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Flanders Corporation Reports Second Quarter 2010 Financial Results

**– Revenues increase 7% to \$63 million –
– Records sixth straight quarter of positive Adjusted EBITDA –**

WASHINGTON, NC – July 29, 2010 – Flanders Corporation (OTCQX: FLDR) reported financial results for the second quarter ended June 30, 2010.

Harry Smith, Flanders Corporation's Chairman and CEO, said: "Our business continues to perform well in this very challenging environment and in the face of increasing competition. Order rates for our high purity product lines have continued to improve, gaining momentum through the second quarter and we anticipate this trend continuing through 2010. Our other commercial and industrial markets have begun to recover from the ongoing difficulties in the world markets and our retail business remains strong, posting a year over year increase for the quarter. Our new Oklahoma plant is up and running and we continue to push forward with our automation plans. We are gaining momentum in virtually all areas of our Company which is opening up exciting opportunities for our business with new projects and customers. We expect the second half of 2010 to show additional revenue gains over 2009."

Second Quarter 2010 Financial Summary

Revenue for the second quarter of 2010 was \$63.1 million, compared to \$58.7 million in the second quarter 2009. Gross margin was 21% in 2010 as compared to 21% in 2009. Operating expenses in 2010 were \$13.2 million compared to a 2009 total of \$8.6 million. Net Income for 2010 was \$.2 million or \$0.01 per diluted share, as compared to net income in 2009 of \$2.4 million, or \$0.09 per diluted share. Adjusted EBITDA for the second quarter of 2010 was \$5.7 million, compared to Adjusted EBITDA of \$5.6 million in 2009.

Management uses some measures not in accordance with generally accepted accounting principles (GAAP) to evaluate the results of the company's operations and believes earnings before interest, taxes, certain noncash and nonoperating expenses,

extraordinary items, depreciation and amortization (Adjusted EBITDA) provides a useful measure of operations.

Flanders' President and Chief Financial Officer, John Oakley said: "While we are pleased with the results, gross margin was impacted by approximately \$500,000 in expenses from facilities we are exiting and continued pricing pressure in the commercial and industrial markets. Operating expenses in the second quarter of 2010 were impacted by higher commission expense from the increase in sales, an increase in freight expenses due to changes in shipping arrangements with customers and \$3.9 million in stock compensation. Accounts receivable and inventory decreased over balances from this time last year despite the increase in revenues while our operational performance has never been higher. The overall direction of our Company is very exciting. As to what to expect for the remainder of 2010, we are refining our revenue expectations to be between \$255 million and \$265 million."

Financial Summary – Six Months Ended June 30, 2010

Revenue for the six months ended June 30, 2010 was \$113.0 million, compared to \$106.7 million for the same period a year ago. Gross margin was 19%, compared to 21% for the same period a year ago. Year-to-date net income was \$0.1 million, or \$0.00 per diluted share, compared to net income of \$4.2 million or \$0.16 per diluted share for the same period in 2009. Adjusted EBITDA for the six months ended June 30, 2010 was \$9.0 million, compared to \$10.0 million for the same period a year ago.

Conference Call

Chairman of the Board and CEO, Harry Smith and President and CFO John Oakley are scheduled to conduct a conference call at 11:00 a.m. ET on July 29, 2010 to review these results in more detail. To access the call from within the U.S., please dial 866-425-6192, and international callers can access the call by dialing 973-409-9253 approximately 10 minutes prior to the start of the conference call. The conference ID will be 90303355. A telephone replay will be available until midnight Eastern Time on August 29th by dialing 800-642-1687 or 706-645-9291 and entering pass code 90303355.

About Flanders

Flanders is a leading air filtration products manufacturer. Flanders' products are utilized by many industries, including those associated with commercial and residential heating, ventilation and air conditioning systems, semiconductor manufacturing, ultra-pure materials, biotechnology, pharmaceuticals, synthetics, nuclear power and nuclear materials processing.

For further information on Flanders and its products, visit its web site at <http://www.flanderscorp.com/> or contact John Oakley at 252-946-8081.

