



2364 Leicester Rd., Box 175  
Leicester, NY 14481 USA  
585-382-3223 cpac.com

***For Immediate Release***

COMPANY CONTACTS:  
Karen Ash, Mgr., Corp Comm  
Wendy F. Clay, VP, Admin

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

LEICESTER, NY... June 22, 2006— CPAC, Inc. (Nasdaq: CPAK) today reported consolidated net income in the fourth quarter of FY '06 ended March 31, 2006 of \$1.1 million or \$0.22 per diluted share, versus a net loss of (\$4.0 million) or (\$0.81) per diluted share in last year's fourth quarter, resulting in a complete return to profitability for the full fiscal year. Last year's Q4 results included (\$0.75) per diluted share in one-time, non-cash items as previously disclosed.

Net sales for the fourth quarter were \$23.4 million compared to \$22.4 million for the same quarter last year, an increase of 4.1%.

Thomas J. Weldgen, CPAC, Inc. VP Finance, CFO, and Acting CEO, remarked, "After posting losses the last two years, improvements in the Imaging segment came as a result of major restructuring and cost reduction projects, and significant sales initiatives on a worldwide basis. Our strategy to become a preferred outsource supplier for traditional Imaging chemicals is proven. Our global manufacturing and distribution network provides the resources required to fulfill the needs of the most demanding international customers. We will continue to aggressively seek agreements with former competitors as they move away from silver halide chemical manufacturing, the area in which we have nearly 40 years of recognized expertise."

Mr. Weldgen continued, "This year, as Fuller Brush celebrates its 100<sup>th</sup> year in business and Stanley Home Products marks its 75<sup>th</sup> anniversary, the Fuller Brands segment also shared in favorable profit results. Fuller Brush continued its foray into new and existing channels. In addition to television home shopping, its products are now offered in several national retail outlets as well as regional chains like grocer Stop 'n Shop. Private label business developed over the past two years also grew. Similarly, Cleaning Technologies Group continued to strengthen its partnerships with new private label customers resulting in a \$1.0 million sales increase over prior year. Favorable sales and operating profits have continued in both segments through the first two months of fiscal '07. "

## **Q4 Results and Highlights by Segment**

### **Fuller Brands Segment**

Fourth quarter net sales in the Fuller Brands segment were on par with Q4 results in FY '06 at \$13.7 million. Operating income increased over 300% to \$725,000 over last year's fourth quarter operating income of \$173,000, due largely to greater plant efficiencies resulting from cost cutting programs coupled with increased private label business with its lower selling and shipping costs.

- Fuller Brush sales for the quarter were down approximately 1.0% compared to prior year. Television sales were lower due to fewer airings in the quarter, but significant gains were made in both private label and retail sales.
- Cleaning Technologies Group (CTG) improved its sales for the quarter by 8.0% over prior year, the result of both increased and new distributor sales and national accounts business. In Q4, CTG added a new, large private label account which contributed to the sales and profit improvement.
- Stanley Home Products reported a fourth quarter sales decline of 6.0% resulting primarily from a lower number of direct selling representatives.

### **Imaging Segment**

Fourth quarter Imaging segment sales improved by 10.9% to \$9.7 million versus \$8.7 million last year. Operating income was \$432,000 compared with a loss of \$(808,000) in last year's fourth quarter.

- Imaging sales gains in the fourth quarter came from private label and branded chemical manufacturing opportunities that have resulted from some competitors exiting the traditional imaging market in favor of digital imaging, or due to financial problems. Sales gains were attributable to foreign operations. Domestic sales were on par with last year's fourth quarter.
- Gross margins improved and selling, administrative and engineering expenses declined in the quarter, the result of price increases, cost cutting programs, and organizational changes instituted over the past two years.
- A new initiative to package non-Imaging chemicals in the Norcross, GA manufacturing plant has contributed to sales gains for the quarter.

## **Full Year Results**

For the year ended March 31, 2006, CPAC, Inc. consolidated net sales were \$87.0 million compared to last year's net sales of \$87.2 million.

The Company reported consolidated net income for the full year of \$465,000 or \$0.09 per diluted share, versus a net loss of (\$3.8 million) or (\$0.78) per diluted share last year. Last year's results included (\$0.80) per diluted share in one-time, non-cash charges, as previously disclosed.

Fuller Brands segment sales were down 2.2% to \$51.7 million, compared to \$52.9 million in the prior year. Segment profit for the full year was \$702,000 versus \$1.3 million in FY '05.

