



## ZCL Composites Reports First Quarter 2009 Financial Results

Edmonton, Alberta, May 7, 2009—ZCL Composites Inc. (TSX: ZCL) today announced financial results for the first quarter ended March 31, 2009.

### Q1 2009 summary compared with Q1 2008

- Net loss of \$1.4 million, compared with net income of \$1.4 million
- Diluted loss per share of \$0.05, compared with diluted earnings per share of \$0.05
- Revenue of \$19.7 million, down 17% from \$23.8 million
- Backlog of \$25.4 million, up 16% from \$21.9 million

“These financial results reflect our typically slower first quarter combined with the impact of the North American economy,” said Ven Côté, ZCL’s President and Chief Executive Officer. “As we anticipated, some of our customers were impacted by the economic downturn, lower commodity prices and, in some cases, a scarcity of credit. Looking ahead, we expect revenue and earnings to improve in the seasonally stronger second quarter. We also expect to continue to capitalize on opportunities to capture market share in the downstream petroleum, water and wastewater and international markets.”

“An exception to the overall revenue decline was sales to major retail petroleum customers, which rose in the first quarter of 2009 compared to the first quarter of 2008. This increase was due to the new customers that we added in 2008 and early in 2009”, commented Mr. Côté. “We attribute the customer growth to an increasing recognition of the superior corrosion resistant properties of fibreglass.”

At the end of the first quarter of 2009, ZCL remained in a strong financial position with working capital of \$24.9 million, total assets of \$120.9 million and long term debt of \$6.0 million. Working capital at the end of the first quarter was significantly higher than \$17.8 million a year earlier, but was down from \$28.9 million at December 31, 2008.

ZCL’s backlog totalled \$25.4 million at March 31, 2009, up 17% from \$21.8 million at December 31, 2008 and up 16% from \$21.9 million at March 31, 2008. The increase from December 31, 2008 reflects the seasonality of ZCL’s business and the increase from March 31, 2008 was due to a higher US to Canadian dollar conversion rate.

### Outlook

Looking ahead, revenue and earnings are expected to improve in the seasonally stronger second quarter, however trending lower than the same quarter last year. For 2009 as a whole, the Company is now targeting to achieve revenue consistent with 2008, but even so, the current economic environment may lead to lower revenue in 2009 compared with 2008. Notwithstanding the economy, the Company expects to generate solid profitability over the balance of the year.

The Company also remains focused on pursuing initiatives to continue to capture market share in the downstream petroleum, water and wastewater and international markets.

### *Downstream Petroleum Market*

Downstream petroleum revenue declined in the first quarter of 2009, compared to the first quarter of 2008, as lower distributor sales more than offset increased sales direct to major retail service station owners. The Company believes that the lower distributor sales resulted from the impact of the economy, while the increased sales to major downstream petroleum customers reflected the continued attraction of new customers and the consistent buying patterns and financial strength of these larger companies.

The Company continued to attract new downstream petroleum customers in the first quarter, continuing the trend from 2008. Management believes this customer growth reflects growing recognition by retail service station owners that steel petroleum storage tanks are subject to internal corrosion and that fibreglass tanks, such as ZCL's, have superior corrosion resistant properties. Two factors that have contributed to the growing recognition of internal corrosion are advances in the use of biofuels which create a more corrosive environment and a 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 against corrosion for its fibreglass tanks remains intact at 30 years.

### *Prezerver® Enhanced Protection Program*

ZCL recently introduced its insurance backed Prezerver® Enhanced Protection Program to US customers. This program, which provides customers with third-party liability and pollution coverage, has allowed ZCL to differentiate itself in the Canadian downstream market and should further help ZCL to grow market share in the US downstream market.

### *Regulation in Florida*

In the state of Florida, regulators have set a deadline of December 31, 2009 for all existing underground single wall petroleum storage tanks to be upgraded or replaced with a secondary containment system. Even with the approaching deadline, sales of both new tanks and materials for Phoenix System™ lining installations in Florida were down in the first quarter of 2009 compared to the same quarter last year. Overall for 2009, tank and lining related sales for Florida are expected to be similar to 2008, but with the purchases primarily occurring in the second half of the year.

While many site owners will not complete the upgrades by the deadline for financial reasons, the station owners will then have a further two years to decide whether to upgrade to secondary containment or pay for the permanent decommissioning of their tanks. ZCL remains optimistic that a number of these Florida service stations will choose to upgrade by the end of 2011 if they miss the 2009 deadline.

