



**ZCL Composites Reports  
Record Second Quarter 2008 Revenue and Net Income**

Edmonton, Alberta, August 11, 2008 – ZCL Composites Inc. (TSX: ZCL) announced today that it achieved record revenue and net income for the second quarter ended June 30, 2008. ZCL also disclosed that it remains on track to meet its financial targets for the full year.

**Second Quarter 2008 Highlights** (Q2 2008 compared to Q2 2007)

- Record revenue of \$33.0 million, up 16% from \$28.5 million
- Record net income of \$3.2 million, up 51% from \$2.1 million
- Record diluted earnings per share of \$0.12, up 50% from \$0.08
- Backlog of \$28.6 million, up 37% from \$21.0 million at June 30, 2007

**First Half 2008 Highlights** (First Half of 2008 compared to First Half of 2007)

- Revenue of \$56.8 million, up 31% from \$43.5 million
- Net income of \$4.6 million, up 107% from \$2.2 million
- Diluted earnings per share of \$0.17, up 89% from \$0.09

“The record second quarter revenue and net income resulted from increased fibreglass tank sales to downstream petroleum customers in both Canada and the US and increased product sales for tank lining installations primarily in Florida.” said Ven Côté, ZCL’s President and CEO. “With half the year now behind us, we are well positioned to meet our 2008 financial targets, especially considering that the second half of the year is traditionally stronger than the first half and that our backlog is higher than a year ago.”

The strong growth for the first half of 2008 reflects the factors noted for the second quarter plus a full six month contribution from the Company’s US operations, acquired in February last year, compared to just over four months in the first half of 2007. ZCL entered the US market when it acquired Xerxes Corporation on February 22, 2007.

**Targets Compared With Results**

With the results achieved through the first half of 2008, management believes that ZCL is on track to achieve its 2008 revenue and EBITDA (earnings before interest, taxes, depreciation and amortization) targets originally disclosed in March 2008.

The 2008 revenue target is for growth of more than 20% compared to the prior year. The 16% revenue increase in the second quarter was below the annual target primarily due to the average US to Canadian dollar conversion rate decreasing to approximately 1.01 in the second quarter of 2008, compared to 1.10 in the same quarter last year. The Company generates significant revenue denominated in US dollars and if a consistent conversion rate was in effect each period, total revenue for the second quarter would have been up approximately 22% over the second quarter last year. The 20% revenue growth target for 2008 assumes an average US to Canadian dollar conversion rate of 1.00 in 2008, which is relatively consistent

with the experience through the first half of 2008 and the second half of 2007. The revenue growth of 31% through the first half of 2008 exceeded the target due to the timing of the acquisition of Xerxes.

The 2008 target for EBITDA is to achieve a margin of 16.0% of revenue compared to 13.9% in the prior year. In the second quarter of 2008, EBITDA represented 17% of revenue, ahead of the annual target and up significantly from 13.9% in the same quarter last year. Through the first half of 2008, EBITDA represented 14.7% of revenue, up from 11.8% for the first half of 2007. Historically, the Company's margin improves in the second half of the year due to higher revenue levels.

### **Key Factors Affecting Outlook**

Supporting the outlook for 2008 was strong growth in ZCL's sales order backlog. As at June 30, 2008, the backlog was \$28.6 million, up 32% from \$21.7 million at March 31, 2008 and up 37% from \$21.0 million at June 30, 2007. For comparability purposes, the US dollar denominated portion of the backlog for all three periods was translated into Canadian dollars at the June 30, 2008 closing rate of 1.01.

A significant portion of the backlog growth resulted from a 41% increase in tank orders received in the US in the first half of 2008, compared to the same six month period in 2007. This order growth reflects a strong increase in orders for both downstream petroleum tanks and water and wastewater tanks. Management believes that the downstream order growth resulted from the capture of increased market share in the US due to higher steel prices and the decision by the Steel Tank Institute ("STI") to reduce the warranty on new STI licensed tanks to 10 years from 30 years effective January 1, 2008. ZCL's warranty for fibreglass tanks remains intact at 30 years.

The backlog increase was also due to a new three year contract, executed in the second quarter, for the installation of ZCL's lining system in Hong Kong. "In the second quarter, we were also proud to have received the prestigious "CHESM" (Chevron's Health, Environment and Safety Management) award in Hong Kong," noted Mr. Côté. "The receipt of this award recognizes our commitment to safety and our desire and ability to meet customer expectations."