- The Fuller Brush Company's sales were off due to fewer television airings, the loss of a major private label brush customer to an off-shore competitor at mid-year, and lower than expected sales into retail channels. These shortfalls were offset somewhat by increases in outlet store sales.
- Stanley Home Products' sales declined by 6.0% as compared to prior year, partly the result of business lost in areas affected by Hurricane Katrina. The Company also continued its roll out of a new compensation plan in a second geographic area of the U.S. beginning in January, 2006.
- Cleaning Technologies Group net sales for FY '06 were up over \$1.0 million or 6.0% resulting from new private label business, along with increased distributor and national account business. CTG increased selling prices in the second half of the year to offset rising material costs and to improve profitability.

Consolidated Imaging sales for the fiscal year were up approximately 2.7% versus prior year, from \$34.4 million last year to \$35.3 million in this year. Full year profits were \$765,000 compared to a loss in the last fiscal year of (\$1.1 million). Domestic sales of chemicals and equipment were comparable to prior year. International sales grew by approximately 9.5% for the full year, with the Belgian and Italian units showing the greatest improvements.

## **Other Financial Information**

On April 1, 2005 the Company had approximately \$7.7 million in cash on hand. During this fiscal year, \$677,000 was invested in new property and equipment, debt in the amount of \$418,000 was retired, and shareholder dividends of approximately \$1.4 million were distributed. On March 31, 2006 the Company had \$6.2 million in cash and working capital of \$30.0 million.

## 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 seven 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, 2006 and MARCH 31, 2005 (UNAUDITED)

|                                     | <u>Three months ended</u> |                      |                 | <u>Twelve months ended</u> |                      |                 |
|-------------------------------------|---------------------------|----------------------|-----------------|----------------------------|----------------------|-----------------|
|                                     | <u>2006</u>               | <u>2005</u>          | <u>% change</u> | <u>2006</u>                | <u>2005</u>          | <u>% change</u> |
| Net sales:                          |                           |                      |                 |                            |                      |                 |
| Fuller Brands                       | \$ 13,697,997             | \$ 13,728,261        | (0.2)           | \$ 51,700,953              | \$ 52,851,390        | (2.2)           |
| Imaging                             | <u>9,668,692</u>          | <u>8,717,099</u>     | 10.9            | <u>35,299,440</u>          | <u>34,361,854</u>    | 2.7             |
| Total sales:                        | <u>\$ 23,366,689</u>      | <u>\$ 22,445,360</u> | 4.1             | <u>\$ 87,000,393</u>       | <u>\$ 87,213,244</u> | (0.2)           |
| Net income (loss)                   | <u>\$ 1,077,194</u>       | <u>\$(4,002,477)</u> |                 | <u>\$ 464,801</u>          | <u>\$(3,846,886)</u> |                 |
| Diluted net income (loss) per share | <u>\$ 0.22</u>            | <u>\$(0.81)</u>      |                 | <u>\$ 0.09</u>             | <u>\$(0.78)</u>      |                 |
| Diluted shares outstanding          | 4,946,774                 | 4,946,774            |                 | 4,946,774                  | 4,946,774            |                 |

**CPAC, Inc.**  
**SUPPLEMENTAL SEGMENT DATA**  
**MARCH 31, 2006 and MARCH 31, 2005**  
**(UNAUDITED)**

**Three months ended March, 2006**

|  | <b>FULLER<br/>BRANDS</b> | <b>IMAGING</b>    | <b>COMBINED</b>     |
|--|--------------------------|-------------------|---------------------|
| Net sales  | \$ 13,697,997            | \$ 9,668,692      | \$ 23,366,689       |
| Cost of sales  | <u>7,111,825</u>         | <u>6,333,879</u>  | <u>13,445,704</u>   |
| Gross profits  | 6,586,172                | 3,334,813         | 9,920,985           |
| Selling, administrative and engineering expenses         | 5,726,764                | 2,859,086         | 8,585,850           |
| Research and development expense                         | <u>134,054</u>           | <u>43,411</u>     | <u>177,465</u>      |
| Operating income   | <u>\$ 725,354</u>        | <u>\$ 432,316</u> | 1,157,670           |
| Corporate expense  |                          |                   | (100,878)           |
| Interest expense, net                                    |                          |                   | <u>(70,714)</u>     |
| Income (loss) before non-operating income and income tax |                          |                   | 986,078             |
| Non-operating expense:                                   |                          |                   |                     |
| Minority interests                                       |                          |                   | <u>(26,884)</u>     |
| Income before income taxes                               |                          |                   | 959,194             |
| Provision (benefit) for income taxes                     |                          |                   | <u>(118,000)</u>    |
| Net income   |                          |                   | <u>\$ 1,077,194</u> |

