, the Company upgraded its printed circuit materials treating operation in Singapore during the 2007 fiscal year so that such operation is capable of treating the Company's full line of advanced printed circuit materials in Singapore, except PTFE materials.

While the Company continues to invest in its business, it also continues to make additional adjustments to certain of its operations, which have resulted in workforce reductions and plant closures.

In the 2008 fiscal year fourth quarter, the Company's Neltec Europe SAS electronic materials business unit located in Mirebeau, France, completed a restructuring of its operations and a reduction of its workforce in response to the continuing erosion of the markets for electronic materials in Europe and the continuing migration of such markets to Asia, and the

Company recorded a one-time charge of approximately \$1.4 million in such quarter for employment termination benefits and other expenses resulting from such restructuring and workforce reduction. In addition, in the 2006 fiscal year first and second quarters, the Company reduced the size of the workforce at its Neltec Europe SAS business unit as a result of deterioration of the European market for high-technology printed circuit materials, and it recorded an employment termination benefits charge of \$0.9 million during the 2006 fiscal year.

Despite the restructurings implemented in the 2006 and 2008 fiscal years, Neltec Europe generated significant operating losses in the second and third quarters of the 2009 fiscal year. In the 2009 fiscal year third quarter, the Company announced that its Neltec Europe SAS and Neltec SA business units were proposing to restructure their operations and that, as a major component of such restructurings, Neltec Europe SAS was proposing to close completely its operations and had commenced an information and consultation process with its employees regarding the proposed closure in accordance with French law. Although the Company intends to continue the operations of its Neltec SA RF/microwave electronic materials business unit located in Lannemezan, France, the proposed restructuring included a reorganization of certain of the activities of Neltec SA. Neltec Europe SAS proposed to close fully its operations in response to the very serious erosion of the markets for digital electronic materials in Europe and the migration of such markets to Asia. The market for such products in Europe had eroded to the point where the Company believed it was not possible for the Neltec Europe SAS business to be viable. Neltec Europe SAS completed the information and consultation process with its employees early in the 2009 fiscal year fourth quarter, and the Company implemented the plant closure and recorded a one-time pre-tax charge of \$4.1 million, reduced by \$4.0 million of non-cash cumulative currency translation adjustment recapture, in the fourth quarter of the Company's 2009 fiscal year.

In addition to the restructurings of its Neltec Europe SAS and Neltec SA business units in France, the Company implemented workforce reductions at its Nelco Products, Inc. electronic materials business unit located in Fullerton, California and its Neltec, Inc. high-technology electronics circuitry materials business unit located in Tempe, Arizona in the third quarter of its 2009 fiscal year and recorded a charge of \$0.6 million in such quarter for such workforce reductions and for the restructuring at its Neltec SA business unit in Lannemezan, France.

In addition, in the 2009 fiscal year fourth quarter, the Company implemented a workforce reduction at its Nelco Products Pte. Ltd. high-technology electronics circuitry materials and advanced composite materials business unit located in Singapore and as a result of this workforce reduction, the Company recorded a charge of \$0.4 million in the fourth quarter of the 2009 fiscal year.

Also, in the 2009 fiscal year fourth quarter, the Company's New England Laminates Co., Inc. electronic materials business unit located in Newburgh, New York closed its operations in response to the very serious erosion of the markets for electronic materials in North America, and as the result of this closure, the Company recorded a one-time pre-tax charge of \$1.2 million in the fourth quarter of the 2009 fiscal year.

Since the closures of the Neltec Europe SAS and New England Laminates Co., Inc. business units, the Company has been supplying and supporting customers of such business units from the Company's electronic materials operations in Fullerton, California and Tempe, Arizona.

The total one-time pre-tax charges related to the restructurings of the Company's Neltec Europe SAS and Neltec SA business units in the 2009 fiscal year, the workforce reductions at the Nelco Products, Inc., Neltec, Inc. and Nelco Products Pte. Ltd. business units and the closures of the New England Laminates Co., Inc. and the Neltec Europe SAS business units, all described above, and related to an asset impairment at the Company's business unit in Singapore recorded by the Company in the 2009 fiscal year were \$6.3 million, net of the recapture of non-cash cumulative currency translation adjustments totaling \$4.0 million recognized by the Company in the 2009 fiscal year fourth quarter relating to the closure of the Neltec Europe SAS business unit.

During the 2007 fiscal year, the Company recorded a pre-tax charge of \$1.3 million in connection with the termination of an insurance arrangement with Jerry Shore, the Company's founder and former Chairman, President and Chief Executive Officer, and recognized a \$0.5 million tax benefit relating to this insurance termination charge. The termination of the insurance arrangement involved a payment of \$1.3 million by the Company to Mr. Shore in January 2007, which resulted in a net cash cost to the Company of \$0.7 million, after the Company's receipt of a portion of the cash surrender value of the insurance policies. During the 2007 fiscal year, the Company also recognized a tax benefit of \$3.5 million relating to the elimination of certain valuation allowances previously established relating to deferred tax

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assets in the United States and a tax benefit of \$1.4 million relating to the elimination of reserves no longer required as the result of the completion of a tax audit.

Fiscal Year 2009 Compared with Fiscal Year 2008:

The Company's total net sales worldwide and its total net sales of printed circuit materials declined, while its total net sales of its advanced composite materials and parts increased, in the fiscal year ended March 1, 2009 compared to the fiscal year ended March 2, 2008 as a result of declines in net sales of printed circuit materials in North America, Europe and Asia.