Other factors continuing to impact management's outlook for the remainder of 2008 and beyond include:

- Strong growth opportunities in the water and wastewater market. Currently, the Company has a very small share of this substantial market and management believes that ZCL's watertight and easy to install fibreglass tanks are an ideal alternative to the concrete products that have traditionally dominated this market. Over the past few years, strong growth in water and wastewater sales has been generated. Through the first half of 2008, water and wastewater revenue was relatively consistent with the prior year, however the orders received and related backlog have shown strong growth. To further capitalize on this opportunity, sales resources continue to be expanded and dedicated to this market in both Canada and the US. Management believes that over time, this fast growing part of the business may become larger than the market for petroleum storage solutions.
- Continued strong support for ZCL's petroleum liquid storage solutions as evidenced by the contract extensions announced earlier this year and the two year contract executed with Ultramar Ltd. in the second quarter. The ZCL team takes significant pride in these contracts as they are an expression of confidence in the Company's ability to consistently supply high quality products and a value added approach to customer service. The Company intends to continue to grow its presence in the petroleum market by further capitalizing on the strength of its product solutions and approach to customer service.

- Regulations adopted by the state of Florida that require all existing single wall underground petroleum storage tanks to be upgraded or replaced with a secondary containment system by the end of 2009. In an article that appeared in the Tampa Tribune earlier this year, it was indicated that “about 40% or 3,200 of the state’s gas stations have not yet complied”. This leaves upwards of 10,000 plus tanks that need to be upgraded, replaced or shutdown by the end of 2009. A significant increase in short-term demand could result, given that annual demand for the entire US market is typically 12,000 to 15,000 tanks. Through the first half of 2008, the Company has experienced higher product sales for the purpose of lining tanks primarily in Florida; however tank sales in Florida have remained relatively consistent compared with the same period a year earlier. Based on information gathered from state authorities, management believes that the Company is not losing market share as the total number of new tanks installed in Florida, by ZCL and others, has decreased in the first half of 2008 compared with the same period in 2007.
- Higher natural gas prices in 2008, while not having an impact to date, could result in increased Canadian upstream activity in future periods if prices remain strong over the longer term.
- Opportunities for ZCL’s technology in the coal-burning power plant industry due to the regulatory push towards reducing sulphur dioxide emissions. The Company has received expressions of interest for its corrosion resistant fibreglass technology and management believes ZCL’s technology is an ideal and cost effective solution for use in scrubbers and chimney stacks that remove sulphur dioxide from flue gas emissions.

“With our superior, environmentally friendly fibreglass products and attractive market opportunities, we remain optimistic about our long-term profitable growth objective of 15% to 20% per annum and a medium-term objective of improving EBITDA to 20% of revenue,” said Mr. Côté. These objectives reflect expectations for organic growth and do not take into account growth related to potential new acquisitions. With a strong balance sheet, management believes that ZCL is well positioned to take advantage of strategic and accretive acquisition opportunities that may become available.”

### Summary Financial Results

#### Three Months Ended June 30

(in thousands, except per share amounts)	2008	2007	% change
Revenue	\$33,014	\$28,532	16%
Net Income	\$3,202	\$2,126	51%
Net income per share (diluted)	\$0.12	\$0.08	50%
Average number of shares (diluted)	26,595	26,548	-

#### Six Months Ended June 30

(in thousands, except per share amounts)	2008	2007	% change
Revenue	\$56,811	\$43,477	31%
Net Income	\$4,555	\$2,203	107%
Net income per share (diluted)	\$0.17	\$0.09	89%
Average number of shares (diluted)	26,595	25,413	5%

The Company’s Management’s Discussion and Analysis (“MD&A”) and unaudited interim consolidated financial statements for the three and six months ended June 30, 2008 are available on SEDAR at [www.sedar.com](http://www.sedar.com) and the ZCL website at [www.zcl.com/investors/corpdisclosure.html](http://www.zcl.com/investors/corpdisclosure.html). The unaudited interim Consolidated Balance Sheets, Consolidated Statements of Income and the Consolidated Statements of Cash Flows are also attached.

