



Energy Composites Corporation Reports Fiscal Year 2009 Results

WISCONSIN RAPIDS, Wis.--(BUSINESS WIRE)-- Energy Composites Corporation ("ECC") (OTCBB: ENCC) a leading provider of composites-based solutions to the clean-tech sector, today announced results for its fiscal year ended December 31, 2009. ECC announced full year revenues of \$8.3 million, down from \$8.7 million (\$9.2 million on a consolidated basis) in 2008.

During 2008, ECC enjoyed a beneficiary relationship with Fiberglass Piping & Fitting Company ("FPF"), a piping distribution company owned by ECC's largest shareholder, and M&W Fiberglass, LLC ("M&W"), a predecessor company to ECC. Both FPF and M&W were considered variable interest entities in 2008, thus requiring that ECC report financial performance on a consolidated basis with these entities for 2008. On December 30, 2008, ECC terminated that beneficial relationship with both entities. The figures used in the remainder of this release reflect ECC's results on a stand-alone basis by removing the results of M&W and FPF.

	2009	2008
Revenue	8,331,786	\$ 8,674,276
Cost of goods sold	6,851,225	7,455,339
Gross profit	1,480,561	1,218,937
Selling, general and administrative expenses	3,792,764	3,370,882
Loss from operations	(2,312,203)	(2,151,945)
Other expense	(1,932,383)	(4,175,385)



Income tax (provision) benefit	(1,855,000)	2,215,000
Net loss attributable to ECC	(6,099,586)	(4,112,330)

The 3.9% decline in revenues year over year reflected a \$531,000 increase in revenue from product sales and a \$874,000 decrease in revenue in field services, largely attributable to postponement and downsizing of outage-related projects driven by poor economic conditions. During the period, ECC reported a 3.7% improvement in gross margin, indicating strong progress in reducing manufacturing overheads, improving labor and asset utilization, and migrating towards higher margin business. The Company reported a 6.6% increase in selling, general and administrative expenses, derived primarily from the ramp up of its investment in the launch of the WindFiber™ wind blade production strategy.

Sam Fairchild, ECC's CEO, stated that, "Given the unprecedented weakening of the U.S. economy during 2009, I am relatively happy with our performance. Several of the strategic initiatives we started in late 2008 – leveraging our innovations in materials, design, manufacturing processes and product technologies and deepening our relationship with certain core customers, paid off for us in 2009 as we experienced a revenue decline that was substantially smaller than the levels reported by Lucintel for the composites fabrication industry. Holding our own in the context of top line was an important accomplishment, and I congratulate our associates for their efforts to preserve and grow market share during the period. Other strategic initiatives we started in 2008 and continued in 2009 will bear fruit in 2010, including recently finished redesign of our sales and marketing strategy. Now that Jim Thomas, our national sales director, has his regional sales structure in place, I am confident that he will deliver significant revenue growth over 2010, 2011 and beyond."



“We had hoped for much better results from our field services division”, Fairchild continued, “especially given our substantial investment during 2008 in field services capacity. The good news is that the outage and field services work that did not happen in 2009 has not gone away, and we are confident that the market will catch up with our capacity during 2010. I still believe that our decision to invest in the winders and other equipment needed for field services as well as deepen the capability of our field services team was the right one, and initial indications during the first few months of 2010 are that our clients will accelerate their demand for our field services throughout the year. I also want to congratulate our associates on their success in driving up gross margin in these particularly hard economic times. Those systemic changes in manufacturing overheads, labor productivity and, most importantly, proposal pipeline quality as we begin to leverage the advantages of our innovations will be with us for many years to come.”

“Our proposal pipeline for 2010 reflects our commitment to growing our field services operations,” Jamie Mancl, ECC’s founder and President, added. “We have a strong mix of onsite production projects, including near-site projects where we produce oversized tanks at a Great Lakes port for loading onto barges for delivery and installation, as well as a surge of maintenance, repair and overhaul opportunities across all of our legacy sectors, including flue gas desulfurization infrastructure at coal-fired power plants. I expect our results for 2010 in field services will be dramatically better than they were in 2009. I also expect that our RTP-1 accreditation process, which we tried to complete in 2009, will finish in 2010. Holding RTP-1 credentials will allow us to increase the size and bandwidth of our proposal pipeline and provide us with an additional measure of pricing strength. Both of these developments will generate further



improvements in our profitability since on-site revenues generally contribute higher gross margins than our traditional manufacturing operations.”