The reduced sales in the 2009 fiscal year resulted in significantly lower gross profit and gross profit margin in the 2009 fiscal year than in the 2008 fiscal year, following a slight improvement in the Company's gross profit margin in the 2008 fiscal year compared to the 2007 fiscal year.

The Company's gross profit in the 2009 fiscal year was substantially lower than the gross profit in the prior fiscal year primarily as a result of reduced total sales of printed circuit materials products, which were partially offset by higher percentages of sales by the Company of its higher margin, high performance printed circuit materials products and advanced composite materials and parts and by the benefits resulting from the restructuring of the Company's Neltec Europe SAS business unit in the 2008 fiscal year and from the workforce reductions at the Nelco Products, Inc., Neltec, Inc. and Nelco Products Pte. Ltd. business units and the closures of the New England Laminates Co., Inc. and Neltec Europe SAS business units in the 2009 fiscal year, all described elsewhere in this Discussion.

Sales of the Company's advanced composite materials and parts increased during the 2009 fiscal year primarily as a result of the Company's marketing and sales efforts and the addition of sales of the Company's advanced composite parts as a result of the Company's acquisition of the advanced composites parts manufacturing business of Nova Composites in Lynnwood, Washington in the 2009 fiscal year first quarter. Sales of advanced composite materials and parts were 13% of the Company's total net sales worldwide in the 2009 fiscal year compared to 9% in the 2008 fiscal year.

The Company's earnings in the 2009 fiscal year were enhanced by a tax benefit of \$4.7 million recorded by the Company in the 2009 fiscal year fourth quarter related to the elimination of certain valuation allowances resulting principally from the closure of the Company's New England Laminates Co., Inc. electronic materials business unit located in Newburgh, New York and by a tax benefit of \$1.2 million recorded

by the Company in the 2009 fiscal year fourth quarter related to one-time pre-tax charges also recorded by the Company in such quarter for the aforementioned closure of the Company's New England Laminates Co., Inc. business unit and the closure of the Company's Neltec Europe SAS electronic materials business unit located in Mirebeau, France and for a workforce reduction and an asset impairment at the Company's Nelco Products Pte. Ltd. electronic materials and advanced composite materials business unit in Singapore. Such benefits were offset by the one-time pre-tax charges of \$5.7 million recorded by the Company in the 2009 fiscal year fourth quarter related to the aforementioned business unit closures, workforce reduction and asset impairment and a one-time pre-tax charge of \$0.6 million recorded by the Company in the 2009 fiscal year third quarter related to restructurings at certain of its North American and European business units.

The Company's net earnings in the 2009 fiscal year were also significantly increased by a discontinued operations benefit of \$16.5 million recorded by the Company in the 2009 fiscal year fourth quarter related to the elimination of a liability from discontinued operations of the Company's Dielektra GmbH subsidiary located in Germany.

The Company's results of operations in the 2008 fiscal year were slightly enhanced by a tax benefit of \$1.5 million recorded by the Company in the 2008 fiscal year fourth quarter resulting from the reduction of tax reserves in the United States related to transfer pricing, which was partially offset by a charge of \$1.4 million recorded by the Company in the 2008 fiscal year fourth quarter for employment termination benefits and other expenses resulting from a restructuring and workforce reduction at the Company's Neltec Europe SAS electronic materials business unit located in Mirebeau, France.

Results of Operations

The Company's total net sales worldwide for the fiscal year ended March 1, 2009 declined 17% to \$200.1 million from \$241.9 million for the fiscal year ended March 2, 2008. The decline in net sales was the result of decreased sales of the Company's printed circuit materials in North America, Europe and Asia which were only partially offset by increased sales of the Company's high performance printed circuit materials and advanced composite materials and parts.

The Company's foreign sales were \$96.3 million, or 48% of the Company's total net sales worldwide, during the 2009 fiscal year, compared with \$120.9 million of sales, or 50% of total net sales worldwide, during the 2008 fiscal year and 47% of total net sales worldwide during the 2007 fiscal year. The

Company's foreign sales during the 2009 fiscal year decreased 20% from the 2008 fiscal year primarily as a result of decreases in sales in Europe and Asia.

For the fiscal year ended March 1, 2009, the Company's sales in North America, Asia and Europe were 52%, 37% and 11%, respectively, of the Company's total net sales worldwide compared with 50%, 37% and 13%, respectively, for the fiscal year ended March 2, 2008. The Company's sales in Asia declined 19%, its sales in North America declined 14% and its sales in Europe declined 25% in the 2009 fiscal year compared to the 2008 fiscal year.

The overall gross profit as a percentage of net sales for the Company's worldwide operations declined to 21.7% during the 2009 fiscal year compared to 25.8% during the 2008 fiscal year. The deterioration in the gross profit margin was attributable primarily to reduced sales volumes, which were only partially offset by higher percentages of sales of higher margin, high performance printed circuit materials products and advanced composite materials and parts and by the benefits resulting from the restructurings of the Company's Neltec Europe SAS and Neltec SA business units in the 2008 fiscal year and from the workforce reductions at the Nelco Products, Inc., Neltec, Inc. and Nelco Products Pte. Ltd. business units and the closures of the New England Laminates Co., Inc. and Neltec Europe SAS business units in the 2009 fiscal year, all described elsewhere in this Discussion.