## **Conference Call**

ZCL Composites Inc. has scheduled an investor conference call for 9:00 am Mountain Time (11:00 am Eastern Time) on Monday, August 11, 2008, to discuss its financial and operating results for the second quarter ended June 30, 2008.

To access the conference call by telephone, please call 416-644-3414 from the Greater Toronto Area, or dial toll-free 1-800-732-9303 from elsewhere in North America. An audio webcast may be accessed through the investor events tab on the ZCL Composites website. Audio replays will be available on the ZCL Composites website shortly after the conclusion of the conference call.

## **About ZCL**

ZCL Composites Inc. is North America's largest underground fibreglass tank manufacturer. ZCL's complete fuel storage systems marketed under the "Prezerver" trademark carry a \$2 million warranty against pollution.

## **Note on EBITDA**

While EBITDA is not a financial measure under Generally Accepted Accounting Principles (GAAP), management uses it to make strategic decisions and set targets. Many financial analysts also use EBITDA to make investment decisions because it helps assess changes in ZCL's business across different time periods. Investors should not consider EBITDA as an alternative to net income, cash flow or other indicators of performance or liquidity which have been determined under GAAP. EBITDA does not have any standardized meaning prescribed by GAAP and may be different from, and therefore not comparable to EBITDA measures used by other companies. A table has been included in the Company's MD&A for the second quarter of 2008 that reconciles net income from continuing operations to EBITDA.

## **Advisory Regarding Forward-Looking Statements**

This document contains forward-looking statements under the heading "Key Factors Affecting Outlook" and elsewhere concerning future events or the Company's future performance, including the Company's projected operating results for 2008 and beyond, revenue and EBITDA targets, business opportunities in the petroleum, water/wastewater and other markets, anticipated capital expenditure trends and activity in the petroleum and other industries and markets served by the Company. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. Actual events or results may differ materially from those reflected in the Company's forward-looking statements due to a number of known and unknown risks, uncertainties and other factors affecting the Company's business and the industries the Company serves generally. These factors include, but are not limited to, fluctuations in the level of petroleum industry capital expenditures, drilling activity and oil and natural gas prices, and other factors that affect demand for the Company's products and services, industry competition, the need to effectively integrate acquired businesses, uncertainties as to the Company's ability to implement its business strategy effectively in Canada and the United States, political and economic conditions, the Company's ability to attract and retain key personnel, and other risks and uncertainties described under the heading "Risk Factors" in the Company's Annual Information Form for the year ended December 31, 2007, and elsewhere in other documents filed with Canadian provincial securities authorities. These documents are available to the public at [www.sedar.com](http://www.sedar.com).

The Company believes that the expectations reflected in these forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this report should not be unduly relied upon. These statements speak only as of the

date of this report. The Company does not undertake to update any forward-looking statement, whether written or oral, that may be made from time to time by the Company or on the Company's behalf, whether as a result of new information, future events, or otherwise, except as may be required under applicable securities laws. The forward-looking statements contained in this document are expressly qualified by this cautionary statement.

For further information, please contact:

Ven Côté  
President & CEO  
ZCL Composites Inc.  
(780) 466-6648  
ven.cote@zcl.com

Darin Coutu  
Chief Financial Officer  
ZCL Composites Inc.  
(780) 466-6648  
darin.coutu@zcl.com

# ZCL Composites Inc.

## Consolidated Balance Sheets

As at June 30, 2008 and December 31, 2007

(Unaudited)

	June 30, 2008	December 31, 2007
(in thousands of dollars)	\$	\$
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	2,439	2,033
Accounts receivable	19,502	16,595
Inventories	20,020	16,218
Income taxes recoverable	1,038	—
Prepaid expenses	1,139	661
Future tax assets	163	416
	<b>44,301</b>	35,923
Property, plant and equipment	22,046	20,749
Deferred development costs	687	819
Intangible assets	8,257	8,995
Goodwill	28,011	27,327
Other assets	555	555
	<b>103,857</b>	94,368
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Bank indebtedness	6,734	150
Accounts payable and accrued liabilities	12,925	10,886
Accrued pension liability	292	284
Income taxes payable	70	511
Deferred revenue	1,774	1,490
Current portion of long term debt	1,960	1,960
	<b>23,755</b>	15,281
Future tax liabilities	4,499	4,623
Long term debt	5,500	6,978
	<b>33,754</b>	26,882
Commitments and contingencies		
<b>Shareholders' equity</b>		
Share capital	62,190	62,190
Contributed surplus	491	449
Accumulated other comprehensive loss	(7,536)	(8,729)
Retained earnings	14,958	13,576
	<b>70,103</b>	67,486
	<b>103,857</b>	94,368

