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CPAC, Inc. Announces Fourth Quarter and Full-Year Results

LEICESTER, NY... June 29, 2004 – CPAC, Inc. (Nasdaq: CPAK) today reported fourth quarter and full-year results for the fiscal year ended March 31, 2004. These results reflect an impairment loss related to the Company's minority equity investment in a German company.

On June 10, 2004 the Board of Directors declared a quarterly cash dividend in the amount of \$0.07 per share, payable on June 28, 2004 to shareholders of record at the close of business on June 21, 2004.

Q4 Consolidated Results

Net sales for the fourth quarter totaled \$22.8 million compared to \$23.2 million for the same quarter last year, a decrease of 1.8% (a 4.4% decrease excluding the impact of foreign currency exchange.)

During the fourth quarter, the Company recognized a \$2.3 million impairment charge (\$0.47 per diluted share) related to the carrying value of its investment in TURA AG, a German photographic paper distributor, which has sustained continuing operating losses over the last 18 months. This charge was agreed to by consensus, as TURA's financial difficulties are believed to be other than temporary. While cross-distribution agreements with TURA have brought increased market opportunities, the changing worldwide Imaging marketplace, coupled with TURA's strained financial condition, makes the future economic benefits of this relationship uncertain at this time.

The Company also incurred expenses in the quarter of \$144,000 related to the consolidation of its domestic Imaging facilities that impacted earnings by approximately \$(0.02) per diluted share. The Company's consolidated net loss was \$(2.7) million or \$(0.55) per diluted share for the fourth quarter. Exclusive of these non-recurring items, the Company lost approximately \$(308,000) or \$(0.06) per diluted share during the quarter ended March 31, 2004 versus net income of \$431,000 or \$0.09 per diluted share for the same period last year (*see supplemental note.*)

"CPAC continues to focus on its long term objectives in both segments," said Thomas N. Hendrickson, CPAC's President and CEO. "In Fuller Brands, the focus is on entry into retail and other new channels with our recognized brands. In Imaging, our initiatives include domestic cost reduction and international expansion. While positioning the Company for future success, additional costs and resources associated with the execution of these strategies continued in the fourth quarter and throughout fiscal '04. We expect a return to profitability in fiscal '05."

Q4 Results and Highlights by Segment

Fuller Brands Segment

Fourth quarter net sales in the Fuller Brands segment were \$12.9 million versus \$13.3 million last year. Operating profit for the period was \$144,000 compared with \$516,000 for the fourth quarter of fiscal 2003.

- The Fuller Brush Company sales were up 7% versus prior year's fourth quarter, due to increases in its television home shopping and retail store initiatives. Profits in the quarter were impacted by the loss of a significant OEM customer and start-up costs for its retail initiative.
- Cleaning Technologies Group (CTG) sales were off by 12% for the quarter, largely the result of lower distributor sales to school districts and a reduction in floor care products sales.
- Stanley Home Products sales were down 3%.

Imaging Segment

Fourth quarter Imaging segment sales were flat at \$9.9 million versus \$9.9 million last year (a decrease of 6.5% excluding the impact of foreign currency exchange.) Operating loss was \$(222,000) compared with operating income of \$236,000 in last year's fourth quarter.

- The strength of the Euro against the dollar continued to create unfavorable export pricing in operations in Belgium and Italy, and made the sale of German-made (TURA) products into its export markets cost prohibitive.
- CPAC Asia reported double-digit sales increases versus the prior year.
- CPAC Africa, the smallest of CPAC's international operations, continued its strong move into the Health Care market with significant new private-label accounts.

Full Year Results

- For the twelve months ended March 31, 2004, net sales decreased 5.5% to \$90.0 million versus \$95.3 million for the same period last year (a 7.5% decrease excluding the impact of foreign currency exchange.)
- On April 1, 2003 the Company had approximately \$9.9 million in cash on hand. During this fiscal year, \$2.7 million was invested in new property and equipment, debt in the amount of \$862,000 was retired, and shareholder dividends of \$1.4 million were distributed. On March 31, 2004 the Company had \$7.7 million in cash and working capital of \$30.0 million.

- For the full year, the Company recorded restructuring expenses of \$0.15 per diluted share related to its Imaging consolidation; a loss of \$0.12 per diluted share due to its equity in losses of TURA; and a charge of \$0.47 per diluted share in recognition of the TURA investment impairment charge.
- The Company reported a net loss of \$(3.4) million or \$(0.68) per diluted share for FY '04. Comparatively, in FY '03, CPAC, Inc. adopted SFAS No. 142, "Goodwill and Other Intangible Assets" and, after accounting for this change, reported a full year net loss of \$(4.2) million or \$(0.84) per diluted share.

