



ECC Reports Second-Quarter Results, Noting 18% Revenue Gain

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 the quarter ended June 30, 2009. ECC delivered an 18.1% increase in revenues for the quarter compared to the same period in 2008 and a 7.5% increase in gross profit. ECC’s core markets were generally softer, with many anticipated project starts shifting forward one to two quarters. ECC continued to invest in its own growth strategy during the quarter, including strengthening its sales and marketing programs, accelerating the implementation of its WindFiber™ strategy, rolling out its distribution arm under the Innovative Composites Solutions (ICS) brand, and upgrading employee capabilities through a series of training programs.

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 Advanced Fiberglass Technologies, Inc. (“AFT”). Both M&W and FPF were considered variable interest entities throughout 2008, thus requiring that ECC report financial performance on a consolidated basis 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.

	2nd Qtr 2009	2nd Qtr 2008
Revenue	\$ 1,936,656	\$ 1,639,335
Cost of goods sold	1,765,262	1,479,973
Gross profit	171,394	159,362

Selling, general and administrative expenses	881,846	653,545
Income (loss) from operations	<u>(710,452)</u>	<u>(494,183)</u>
Interest expense, including non-cash amortization of debt discounts related to convertible debt	(273,329)	(38,612)
Income tax benefit	<u>(404,000)</u>	<u>(213,000)</u>
Net loss	<u><u>(579,781)</u></u>	<u><u>(319,795)</u></u>

The increase in revenues quarter over quarter was attributable to continuing volume improvements in and strengthening of in-plant production for ECC's core markets, especially chemical storage and processing. ECC experienced softer field service revenues in the second quarter as several anticipated plant outages shifted forward several quarters. The increase in current quarter loss is largely driven by the continued investment the Company is making in growth, including investments in selling, estimating, designing and contract management infrastructure. The Company also took advantage of the softer quarter to execute a significant training program for employees to upgrade their OSHA compliance as well as train employees on the use and maintenance of the new field winder.

Sam Fairchild, ECC's CEO, stated that, "We did not meet our revenue targets this quarter, largely due to a systemic shifting of expected projects across all of our sectors one or two quarters to the right. While we are confident that we will capture all postponed revenue over the next twelve months, this quarter's results are clearly adversely affected by the shift.

These short term results, however, will not slow our expansion and diversification strategy. We continue to invest in our WindFiber™ strategy, and will have several significant contractual and personnel announcements soon as our new



350,000 square foot plant moves closer toward reality. We have continued to invest in a stronger sales and marketing platform as well as more solid in-house capability to prepare bids, design composite solutions, engineer product outcomes and manage contract execution. On all fronts, we are meeting our internal timetables for upgrading these areas.”

Mr. Fairchild continued, “We also took the opportunity to complete our major employee training objectives during the quarter by upgrading all OSHA workplace safety-related training as well as providing focused training to employees who will be responsible for the operation of our new mobile vertical winder. We remain confident that making these platform investments now will pay shareholders substantial dividends throughout the rest of 2009 and during 2010. We are bullish on the mid and long-term wind market, especially with regards to our Great Lakes Strategy, and we are nearing success in our marketing program to capture demand for cost-effective replacements for wastewater infrastructure throughout the Southern US. 2009 and 2010 appear to be very favorable for the value proposition we offer customers in each of our market sectors.”

“While I wish economic conditions had been kinder to us this quarter, I am very pleased with how our Employee-Associates are helping us weather the storm,” Jamie Mancl, ECC’s founder and President, added. “Our folks did a great job completing our large chlor-alkali project and then turned their focus towards learning the new vertical winder. We are now better positioned to react to a returning market over the next several quarters.”

Mr. Mancl said, “We are also working hard integrating several new materials into our composite solutions, and will have some announcements on that progress soon. I am also excited with our WindFiber™ strategy progress, and pleased with our strong relationship with Adrian Williams in making that a reality.”

ECC reported a net loss from operations during the second quarter of 2009 of \$0.71 million, compared to \$0.49 million during the second quarter of 2008. Much of that shift was the result of higher cost of goods sold (“COGS”), itself the product of raw materials, manufacturing labor and manufacturing overhead as

well as a product mix that required a much higher percentage of labor to be union pipefitters. The rest of the 2009 operational loss was driven by ECC's investment in the selling and corporate overhead required to facilitate and manage ECC's growth plan. Selling, general and administrative expenses ("SGA") increased from 40% of revenue in the second quarter of 2008 to 45% in the second quarter of 2009. Much of this increase came from increased headcount in ECC's sales and marketing force and the administrative resources to support the sales effort. Most of the remainder of the SGA increase relates to increased corporate headcount and associated expenses to accommodate the requirements associated with being a public company. SGA remained unchanged from the first quarter of 2009.

Jeff Keuntjes, ECC's Vice President, Finance, noted that "Our operating results are below our operating plan's expected range due to the postponement of expected projects, a sales mix shift requiring a higher level of union pipefitters, and increased SG&A expenditures related to ECC's growth plans. However, with the increase in revenue from 2008 we have realized improvement this quarter in manufacturing overhead as a percent of revenue. We believe that we will recapture much of the postponed work and that new production efficiencies we have been developing over the last several months will help drive improved margins into 2010."

Sam Fairchild said, "We are still on schedule to deliver a high level of shareholder return for the rest of 2009, throughout 2010 and beyond. Our strategic platform investments, coupled with our market positioning and our progress on innovations will begin to drive substantial value as the economy strengthens and the wind energy market returns to its previous growth pace. ECC's Employee-Associates have been at the core of this progress, and Jamie and Jennifer Mancl join me in thanking them for their continued belief in our model and in what we are trying to accomplish. Our future ability to deliver value will also depend in part on the continuing strength of our relationship with the City of Wisconsin Rapids, Wisconsin, the State of Wisconsin, and our many local partners."

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.