During the fiscal year ended March 1, 2009, the Company's total net sales worldwide of high temperature printed circuit materials, which included high performance materials (non-FR4 printed circuit materials), were 100% of the Company's total net sales worldwide of printed circuit materials, compared with 99% for last fiscal year.

The Company's high temperature printed circuit materials include its high performance materials (non-FR4 printed circuit materials), which consist of high-speed, low-loss materials for digital and RF/microwave applications requiring lead-free compatibility and high bandwidth signal integrity, bismalimide triazine ("BT") materials, polyimides for applications that demand extremely high thermal performance, cyanate esters, and PTFE materials for RF/microwave systems that operate at frequencies up to 77GHz.

During the fiscal year ended March 1, 2009, the Company's total net sales worldwide of high performance printed circuit materials (non-FR4 printed circuit materials) were 61% of the Company's total net sales worldwide of printed circuit materials, compared with 52% for last fiscal year.

The Company's cost of sales decreased by 13% in the 2009 fiscal year from the 2008 fiscal year as a result of lower sales and lower production volumes in the 2009 fiscal year than in the 2008 fiscal year. However, the Company's cost of sales as a percentage of net sales increased in the 2009 fiscal year compared to the prior year resulting in a gross profit margin percentage decline, which was attributable to lower sales volumes in the 2009 fiscal year and the impact of currency translation on costs incurred in Singapore dollars and increases in utility costs in the 2009 fiscal year, partially offset by higher percentages of sales of higher margin, high performance printed circuit materials and advanced composite materials products in the 2009 fiscal year.

Selling, general and administrative expenses decreased by \$2.4 million, or by 9%, during the 2009 fiscal year compared to the 2008 fiscal year, but these expenses, measured as a percentage of sales, were 12.4% during the 2009 fiscal year compared to 11.2% during the 2008 fiscal year. The higher percentage in the 2009 fiscal year was the result of lower sales in such year. Selling, general and administrative expenses included \$1.2 million for the 2009 fiscal year for stock option expenses compared to \$1.4 million for the 2008 fiscal year, which the Company recorded pursuant to Statement of Financial Accounting Standards 123(R).

In the 2009 fiscal year fourth quarter, the Company recorded one-time pre-tax charges of \$5.7 million related to the closure of the Company's New England Laminates Co., Inc. electronic materials business unit located in Newburgh, New York and the closure of the Company's Neltec Europe SAS electronic materials business unit located in Mirebeau, France and related to a workforce reduction and an asset impairment at the Company's Nelco Products Pte. Ltd. electronic materials and advanced composite materials business unit in Singapore, and recognized tax benefits of \$1.2 million related to these charges and a tax benefit of \$4.7 million related to the elimination of valuation allowances resulting principally from the aforementioned closure of the Company's New England Laminates Co., Inc. business unit. In the 2009 fiscal year third quarter, the Company recorded a pre-tax charge of \$0.6 million related to the restructurings at certain of its North American and European business units.

During the 2008 fiscal year, the Company recorded a charge of \$1.4 million for employment termination benefits and other expenses resulting from the restructuring and workforce reduction at the Company's Neltec Europe SAS electronic materials business unit located in Mirebeau, France and a tax benefit of

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\$1.5 million resulting from the reduction of tax reserves in the United States related to transfer pricing.

For the reasons set forth above, the Company's earnings from continuing operations for the 2009 fiscal year, including the charges described above relating to the facility closures and asset impairment and the restructurings at certain of the Company's North American and European business units and the tax benefits described above relating to the facility closure and asset impairment charges and to the elimination of valuation allowances, were \$12.4 million compared to earnings from continuing operations for the 2008 fiscal year, including the charge described above for the restructuring and workforce reduction at the Company's Neltec Europe SAS electronic materials business unit and the tax benefit relating to the reduction of tax reserves, of \$33.9 million. The net impacts of the charges and tax benefits described above were to decrease earnings from continuing operations by \$6.3 million for the 2009 fiscal year and to decrease earnings from continuing operations by \$1.4 million for the 2008 fiscal year.

Interest and other income, net, principally investment income, declined 29% to \$6.6 million for the 2009 fiscal year from \$9.4 million for the 2008 fiscal year. The decline in investment income was attributable to lower prevailing interest rates partially offset by higher levels of cash available for investment during the 2009 fiscal year than during the 2008 fiscal year. The Company's investments were primarily in short-term instruments and money market funds. The Company incurred no interest expense during the 2009, 2008 or 2007 fiscal years. See "Liquidity and Capital Resources" elsewhere in this Discussion.

The Company's effective income tax rate was 2.6% for the 2009 fiscal year compared to 19.9% for the 2008 fiscal year. The Company's effective income tax rate for continuing operations, excluding the tax benefits and the charges described above, for the 2009 fiscal year was 25.4% compared to 22.7% for the 2008 fiscal year.

The Company's net earnings from continuing operations for the 2009 fiscal year, including the charges and tax benefits described above, were \$18.5 million compared to net earnings from continuing operations for the 2008 fiscal year, including the charge and tax benefit described above, of \$34.7 million. The net impacts of the charges and tax benefits described above were to increase net earnings from continuing operations by \$0.3 million for the 2009 fiscal year and to decrease net earnings from continuing operations by \$0.1 million for the 2008 fiscal year.