About CPAC, Inc.

Established in 1969, CPAC, Inc. (cpac.com) manages holdings in two industries. The Fuller Brands segment manufactures commercial, industrial, and household cleaning products, as well as custom brushes and personal care lines. The CPAC Imaging segment develops and markets innovative Imaging chemicals, equipment, and supplies at eight operations worldwide. Products are sold under more than 350 registered trademarks. Stock is traded under the symbol: CPAK.

Except for the historical matters contained herein, statements in this press release are forward-looking and are made pursuant to the safe harbor provisions of the Securities Litigation Reform Act of 1995. Investors are cautioned that forward-looking statements involve risks and uncertainties that may affect CPAC's business and prospects, including economic, competitive, governmental, technological, and other factors discussed in CPAC's filings with the Securities and Exchange Commission.

(Tables follow)

CPAC, Inc.
RESULTS OF OPERATIONS DATA
MARCH 31, 2004 and MARCH 31, 2003
(UNAUDITED)

	<u>Three months ended</u>			<u>Twelve months ended</u>		
	<u>2004</u>	<u>2003</u>	<u>% change</u>	<u>2004</u>	<u>2003</u>	<u>% change</u>
Net sales:						
Fuller Brands	\$ 12,938,689	\$ 13,328,957	(2.9)	\$ 52,101,111	\$ 56,068,290	(7.1)
Imaging	<u>9,850,801</u>	<u>9,867,403</u>	(0.2)	<u>37,909,634</u>	<u>39,222,050</u>	(3.3)
Total sales:	<u>\$ 22,789,490</u>	<u>\$ 23,196,360</u>	(1.8)	<u>\$ 90,010,745</u>	<u>\$ 95,290,340</u>	(5.5)
Income (loss) before cumulative effect of change in accounting principle	\$ (2,713,911)	\$ 430,850 **	N/M	\$ (3,349,540)	\$ 2,041,435 **	N/M
Cumulative effect of change in accounting principle*	<u>\$ 0</u>	<u>\$ 0</u>		<u>\$ 0</u>	<u>\$ (6,281,251)</u>	N/M
Net income (loss)	<u>\$ (2,713,911)</u>	<u>\$ 430,850 **</u>	N/M	<u>\$ (3,349,540)</u>	<u>\$ (4,239,816) **</u>	N/M
Income (loss) per common share (diluted):						
Before cumulative effect of change in accounting principle	\$ (0.55)	\$ 0.09 **	N/M	\$ (0.68)	\$ 0.40*	N/M
Cumulative effect of change in accounting principle*	<u>\$ 0.00</u>	<u>\$ 0.00</u>		<u>\$ 0.00</u>	<u>\$ (1.24)</u>	N/M
Diluted net income (loss) per share	<u>\$ (0.55)</u>	<u>\$ 0.09 **</u>	N/M	<u>\$ (0.68)</u>	<u>\$ (0.84) **</u>	N/M
Diluted shares outstanding	4,946,774	4,975,733	(0.6)	4,945,717	5,077,728	(2.6)

SUPPLEMENTAL NOTES:

*Adjustment reflects adoption of SFAS No. 142 "Goodwill and Other Intangible Assets"

**Restated as required by GAAP to present the impact of a change to the equity method of accounting for the increased investment in TURA AG.

CPAC, Inc.
SUPPLEMENTAL SEGMENT DATA
MARCH 31, 2004 and MARCH 31, 2003
(UNAUDITED)

Three months ended March, 2004

	FULLER BRANDS	IMAGING	COMBINED
Net sales	\$ 12,938,689	\$ 9,850,801	\$ 22,789,490
Cost of sales	<u>6,933,445</u>	<u>6,584,803</u>	<u>13,518,248</u>
Gross profits	6,005,244	3,265,998	9,271,242
Selling, administrative and engineering expenses	5,707,853	3,282,398	8,990,251
Restructuring expenses		144,352	144,352
Research and development expense	<u>153,624</u>	<u>61,596</u>	<u>215,220</u>
Operating income (loss)	<u>\$ 143,767</u>	<u>\$ (222,348)</u>	<u>(78,581)</u>
Corporate income			15,063
Interest expense, net			<u>(73,294)</u>
Loss before non-operating expense and income taxes			(136,812)
Non-operating expense:			
Minority interests			(86,453)
Equity in loss of affiliate, net of impairment charge			<u>(2,680,646)</u>
			<u>(2,767,099)</u>
Loss before income taxes			(2,903,911)
Income tax benefit			<u>(190,000)</u>
Net loss			<u>\$ (2,713,911)</u>