**Three months ended March, 2005**

|  | <b>FULLER<br/>BRANDS</b> | <b>IMAGING</b>      | <b>COMBINED</b>       |
|--|--------------------------|---------------------|-----------------------|
| Net sales  | \$ 13,728,261            | \$ 8,717,099        | \$ 22,445,360         |
| Cost of sales                                    | <u>7,291,601</u>         | <u>5,944,173</u>    | <u>13,235,774</u>     |
| Gross profits                                    | 6,436,660                | 2,772,926           | 9,209,586             |
| Selling, administrative and engineering expenses | 6,099,463                | 3,512,632           | 9,612,095             |
| Research and development expense                 | <u>164,450</u>           | <u>68,108</u>       | <u>232,558</u>        |
| Operating income (loss)                          | <u>\$ 172,747</u>        | <u>\$ (807,814)</u> | (635,067)             |
| Corporate expense                                |                          |                     | (77,152)              |
| Interest expense, net                            |                          |                     | <u>(93,697)</u>       |
| Loss before non-operating income and income tax  |                          |                     | (805,916)             |
| Non-operating expense:                           |                          |                     |                       |
| Minority interests                               |                          |                     | (11,561)              |
| Investment expense                               |                          |                     | <u>(500,000)</u>      |
|  |                          |                     | <u>(511,561)</u>      |
| Loss before income taxes                         |                          |                     | (1,317,477)           |
| Provision for income taxes                       |                          |                     | <u>2,685,000</u>      |
| Net loss   |                          |                     | <u>\$ (4,002,477)</u> |

**CPAC, Inc.**  
**SUPPLEMENTAL SEGMENT DATA**  
**MARCH 31, 2006 and MARCH 31, 2005**  
**(UNAUDITED)**

**Twelve months ended March, 2006**

|   | <b>FULLER BRANDS</b> | <b>IMAGING</b>    | <b>COMBINED</b>   |
|---|----------------------|-------------------|-------------------|
| Net sales   | \$ 51,700,953        | \$ 35,299,440     | \$ 87,000,393     |
| Cost of sales                                     | <u>27,049,834</u>    | <u>23,381,645</u> | <u>50,431,479</u> |
| Gross profits                                     | 24,651,119           | 11,917,795        | 36,568,914        |
| Selling, administrative and engineering expenses  | 23,364,713           | 10,904,899        | 34,269,612        |
| Research and development expense                  | <u>588,744</u>       | <u>247,579</u>    | <u>836,323</u>    |
| Operating income                                  | <u>\$ 697,662</u>    | <u>\$ 765,317</u> | 1,462,979         |
| Corporate expense                                 |                      |                   | (488,654)         |
| Interest expense, net                             |                      |                   | <u>(407,980)</u>  |
| Income before non-operating income and income tax |                      |                   | 566,345           |
| Non-operating expense:                            |                      |                   |                   |
| Minority interests                                |                      |                   | <u>(65,544)</u>   |
| Income before income taxes                        |                      |                   | 500,801           |
| Provision for income taxes                        |                      |                   | <u>36,000</u>     |
| Net income  |                      |                   | <u>\$ 464,801</u> |

**Twelve months ended March, 2005**

|  | <b>FULLER BRANDS</b> | <b>IMAGING</b>        | <b>COMBINED</b>       |
|--|----------------------|-----------------------|-----------------------|
| Net sales  | \$ 52,851,390        | \$ 34,361,854         | \$ 87,213,244         |
| Cost of sales                                    | <u>27,242,616</u>    | <u>22,812,039</u>     | <u>50,054,655</u>     |
| Gross profits                                    | 25,608,774           | 11,549,815            | 37,158,589            |
| Selling, administrative and engineering expenses | 23,732,511           | 12,339,272            | 36,071,783            |
| Research and development expense                 | <u>612,045</u>       | <u>285,435</u>        | <u>897,480</u>        |
| Operating income (loss)                          | <u>\$ 1,264,218</u>  | <u>\$ (1,074,892)</u> | 189,326               |
| Corporate expense                                |                      |                       | (133,014)             |
| Interest expense, net                            |                      |                       | <u>(390,792)</u>      |
| Loss before non-operating income and income tax  |                      |                       | (334,480)             |
| Non-operating expense:                           |                      |                       |                       |
| Minority interests                               |                      |                       | (174,970)             |
| Equity in loss of affiliate                      |                      |                       | (250,436)             |
| Investment expense                               |                      |                       | <u>(500,000)</u>      |
|  |                      |                       | <u>(925,406)</u>      |
| Loss before income taxes                         |                      |                       | (1,259,886)           |
| Provision for income taxes                       |                      |                       | <u>2,587,000</u>      |
| Net loss   |                      |                       | <u>\$ (3,846,886)</u> |

# # #