Safe Harbor Statement

This press release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements made in this press release other than statements of historical fact, are forward-looking statements. These statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements may include, among other things: statements and assumptions relating to future growth, as well as management's short-

term and long-term performance goals; statements regarding anticipated order patterns from our customers or the anticipated economic conditions of the industries and markets that we serve; statements related to the performance of the U.S. and other economies generally; statements relating to the anticipated effects on results of operations or financial condition from recent and expected developments or events; statements relating to the Flanders' business and growth strategies; and any other statements or assumptions that are not historical facts. Flanders believes that its expectations are based on reasonable assumptions. However, these forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause Flanders' actual results, performance or achievements, or industry results, to differ materially from the Flanders' expectations of future results, performance or achievements expressed or implied by these forward-looking statements. In addition, the Flanders' past results of operations do not necessarily indicate its future results. These and other uncertainties are discussed in the "Risk Factors" section of the Company's 2009 Form 10-K. The future results of Flanders may fluctuate as a result of these and other risk factors detailed from time to time in the company's filings with the Securities and Exchange Commission. You should not place undue reliance on any forward-looking statements. These statements speak only as of the date of this press release. Except as otherwise required by applicable laws, Flanders undertakes no obligation to publicly update or revise any forward-looking statements or the risk factors described in this press release, including projected sales and profit levels for any business segment in any given quarter, whether as a result of new information, future events, changed circumstances or any other reason after the date of this press release.

- Tables Follow -

FLANDERS CORPORATION AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEETS
(In thousands)

ASSETS	(unaudited) June 30, 2010	December 31, 2009
Current assets		
Cash and cash equivalents	\$ 1,846	\$ 260
Receivables:		
Trade, net of allowance for doubtful accounts of \$2,455 in 2010 and \$2,172 in 2009	44,614	33,159
Other	349	407
Inventories	34,129	29,415
Deferred taxes	2,721	2,566
Other current assets	8,594	8,134
Total current assets	<u>92,253</u>	<u>73,941</u>
Property and equipment, net	72,148	71,263
Intangible assets, net	267	280
Other assets	17,841	17,511
	<u>\$ 182,509</u>	<u>\$ 162,995</u>
 LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Current maturities of long-term debt and capital lease obligations	\$ 1,322	\$ 1,051
Accounts payable	27,463	19,353
Accrued expenses	14,754	13,334
Other current liabilities	498	497
Total current liabilities	<u>44,037</u>	<u>34,235</u>
Long-term capital lease obligations, less current maturities	117	150
Long-term debt, less current maturities	39,515	33,662
Long term liabilities, other	3,174	3,086
Deferred taxes	108	158
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, no par value, 10,000,000 shares authorized; non-issued		
Common stock, \$.001 par value; 50,000,000 shares authorized; issued and outstanding: 27,132,838 in June 2010 and 26,132,838 in December 2009	27	26
Additional paid-in capital	92,767	88,902
Accumulated other comprehensive loss	(983)	(908)
Retained earnings	3,747	3,684
	<u>95,558</u>	<u>91,704</u>
	<u>\$ 182,509</u>	<u>\$ 162,995</u>

FLANDERS CORPORATION AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS
(In thousands, except per share data)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Net sales	\$ 63,052	\$ 58,727	\$113,017	\$106,747
Cost of goods sold	49,738	46,129	91,217	84,244
Gross profit	13,314	12,598	21,800	22,503
Operating expenses	13,223	8,559	21,302	16,094
Operating income	91	4,039	498	6,409
Nonoperating income (expense):				
Other income, net	68	148	9	902
Interest expense	(529)	(318)	(1,035)	(585)
	<u>(461)</u>	<u>(170)</u>	<u>(1,026)</u>	<u>317</u>
Earnings before income taxes & extraordinary items	(370)	3,869	(528)	6,726
Provision (benefit) for income taxes	(144)	1,432	(205)	2,489
Net earnings (loss) before extraordinary items	\$ (226)	\$ 2,437	\$ (323)	\$ 4,237
Extraordinary gain (net of taxes)	385	-	385	-
Net earnings after extraordinary items	<u>\$ 159</u>	<u>\$ 2,437</u>	<u>\$ 62</u>	<u>\$ 4,237</u>
Basic earnings per share:				
Income before extraordinary item	\$ (0.01)	\$ 0.10	\$ (0.01)	\$ 0.17
Extraordinary item	0.01	-	0.01	-
Net earnings per share	<u>\$ 0.01</u>	<u>\$ 0.10</u>	<u>\$ -</u>	<u>\$ 0.17</u>
Diluted earnings per share:				
Income before extraordinary item	\$ (0.01)	\$ 0.09	\$ (0.01)	\$ 0.16
Extraordinary item	0.01	-	0.01	-
Net earnings per share	<u>\$ 0.01</u>	<u>\$ 0.09</u>	<u>\$ -</u>	<u>\$ 0.16</u>
Weighted average common shares outstanding:				
Basic	27,133	25,524	27,133	25,524
Diluted	<u>26,759</u>	<u>25,887</u>	<u>26,448</u>	<u>25,845</u>