In the 2009 fiscal year fourth quarter, the Company also recorded a discontinued operations benefit of \$16.5 million related to the elimination of a liability from discontinued operations of its Dielektra GmbH subsidiary located in Germany.

The Company's net earnings for the 2009 fiscal year, including the charges and tax benefits described above and the discontinued operations benefit described above, were \$35.0 million compared to net earnings for the 2008 fiscal year, including the charge and tax benefit described above, of \$34.7 million. The net impacts of the charges and tax benefits described above and the discontinued operations benefit described above were to increase net earnings by \$16.8 million for the 2009 fiscal year and to increase net earnings by \$0.1 million for the 2008 fiscal year.

Basic and diluted earnings per share, including the charges and tax benefits described above and the discontinued operations benefit described above, were \$1.71 per share for the 2009 fiscal year compared to basic and diluted earnings per share of \$1.71 and \$1.70 per share, respectively, including the charge and tax benefit described above, for the 2008 fiscal year. The net impacts of the charges and tax benefits described above were to increase the basic and diluted earnings per share by \$0.81 for the 2009 fiscal year.

Fiscal Year 2008 Compared with Fiscal Year 2007:

The Company's total net sales worldwide and its total net sales of printed circuit materials declined, while its sales of its advanced composite materials increased, in the fiscal year ended March 2, 2008 compared to the fiscal year ended February 25, 2007, following increases in total net sales worldwide in the 2007 fiscal year compared to the 2006 fiscal year.

The reduced sales in the 2008 fiscal year resulted in a slightly lower gross profit in the 2008 fiscal year than in the 2007 fiscal year, although the Company experienced a slight improvement in the Company's gross profit margin in the 2008 fiscal year, following substantial improvements in the 2007 fiscal year compared to the 2006 fiscal year and in the 2006 fiscal year compared to the 2005 fiscal year.

The Company's gross profit in the 2008 fiscal year was lower than its gross profit in the prior fiscal year primarily as a result of reduced total sales of printed circuit materials products, which were less than offset by higher percentages of sales by the Company of its higher margin, high performance printed circuit materials products and a higher percentage of sales by the Company's operations in Singapore.

Sales of the Company's advanced composite materials products increased during the 2008 fiscal year primarily as a result of the strength of the aerospace markets for advanced composite materials. Sales of advanced composite materials were 9% of the Company's total net sales worldwide in the 2008 fiscal year and 8% of the Company's total net sales worldwide in the 2007 fiscal year.

The Company's results of operations in the 2008 fiscal year were slightly enhanced by a tax benefit of \$1.5 million recorded by the Company in the 2008 fiscal year fourth quarter resulting from the reduction of tax reserves in the United States related to transfer pricing, which was partially offset by a charge of \$1.4 million recorded by the Company in the 2008 fiscal year fourth quarter for employment termination benefits and other expenses resulting from a restructuring and workforce reduction at the Company's Neltec Europe SAS electronic materials business unit located in Mirebeau, France.

The Company's results of operations in the 2007 fiscal year were enhanced by the tax benefit of \$0.7 million recorded by the Company for the recognition of tax credits resulting from operating losses sustained in prior years in France and by the tax benefits of \$3.5 million relating to the elimination of certain valuation allowances previously established related to deferred tax assets in the United States, \$1.4 million relating to the elimination of reserves no longer required as the result of the completion of a tax audit and \$0.5 million relating to the termination of a life insurance agreement with Jerry Shore, the Company's founder and former Chairman, President and Chief Executive Officer, which benefits were partially offset by a pre-tax charge of \$1.3 million relating to the termination of the insurance agreement with Jerry Shore.

Results of Operations

The Company's total net sales worldwide for the fiscal year ended March 2, 2008 decreased 6% to \$241.9 million from \$257.4 million for the fiscal year ended February 25, 2007. The decrease in net sales was primarily the result of decreased sales of the Company's printed circuit materials products in North America and Europe, which were only partially offset by increased sales of the Company's printed circuit materials products in Asia and by increased sales of the Company's high performance printed circuit materials and advanced composite materials.

The Company's foreign sales were \$120.9 million, or 50% of the Company's total net sales worldwide, during the 2008 fiscal year, compared with \$119.5 million of sales, or 47% of total net sales worldwide during the 2007 fiscal year and 44%

of total net sales worldwide during the 2006 fiscal year. The Company's foreign sales during the 2008 fiscal year increased 1% from the 2007 fiscal year primarily as a result of increases in sales by the Company's operations in Asia.

For the fiscal year ended March 2, 2008, the Company's sales in North America, Asia and Europe were 50%, 37% and 13%, respectively, of the Company's total net sales worldwide compared with 54%, 32% and 14%, respectively, for the fiscal year ended February 25, 2007. The Company's sales in Asia increased 10% in the 2008 fiscal year over the 2007 fiscal year, while its sales in North America decreased 12% and its sales in Europe decreased 18% in the 2008 fiscal year compared to the 2007 fiscal year.

The overall gross profit as a percentage of net sales for the Company's worldwide operations improved to 25.8% during the 2008 fiscal year compared with 24.9% during the 2007 fiscal year. The improvement in the gross profit margin was attributable to higher percentages of sales of higher margin, high performance printed circuit materials and a higher percentage of sales by the Company's operations in Singapore, partially offset by higher copper foil costs in the 2008 fiscal year than in the 2007 fiscal year and by lower total sales volumes in the 2008 fiscal year.