**ZCL Composites Inc.**  
**Consolidated Statements of Income**  
For the periods ended June 30  
(Unaudited)

	Three months		Six months	
	2008	2007	2008	2007
(in thousands of dollars, except per share amounts)	\$	\$	\$	\$
<b>Revenue</b>	<b>33,014</b>	28,532	<b>56,811</b>	43,477
Manufacturing and selling costs	<b>25,165</b>	22,813	<b>44,403</b>	35,373
	<b>7,849</b>	5,719	<b>12,408</b>	8,104
General and administration	<b>2,246</b>	1,765	<b>4,041</b>	2,987
Amortization	<b>919</b>	926	<b>1,736</b>	1,678
Financing expense	<b>215</b>	223	<b>348</b>	568
	<b>3,380</b>	2,914	<b>6,125</b>	5,233
Income before income taxes	<b>4,469</b>	2,805	<b>6,283</b>	2,871
<b>Income tax expense (recovery)</b>				
Current	<b>1,208</b>	1,016	<b>1,708</b>	1,107
Future	<b>59</b>	(337)	<b>20</b>	(439)
	<b>1,267</b>	679	<b>1,728</b>	668
<b>Net income</b>	<b>3,202</b>	2,126	<b>4,555</b>	2,203
<b>Earnings per share</b>				
Basic	<b>\$0.12</b>	\$0.08	<b>\$0.17</b>	\$0.09
Diluted	<b>\$0.12</b>	\$0.08	<b>\$0.17</b>	\$0.09

**ZCL Composites Inc.**  
**Consolidated Statements of Cash Flows**  
For the periods ended June 30  
(Unaudited)

	Three months		Six months	
	2008	2007	2008	2007
(in thousands of dollars)	\$	\$	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net income	3,202	2,126	4,555	2,203
Add items not affecting cash:				
Amortization expense	919	926	1,736	1,678
Future tax expense (recovery)	59	(337)	20	(439)
Stock-based compensation expense	21	54	42	109
	4,201	2,769	6,353	3,551
Changes in non-cash working capital:				
Decrease (increase) in accounts receivable	(2,819)	2,558	(2,696)	16
Increase in inventories	(340)	(633)	(3,636)	(2,043)
(Increase) decrease in prepaid expenses	(679)	23	(461)	(82)
(Decrease) increase in accounts payable and accrued liabilities	487	(1,152)	1,858	(1,047)
(Decrease) increase in deferred revenue	93	(179)	253	67
(Decrease) increase in income taxes payable	587	1,053	(1,506)	(593)
<b>Cash flows from (used in) operating activities</b>	<b>1,530</b>	<b>4,439</b>	<b>165</b>	<b>(131)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Issue of common shares	—	117	—	37,813
Net advances of bank indebtedness	2,619	2,265	6,584	5,963
Dividends paid	(3,173)	(2,600)	(3,173)	(2,600)
Net cash received on long term debt	—	—	—	20,000
Repayment of long term debt	(500)	(500)	(1,500)	(10,500)
<b>Cash flows from (used in) financing activities</b>	<b>(1,054)</b>	<b>(718)</b>	<b>1,911</b>	<b>50,676</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Business acquisition, including bank indebtedness assumed and repaid	—	—	—	(52,648)
Purchase of property, plant and equipment	(577)	(801)	(1,705)	(1,464)
Other	—	—	—	(74)
<b>Cash flows used in investing activities</b>	<b>(577)</b>	<b>(801)</b>	<b>(1,705)</b>	<b>(54,186)</b>
Foreign exchange gain (loss) on cash held in foreign currency	(40)	(223)	35	(237)
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(141)</b>	<b>2,697</b>	<b>406</b>	<b>(3,878)</b>
Cash and cash equivalents, beginning of the period	2,580	1,227	2,033	7,802
<b>Cash and cash equivalents, end of the period</b>	<b>2,439</b>	<b>3,924</b>	<b>2,439</b>	<b>3,924</b>