FLANDERS CORPORATION AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(In thousands)
(unaudited)

	Three Months Ended June 30		Six Months Ended June 30	
	2010	2009	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES				
Net earnings	\$ 159	\$ 2,438	\$ 63	\$ 4,237
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:				
Depreciation and amortization expense	1,511	1,364	3,043	2,731
Provision for bad debts	627	983	1,121	1,459
Provision for inventory reserve	50	-	50	-
Extraordinary gain (net of taxes)	(385)	-	(385)	-
Compensation expense	3,850	-	4,866	46
Deferred gain	(18)	(12)	(36)	(24)
(Gain) loss on disposal of property and equipment	185	(34)	445	(123)
Deferred Taxes	(78)	130	(155)	289
Change in working capital components:				
(Increase) Decrease in accounts receivable	(5,916)	(9,084)	(12,576)	(15,258)
(Increase) Decrease in other receivables	(20)	(496)	58	(617)
(Increase) Decrease in inventory	(3,660)	(2,355)	(4,764)	(4,066)
Proceeds from insurance claim	-	1,135	-	1,135
(Increase) Decrease in other current assets	(1,849)	1,090	(1,955)	1,689
(Increase) Decrease in other assets	14	14	22	(82)
Increase (Decrease) in accounts payable	2,084	1,568	8,110	1,863
Increase (Decrease) in accrued expenses	(1,722)	4,119	1,420	9,386
Net cash provided (used in) by operating activities	<u>(5,168)</u>	<u>860</u>	<u>(673)</u>	<u>2,665</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property and equipment	(3,744)	(6,060)	(6,878)	(9,910)
Proceeds from sale of property and equipment	1,105	205	1,797	254
Proceeds from insurance claim on building and equipment	1,885	466	1,885	466
Decrease in other assets	742	478	404	647
Net cash used in investing activities	<u>(12)</u>	<u>(4,911)</u>	<u>(2,792)</u>	<u>(8,543)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Principal payments on long-term borrowings	(83)	(943)	(1,370)	(1,133)
Net proceeds from revolving credit agreement	6,624	5,233	7,463	7,387
Payment of debt issuance costs	-	-	(42)	(90)
Purchase and retirement of common stock	-	-	(1,000)	-
Net cash provided by financing activities	<u>6,541</u>	<u>4,290</u>	<u>5,051</u>	<u>6,164</u>
Net increase in cash and cash equivalents	1,361	239	1,586	286
CASH AND CASH EQUIVALENTS				
Beginning of period	485	451	260	404
End of period	<u>\$ 1,846</u>	<u>\$ 690</u>	<u>\$ 1,846</u>	<u>\$ 690</u>

FLANDERS CORPORATION AND SUBSIDIARIES
SCHEDULE OF SUPPLEMENTAL CASH FLOW INFORMATION
(In thousands)
(unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2010	2009	2010	2009
SUPPLEMENTAL DISCLOSURES OF				
CASH FLOW INFORMATION				
Cash paid during the period for:				
Income taxes	\$1,284	\$ 179	\$ 1,582	\$ 241
Interest	\$ 507	\$ 411	\$ 986	\$ 612
SUPPLEMENTAL SCHEDULE OF NONCASH				
INVESTING AND FINANCING ACTIVITIES				
Sale of building/equipment for note receivable	\$ -	\$ 249	\$ 400	\$ 415
Cashless issuance of common stock	\$ 3,850	\$ -	\$ 4,866	\$ -
Offset of accrued expenses against trade accounts receivable	\$ -	\$2,412	\$ -	\$5,839

FLANDERS CORPORATION AND SUBSIDIARIES
RECONCILIATION OF NET EARNINGS TO ADJUSTED EBITDA
(In thousands)
(unaudited)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2010	2009	2010	2009
Net earnings	\$ 159	\$ 2,437	\$ 63	\$ 4,237
Noncash stock compensation expense	3,850	-	4,865	-
Loss on sale of real estate	194	-	579	-
Interest	529	318	1,035	585
Extraordinary gain, net of taxes	(385)	-	(385)	-
Income taxes	(144)	1,432	(205)	2,489
Depreciation and amortization	1,511	1,364	3,043	2,731
Adjusted EBITDA	<u>\$ 5,714</u>	<u>\$ 5,551</u>	<u>\$ 8,995</u>	<u>\$10,042</u>