During the fiscal year ended March 2, 2008, the Company's total net sales worldwide of high temperature printed circuit materials, which included high performance materials (non-FR4 printed circuit materials), were 99% of the Company's total net sales worldwide of printed circuit materials, compared with 97% for the 2007 fiscal year.

The Company's high temperature printed circuit materials include its high performance materials (non-FR4 printed circuit materials), which consist of high-speed, low-loss materials for digital and RF/microwave applications requiring lead-free compatibility and high bandwidth signal integrity, BT materials, polyimides for applications that demand extremely high thermal performance, cyanate esters, and PTFE materials for RF/microwave systems that operate at frequencies up to 77GHz.

During the fiscal year ended March 2, 2008, the Company's total net sales worldwide of high performance printed circuit materials (non-FR4 printed circuit materials) were 52% of the Company's total net sales worldwide of printed circuit materials, compared with 42% for the 2007 fiscal year.

The Company's cost of sales declined by 7% in the 2008 fiscal year from the 2007 fiscal year as a result of lower sales and lower production volumes in the 2008 fiscal year than in the 2007 fiscal year. The Company's cost of sales as a percentage of net sales also decreased slightly in the 2008 fiscal year

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compared to the prior year resulting in a slight gross profit percentage improvement, which was attributable to higher percentages of sales of higher margin, high performance printed circuit materials and a higher percentage of sales by the Company's operations in Singapore.

Selling, general and administrative expenses increased by \$0.5 million, or by 2%, during the 2008 fiscal year compared with the 2007 fiscal year, and these expenses, measured as a percentage of sales, were 11.2% during the 2008 fiscal year compared with 10.4% during the 2007 fiscal year. Such expenses were higher in the 2008 fiscal year primarily as a result of the out-of-pocket expenses incurred by the Company related to its due diligence investigation of Columbia Aircraft Manufacturing Corporation discussed below and the additional week in the 53-week 2008 fiscal year compared to the 52-week 2007 fiscal year. The higher percentage in the 2008 fiscal year was the result of lower sales in such year and the aforementioned out-of-pocket expenses. In addition, selling, general and administrative expenses in the 2007 fiscal year were reduced by a reduction in the fourth quarter of restructuring reserves established in prior years for the Company's operations in Europe. Selling, general and administrative expenses included \$1.4 million for the 2008 fiscal year for stock option expenses compared to \$1.3 million for the 2007 fiscal year, which the Company recorded pursuant to Statement of Financial Accounting Standards 123(R).

In the 2008 fiscal year fourth quarter, the Company recorded a charge of \$1.4 million for employment termination benefits and other expenses resulting from the restructuring and workforce reduction at the Company's Neltec Europe SAS electronic materials business unit located in Mirebeau, France and a tax benefit of \$1.5 million resulting from the reduction of tax reserves in the United States related to transfer pricing.

During the 2008 fiscal year third quarter, the Company incurred approximately \$0.5 million in out-of-pocket expenses related to its extensive due diligence investigation of Columbia Aircraft Manufacturing Corporation ("Columbia") located in Bend, Oregon in preparation for its participation in the bidding for certain of the assets and business of Columbia in an auction conducted in the United States Bankruptcy Court for the District of Oregon in Portland, Oregon on November 27, 2007. The Company had submitted an initial bid for certain of the assets and business of Columbia on November 20, 2007 after conducting extensive due diligence at Columbia in Bend, Oregon and elsewhere. The Company participated in the auction in the

Bankruptcy Court in Portland on November 27, 2007 but chose to discontinue its participation in the auction bidding process.

In the 2007 fiscal year fourth quarter, the Company recorded a tax benefit of \$0.7 million relating to the recognition of tax credits resulting from operating losses sustained in prior years in France. In the 2007 fiscal year second quarter, the Company recorded a pre-tax charge of \$1.3 million in connection with the termination of a life insurance arrangement with Jerry Shore, the Company's founder and former Chairman, President and Chief Executive Officer, and recognized a tax benefit of \$0.5 million relating to this insurance termination charge. The termination of the insurance arrangement involved a payment of \$1.3 million by the Company to Mr. Shore in January 2007, which resulted in a net cash cost to the Company of \$0.7 million, after the Company's receipt of a portion of the cash surrender value of the insurance policies. During the 2007 fiscal year second quarter, the Company also recognized a tax benefit of \$3.5 million relating to the elimination of certain valuation allowances previously established relating to deferred tax assets in the United States and a tax benefit of \$1.4 million relating to the elimination of reserves no longer required as the result of the completion of a tax audit.

For the reasons set forth above, the Company's earnings from continuing operations for the 2008 fiscal year, including the charge described above for employment termination benefits and other expenses resulting from the workforce reduction in France and the tax benefit described above relating to the reduction of tax reserves, were \$33.9 million, and earnings from continuing operations for the 2007 fiscal year, including the charge described above relating to the termination of the life insurance arrangement, were \$36.1 million. The net impacts of the charges and tax benefit described above were to decrease earnings from continuing operations by \$1.4 million for the 2008 fiscal year and to decrease earnings from continuing operations by \$1.3 million for the 2007 fiscal year.