ECC reported a slight increase of \$160,258 in operating loss for 2009, primarily attributable to the planned selling, general and administrative costs associated with the implementation of the Company’s WindFiber™ strategy, the strengthening of the sales and marketing team, and a modest reduction in our total revenues, in sharp contrast with our composite fabrication peer group. Most of these investments and revenue results were offset by improvements in gross margin.

Jeff Keuntjes, ECC’s Vice President for Finance, noted that, “Except for revenues from field services operations, all of our operating numbers are within our operating plan’s expected range. I am particularly pleased with the results from our team’s efforts to improve gross margin. We have faced a particularly difficult economic environment during 2009, and have weathered it, all told, better than we might have predicted. While some of that weakness has manifested itself in the first quarter of 2010, we are seeing hard evidence that the capital goods market is returning, especially around field services. We continue our efforts to improve gross margin for 2010, especially around our reform of our proposal pipeline to focus more on bid opportunities where we can leverage our innovations in materials, including our XLCR abrasion-resistant coatings, design, production processes and product technologies.”

ECC recorded non-cash amortization of residual debt discounts for warrants and beneficial conversion feature related to the convertible debt – ECC’s primary source of capital – and interest expense of \$1.9 million, as well as a net income tax benefit of \$1.6 million. ECC also reserved a 100% valuation allowance



against its deferred tax assets with a non-cash charge of \$3.4 million in accordance with generally accepted accounting principles that require such accounting treatment when there is not a clear expectation of near-term use of the asset. ECC stated that it fully anticipates making use of the tax asset in 2010 and 2011, but that the Company's planned investments in WindFiber™ during 2010 makes it appropriate to make the reservation as of the end of 2009. These non-cash charges result in a net loss of \$6.1 million for 2009 compared to a net loss of \$4.1 million for 2008.

About Energy Composites Corporation

ECC operates a world-class, automated 73,000 sq. ft. climate-controlled manufacturing facility in Wisconsin Rapids, WI, employing advanced composite materials to design, engineer and manufacture complex composite structures, vessels and processing systems for a range of clean-tech applications that include: wind energy system components, flue gas desulfurization for power plants, infrastructure for biofuel storage and processing, infrastructure for managing waste water and drinking water storage, advanced municipal utilities infrastructure, and caustic material storage and handling systems for the petrochemical, mining and the pulp and paper industries. ECC also provides 24/7 field service crews nationwide for wind energy system composites maintenance, repair and overhaul; industrial retrofit, shutdown and maintenance; system installation; and repair and inspection services. For additional information, visit our website at www.energycompositescorp.com or contact Sam Fairchild at 1-800-787-5439.

Certain statements found in this press release may constitute forward-looking statements. Forward-looking statements are based on current expectations and



include any statement that does not directly relate to a current or historical fact. Such statements are generally identifiable by the terminology used, such as “anticipate,” “believe,” “intend,” “expect,” “plan,” or other similar words. Our forward-looking statements in this release generally relate to our expectations and beliefs with respect to our growth and expansion activities and plans. Although it is not possible to foresee all of the factors that may cause actual results to differ from our forward-looking statements, such factors include, among others, the following: (i) unforeseen delays, costs or liabilities associated with our growth and expansion plans; (ii) fluctuations in general economic conditions; and (iii) those risks described from time to time in our reports to the Securities and Exchange Commission. Investors should not consider any list of such factors to be an exhaustive statement of all of the risks, uncertainties or potentially inaccurate assumptions that could cause our current expectations or beliefs to change. Shareholders and other readers should not place undue reliance on “forward-looking statements” as such statements speak only as of the date of this release. We undertake no obligation to update publicly or revise any forward-looking statements, other than as required by law.