### *Water and Wastewater Market*

Over the past number of years, the Company has generated strong growth from the water and wastewater market. With this growth, water and wastewater sales now account for roughly 20% of ZCL's total revenue. While sales were down in the first quarter of 2009, the Company continues to believe that growth is achievable through the continued identification and pursuit of new opportunities and through the capture of market share since ZCL only has a very small share of the substantial market. Customers are beginning to realize that ZCL's watertight and easy to install fibreglass tanks are an ideal alternative to the concrete products that have traditionally dominated this market. Additional resources and initiatives have been directed to this market and these investments are expected to contribute to continued growth.

### *International and Other Markets*

ZCL has increased its focus on attracting international licensees for its tank manufacturing and Phoenix System™ technologies. Strong interest has been generated to date and it is expected that new license agreements will be completed in 2009. The license agreements provide upfront payments and ongoing royalties and will result in the sale of ZCL proprietary products that are required in the manufacturing or installation of certain of the licensed products.

ZCL also continues to pursue additional opportunities for its tank lining system in the US, and in Canada, Europe and South East Asia. Success was achieved in the first quarter of 2009 with new sites completed for a customer in the US and more installations are planned over the remainder of 2009. In addition, contracted installations in Hong Kong in 2009 are expected to be similar to 2008.

### *Foreign Exchange Rates*

Foreign exchange rates will have an impact on revenue and expenses in 2009 as approximately two-thirds of ZCL's business activity is denominated in US dollars. In 2008, the US to Canadian dollar conversion rate averaged approximately 1.07, with the rate averaging about 1.02 through the first nine months and increasing to 1.22 in the fourth quarter. The conversion rate has remained in the 1.20 range through the early part of 2009. A higher US dollar relative to the Canadian dollar is expected to have a positive impact on overall revenue and earnings.

### *Summary*

Over the longer term, ZCL's objective of achieving average revenue growth of 15% to 20% per annum remains intact, as does the objective of improving EBITDA to 20% of revenue. ZCL has a strong balance sheet, and as a result, is well positioned to take advantage of strategic business development and acquisition opportunities that may become available.

### **Summary Financial Results**

#### **First quarter ended March 31**

(in thousands, except per share amounts)	<b>2009</b>	<b>2008</b>
Revenue	\$19,681	\$23,797
Net income (loss)	(\$1,356)	\$1,353
Diluted earnings (loss) per share	(\$0.05)	\$0.05
Average number of shares (diluted)	26,456	26,596

The management's discussion and analysis ("MD&A") and unaudited interim consolidated financial statements for the quarter ended March 31, 2009 are available on the ZCL website at this link: [www.zcl.com/investors/corpdisclosure.html](http://www.zcl.com/investors/corpdisclosure.html).

## **Conference Call**

ZCL Composites Inc. has scheduled an investor conference call for 9:30 a.m. Mountain Time (11:30 a.m. Eastern Time) on Friday, May 8, 2009, to discuss its financial and operating results for the first quarter and year ended March 31, 2009.

To access the conference call by telephone, please dial toll free 1-800-587-1893 from anywhere 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.

The conference call will include prepared remarks by ZCL's President and Chief Executive Officer, Ven Côté, and by ZCL's Chief Financial Officer, Darin Coutu. After the prepared remarks, ZCL will accept questions from analysts and institutional investors. The public is invited to listen to the conference call in real time or by replay.

## **Note on Backlog**

Backlog is defined as the total value of orders that management has assessed as having a high certainty of being performed because of the existence of a contract or purchase order specifying the scope, value and timing of an order.

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

This document contains forward-looking statements under the heading "Outlook" and elsewhere concerning future events or the Company's future performance, including the Company's objectives for revenue growth and EBITDA (earnings before interest, taxes, depreciation and amortization), business opportunities in the petroleum, water and wastewater, international and other markets, outlook for raw material costs and production efficiencies, 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 capital expenditures in the petroleum and water and wastewater markets, 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, raw material and labour costs, fluctuations in the US and Canadian dollar exchange rates, and other risks and uncertainties described under the heading "Risk Factors" in the Company's most recent Annual Information Form, and elsewhere in the Company's management's discussion and analysis for the quarter ended March 31, 2009 and other documents filed with Canadian provincial securities authorities. These documents are available to the public at [www.sedar.com](http://www.sedar.com).

In addition to the factors noted above, management cautions readers that the significant economic instability in the world today could have a negative impact on the markets in which the Company operates and on the Company's ability to achieve its financial targets. Factors such as the economic downturn in the US and Canada, tighter lending standards, volatile capital markets, falling commodity prices, the severity of the US housing crisis and other factors could negatively impact demand and the Company's ability to grow or sustain revenues and earnings. Fluctuations in the US to Canadian dollar conversion rate also have the potential to impact the Company's revenues and earnings.

The Company believes that the expectations reflected in the 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.

The forward-looking statements in this report 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.

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