Interest and other income, net, principally investment income, increased 17% to \$9.4 million for the 2008 fiscal year from \$8.0 million for the 2007 fiscal year. The increase in investment income was attributable to higher prevailing interest rates and larger amounts of cash available for investment during the 2008 fiscal year than during the 2007 fiscal year. The Company's investments were primarily in short-term taxable instruments. The Company incurred no interest expense during the 2008, 2007 or 2006 fiscal years. See "Liquidity and Capital Resources" elsewhere in this Discussion.

The Company's effective income tax rate was 19.9% for the 2008 fiscal year compared to 9.9% for the 2007 fiscal year. The 2008 fiscal year tax rate included the tax benefit relating to the reduction of tax reserves, and the 2007 fiscal year tax rate included tax benefits relating to the recognition of tax credits in France, the termination of a life insurance agreement, the elimination of certain valuation allowances previously established related to deferred tax assets in the United States and the elimination of reserves no longer required as the result of the completion of a tax audit. The Company's effective income tax rate for continuing operations, excluding the tax benefits and the charges described above, for the 2008 fiscal year was 22.7% compared to 23.0% for the 2007 fiscal year.

The Company's net earnings for the 2008 fiscal year, including the tax benefit described above relating to the reduction of tax reserves and the charge described above for employment termination benefits and other expenses resulting from the workforce reduction in France, were \$34.7 million compared to net earnings of \$39.8 million for the 2007 fiscal year, including the tax benefits described above relating to the recognition of tax credits in France, the termination of the life insurance arrangement, the elimination of certain valuation allowances and the elimination of reserves no longer required and the charge described above relating to the termination of the life insurance arrangement. The net impacts of the charges and tax benefits described above were to increase net earnings by \$4.8 million for the 2007 fiscal year.

Basic and diluted earnings per share, including the tax benefit and charge described above, were \$1.71 and \$1.70 per share, respectively, for the 2008 fiscal year, and basic and diluted earnings per share, including the charge and tax benefits described above, were \$1.97 and \$1.96 per share, respectively, for the 2007 fiscal year. The net impacts of the charges and tax benefits described above were to increase the basic earnings per share by \$0.01 for the 2008 fiscal year and to increase the basic and diluted earnings per share by \$0.23 and \$0.24, respectively, for the 2007 fiscal year.

Liquidity and Capital Resources:

At March 1, 2009, the Company's cash and temporary investments (consisting of marketable securities) were \$225.3 million compared to \$214.0 million at March 2, 2008, the end of the Company's 2008 fiscal year. The Company's working capital (which includes cash and temporary investments) was \$239.6 million at March 1, 2009 compared with \$239.1 million at March 2, 2008. Although the Company's working capital at March 1, 2009 was essentially the same amount

as it was at March 2, 2008, the amounts of many of the components of its working capital changed substantially from March 2, 2008 to March 1, 2009. The 5% increase in cash and temporary investments at March 1, 2009 compared with March 2, 2008 was the result of cash provided by operating activities. At March 1, 2009, accounts receivable were 40% lower, accounts payable were 34% lower and inventories were 24% lower than at March 2, 2008 principally as a result of lower production and sales volumes during the period ended March 1, 2009 compared to the period ended March 2, 2008. The 14% decline in accrued liabilities at March 1, 2009 compared to March 2, 2008 was primarily the result of decreased accruals for compensation programs, environmental matters and professional fees. Income taxes payable were 25% lower at March 1, 2009 than at March 2, 2008 primarily as a result of payments made during the 2009 fiscal year and as a result of lower taxable income.

The Company's current ratio (the ratio of current assets to current liabilities) was 10.9 to 1 at March 1, 2009 compared with 8.5 to 1 at March 2, 2008.

During the 2009 fiscal year, net earnings from the Company's operations and a net increase in working capital items and the discontinued operations benefit related to the elimination of a liability from discontinued operations of the Company's Dielektra GmbH subsidiary in Germany resulted in \$33.6 million of cash provided by operating activities. This increase in cash provided by operating activities was partially offset by \$6.5 million of dividends paid during the 2009 fiscal year. Cash dividends paid were \$37.0 million, including a special cash dividend of \$30.5 million, during the 2008 fiscal year, and \$26.6 million, including a special cash dividend of \$20.1 million, during the 2007 fiscal year. Net earnings in the 2008 fiscal year resulted in \$41.9 million of cash provided by operating activities.

Net expenditures for property, plant and equipment were \$12.2 million, \$4.4 million and \$3.9 million in the 2009, 2008 and 2007 fiscal years, respectively.

In the first quarter of the Company's 2009 fiscal year, the Company's wholly owned subsidiary, Park Aerospace Structures Corp., acquired substantially all the assets and business of Nova Composites, Inc., a manufacturer of aircraft composite parts and the tooling for such parts, located in Lynnwood, Washington, for a cash purchase price of \$4.5 million paid at the closing of the acquisition and up to an additional \$5.5 million payable over five years depending on the achievement of specified earn-out objectives.

Management's Discussion and Analysis of Financial Condition and Results of Operations

(continued)

During the 2009 fiscal year, the Company expended approximately \$10.2 million for the construction of its new development and manufacturing facility in Newton, Kansas to produce advanced composite materials and for equipment for such facility.

At March 1, 2009 and March 2, 2008, the Company had no long-term debt.