Three months ended March, 2003

	FULLER BRANDS	IMAGING	COMBINED
Net sales	\$ 13,328,957	\$ 9,867,403	\$ 23,196,360
Cost of sales	<u>6,797,856</u>	<u>6,069,048</u>	<u>12,866,904</u>
Gross profits	6,531,101	3,798,355	10,329,456
Selling, administrative and engineering expenses	5,896,033	3,529,091	9,425,124
Restructuring expenses			
Research and development expense	<u>118,795</u>	<u>33,662</u>	<u>152,457</u>
Operating income	<u>\$ 516,273</u>	<u>\$ 235,602</u>	<u>\$ 751,875</u>
Corporate expense			(75,355)
Interest expense, net			<u>(47,400)</u>
Income before non-operating expense and income taxes			629,120
Non-operating expense:			
Minority interests			(82,801)
Equity in loss of affiliate			<u>(56,469)</u>
			<u>(139,270)</u>
Income before income taxes			489,850
Income tax expense			<u>59,000</u>
Net income **			<u>\$ 430,850</u>

SUPPLEMENTAL NOTES:

** In April 2003, the Company increased its investment in affiliate to 40% and, in accordance with APB 18, adopted the equity method of accounting. 2003 financial statements have been restated to account for the previous 19% ownership, as if it had been accounted for under the equity method.

CPAC, Inc.
SUPPLEMENTAL SEGMENT DATA
MARCH 31, 2004 and MARCH 31, 2003
(UNAUDITED)

Twelve months ended March, 2004

	FULLER BRANDS	IMAGING	COMBINED
Net sales	\$ 52,101,111	\$ 37,909,634	\$ 90,010,745
Cost of sales	<u>26,850,471</u>	<u>24,420,366</u>	<u>51,270,837</u>
Gross profits	25,250,640	13,489,268	38,739,908
Selling, administrative and engineering expenses	23,574,488	13,336,212	36,910,700
Restructuring expenses		1,275,349	1,275,349
Research and development expense	<u>568,135</u>	<u>166,430</u>	<u>734,565</u>
Operating income (loss)	<u>\$ 1,108,017</u>	<u>\$ (1,288,723)</u>	(180,706)
Corporate expense			(42,986)
Interest expense, net			<u>(460,899)</u>
Loss before non-operating expense, income tax, and cumulative effect of change in accounting principle			(684,591)
Non-operating expense:			
Minority interests			(219,372)
Equity in loss of affiliate, net of impairment charge			<u>(2,914,577)</u>
			<u>(3,133,949)</u>
Loss before income taxes and cumulative effect of change in accounting principle			(3,818,540)
Income tax benefit			<u>(469,000)</u>
Loss before cumulative effect of change in accounting principle			(3,349,540)
Cumulative effect of change in accounting principle			
Net loss			<u>\$ (3,349,540)</u>

Twelve months ended March, 2003

	FULLER BRANDS	IMAGING	COMBINED
Net sales	\$ 56,068,290	\$ 39,222,050	\$ 95,290,340
Cost of sales	<u>27,838,340</u>	<u>24,528,915</u>	<u>52,367,255</u>
Gross profits	28,229,950	14,693,135	42,923,085
Selling, administrative and engineering expenses	24,888,352	13,260,280	38,148,632
Restructuring expenses			
Research and development expense	<u>502,871</u>	<u>150,424</u>	<u>653,295</u>
Operating income	<u>\$ 2,838,727</u>	<u>\$ 1,282,431</u>	4,121,158
Corporate expense			(246,239)
Interest expense, net			<u>(446,812)</u>
Income before non-operating income, income tax, and cumulative effect of change in accounting principle			3,428,107
Non-operating income:			
Minority interests			(151,088)
Equity in loss of affiliate			<u>(179,584)</u>
			<u>(330,672)</u>
Income before income taxes and cumulative effect of change in accounting principle			3,097,435
Income tax expense			<u>1,056,000</u>
Income before cumulative effect of change in accounting principle			2,041,435
Cumulative effect of change in accounting principle			<u>(6,281,251)</u>
Net loss **			<u>\$ (4,239,816)</u>

SUPPLEMENTAL NOTES:

** In April 2003, the Company increased its investment in affiliate to 40% and, in accordance with APB 18, adopted the equity method of accounting. 2003 financial statements have been restated to account for the previous 19% ownership, as if it had been accounted for under the equity method.

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