The Company believes its financial resources will be sufficient, for the foreseeable future, to provide for continued investment in working capital and property, plant and equipment and for general corporate purposes. Such resources would also be available for purchases of the Company's common stock, appropriate acquisitions and other expansions of the Company's business.

The Company is not aware of any circumstances or events that are reasonably likely to occur that could materially affect its liquidity.

The Company's contractual obligations and other commercial commitments to make future payments under contracts, such as lease agreements, consist only of the operating lease commitments, commitments to purchase equipment for the Company's new development and manufacturing facility in Newton, Kansas described in Note 15 of the Notes to Consolidated Financial Statements included elsewhere in this Report and the Company's obligation to pay up to an additional \$5.5 million over five years in connection with the acquisition of the assets and business of Nova Composites, Inc., described above. The Company has no long-term debt, capital lease obligations, unconditional purchase obligations or other long-term obligations, standby letters of credit, guarantees, standby repurchase obligations or other commercial commitments or contingent commitments, other than two standby letters of credit in the total amount of \$1.45 million to secure the Company's obligations under its workers' compensation insurance program and certain limited energy purchase contracts intended to protect the Company from increased utilities costs.

As of March 1, 2009, the Company's significant contractual obligations, including payments due by fiscal year, were as follows:

Contractual Obligations		2011–	2013–	2015 and
<i>(Amounts in thousands)</i>	Total	2010	2012	2014 thereafter
Operating lease obligations	\$ 8,754	\$2,335	\$3,294	\$1,645
Equipment purchase obligations	3,483	3,483	—	—
Total	\$12,237	\$5,818	\$3,294	\$1,645

Off-Balance Sheet Arrangements:

The Company's liquidity is not dependent on the use of, and the Company is not engaged in, any off-balance sheet financing arrangements, such as securitization of receivables or obtaining access to assets through special purpose entities.

Environmental Matters:

The Company is subject to various Federal, state and local government requirements relating to the protection of the environment. The Company believes that, as a general matter, its policies, practices and procedures are properly designed to prevent unreasonable risk of environmental damage and that its handling, manufacture, use and disposal of hazardous or toxic substances are in accord with environmental laws and regulations. However, mainly because of past operations and operations of predecessor companies, which were generally in compliance with applicable laws at the time of the operations in question, the Company, like other companies engaged in similar businesses, is a party to claims by government agencies and third parties and has incurred remedial response and voluntary cleanup costs associated with environmental matters. Additional claims and costs involving past environmental matters may continue to arise in the future. It is the Company's policy to record appropriate liabilities for such matters when remedial efforts are probable and the costs can be reasonably estimated.

In the 2009, 2008 and 2007 fiscal years, the Company charged approximately \$(0.7) million, \$(0.2) million and \$0.0 million, respectively, against pre-tax income for remedial response and voluntary cleanup costs (including legal fees). While annual expenditures have generally been constant from year to year, and may increase over time, the Company expects it will be able to fund such expenditures from cash flow from operations. The timing of expenditures depends on a number of factors, including regulatory approval of cleanup projects, remedial techniques to be utilized and agreements with other parties. At March 1, 2009, the amount recorded in accrued liabilities for environmental matters was \$0.8 million compared with \$2.1 million of liabilities from discontinued operations for environmental matters related to Dielektra and \$1.6 million for other environmental matters at March 2, 2008.

Management does not expect that environmental matters will have a material adverse effect on the liquidity, capital resources, business, consolidated results of operations or consolidated financial position of the Company. See Note 16 of the Notes to Consolidated Financial Statements included

in this Report for a discussion of the Company's contingencies, including those related to environmental matters.

Critical Accounting Policies and Estimates:

In response to financial reporting release, FR-60, "Cautionary Advice Regarding Disclosure About Critical Accounting Policies", issued by the Securities and Exchange Commission in December 2001, the following information is provided regarding critical accounting policies that are important to the Consolidated Financial Statements and that entail, to a significant extent, the use of estimates, assumptions and the application of management's judgment.

General

The Company's discussion and analysis of its financial condition and results of operations are based upon the Company's Consolidated Financial Statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires the Company to make estimates, assumptions and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and the related disclosure of contingent liabilities. On an ongoing basis, the Company evaluates its estimates, including those related to sales allowances, accounts receivable, allowances for doubtful accounts, inventories, valuation of long-lived assets, income taxes, restructurings, contingencies and litigation, and pensions and other employee benefit programs. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, 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 believes the following critical accounting policies affect its more significant judgments and estimates used in the preparation of its consolidated financial statements.

Revenue Recognition

Sales revenue is recognized at the time title to product is transferred to a customer. All material sales transactions are for the shipment of manufactured prepreg and laminate products and advanced composite materials. The Company ships its products to customers based upon firm orders, with fixed selling prices, when collection is reasonably assured.

Sales Allowances

The Company provides for the estimated costs of sales allowances at the time such costs can be reasonably estimated. The Company's products are made to customer specifications and tested for adherence to such specifications before shipment to customers. There are no future performance requirements other than the products' meeting the agreed specifications. The Company's bases for providing sales allowances for returns are known situations in which products may have failed due to manufacturing defects in the products supplied by the Company. The Company is focused on manufacturing the highest quality printed circuit materials and advanced composite materials and parts possible and employs stringent manufacturing process controls and works with raw material suppliers who have dedicated themselves to complying with the Company's specifications and technical requirements. The amounts of returns and allowances resulting from defective or damaged products have been approximately 1.0% of sales for each of the Company's last three fiscal years.

Accounts Receivable

The majority of the Company's accounts receivable are due from purchasers of the Company's printed circuit materials. Credit is extended based on evaluation of a customer's financial condition and, generally, collateral is not required. Accounts receivable are due within established payment terms and are stated at amounts due from customers net of an allowance for doubtful accounts. Accounts outstanding longer than established payment terms are considered past due. The Company determines its allowance by considering a number of factors, including the length of time accounts receivable are past due, the Company's previous loss history, the customer's current ability to pay its obligation to the Company, and the condition of the general economy and the industry as a whole. The Company writes off accounts receivable when they become uncollectible, and payments subsequently received on such receivables are credited to the allowance for doubtful accounts.

Allowances for Doubtful Accounts

The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. If the financial condition of the Company's customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Management's Discussion and Analysis of Financial Condition and Results of Operations

(continued)

Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market. The Company writes down its inventory for estimated obsolescence or unmarketability based upon the age of the inventory and assumptions about future demand for the Company's products and market conditions.

Valuation of Long-Lived Assets

The Company assesses the impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. Important factors that could trigger an impairment review include, but are not limited to, significant negative industry or economic trends and significant changes in the use of the Company's assets or strategy of the overall business.

Income Taxes

Carrying value of the Company's net deferred tax assets assumes that the Company will be able to generate sufficient future taxable income in certain tax jurisdictions, based on estimates and assumptions. If these estimates and assumptions change in the future, the Company may be required to record additional valuation allowances against its deferred tax assets resulting in additional income tax expense in the Company's consolidated statement of operations, or conversely to further reduce the existing valuation allowance resulting in less income tax expense. Management evaluates the realizability of the deferred tax assets quarterly and assesses the need for additional valuation allowances quarterly.

Restructurings

The Company recorded one-time pre-tax charges of \$5.7 million in the fourth quarter of the fiscal year ended March 1, 2009 related to the closure of the Company's New England Laminates Co., Inc. electronic materials business unit located in Newburgh, New York and the closure of the Company's Neltec Europe SAS electronic materials business unit located in Mirebeau, France and related to a workforce reduction and an asset impairment at the Company's Nelco Products Pte. Ltd. electronic materials and advanced composite materials business unit in Singapore. In the 2009 fiscal year third quarter, the Company recorded a one-time pre-tax charge of \$0.6 million related to restructurings at certain of its North American and European business units. The Company recorded a one-time pre-tax charge of \$1.4 million in the fourth quarter of the fiscal year ended March 2, 2008

in connection with a restructuring and workforce reduction at its Neltec Europe SAS business unit. Such restructurings and workforce reductions are described in Note 12 of the Notes to Consolidated Financial Statements in this Report and elsewhere in this Discussion.

Contingencies

The Company is subject to a small number of proceedings, lawsuits and other claims related to environmental, employment, product and other matters. The Company is required to assess the likelihood of any adverse judgments or outcomes in these matters as well as potential ranges of probable losses. A determination of the amount of reserves required, if any, for these contingencies is made after careful analysis of each individual issue. The required reserves may change in the future due to new developments in each matter or changes in approach, such as a change in settlement strategy in dealing with these matters.

The Company is obligated to pay up to an additional \$5.5 million over five years depending on the achievement of specified earn-out objectives in connection with the acquisition by the Company's wholly owned subsidiary, Park Aerospace Structures Corp., of substantially all the assets and business of Nova Composites, Inc., a manufacturer of composite parts and the tooling for such parts, located in Lynnwood, Washington, in addition to a cash purchase price of \$4.5 million paid at the closing of the acquisition on April 1, 2008.

Pension and Other Employee Benefit Programs

The Company's obligations for workers' compensation claims are effectively self-insured, although the Company maintains individual and aggregate stop-loss insurance coverage for such claims. The Company accrues its workers compensation liability based on estimates of the total exposure of known claims using historical experience and projected loss development factors less amounts previously paid out.

The Company and certain of its subsidiaries have a non-contributory profit sharing retirement plan covering their regular full-time employees. In addition, the Company's subsidiaries have various bonus and incentive compensation programs, some of which are determined at management's discretion.

The Company's reserves associated with these self-insured liabilities and benefit programs are reviewed by management for adequacy at the end of each reporting period.

Quantitative and Qualitative Disclosures About

Market Risk:

The Company is exposed to market risks for changes in foreign currency exchange rates and interest rates. The Company's primary foreign currency exchange exposure relates to the translation of the financial statements of foreign subsidiaries using currencies other than the U.S. dollar as their functional currency. The Company does not believe that a 10% fluctuation in foreign exchange rates would have had a material impact on its consolidated results of operations or financial position. The exposure to market risks for changes in interest rates relates to the Company's short-term investment portfolio. This

investment portfolio is managed in accordance with guidelines issued by the Company. These guidelines are designed to establish a high quality fixed income portfolio of government and highly rated corporate debt securities with a maximum weighted maturity of less than one year. The Company does not use derivative financial instruments in its investment portfolio. Based on the average anticipated maturity of the investment portfolio at the end of the 2009 fiscal year, a 10% increase in short-term interest rates would not have had a material impact on the consolidated results of operations or financial position of the Company.