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## **Flanders Corporation Reports Third Quarter 2010 Financial Results**

- Revenues increase 18% to \$71.1M –**
- Records seventh straight quarter of positive adjusted EBITDA –**
- Delivered \$6.9 million in cash flows from operations–**
- Announces restatement of first quarter and second quarter 2010 results –**

**WASHINGTON, NC – November 11, 2010** – Flanders Corporation (OTCQX: FLDR) reported financial results for the third quarter ended September 30, 2010.

Harry Smith, Flanders Corporation's Chairman and CEO, said: "As we anticipated, revenues continue to grow as our core business lines outpace the previous year. Retail sales were strong as consumers chose Flanders' filters over the higher priced competition and our high purity product lines continue with the momentum from the first six months of 2010 as we leverage our unique capabilities across different product lines. Our other commercial and industrial markets continue to recover although we believe growth in these product lines is hampered as businesses continue to wait for greater economic recovery before increasing their spending on existing facilities. We have now shuttered the remaining facilities related to the Ardmore, Oklahoma consolidation and consolidated additional minor operations setting up the company for continued solid performance going forward. In spite of the challenges we face from pressures outside our company, we continue to increase revenues and improve our operations."

### **Third Quarter 2010 Financial Summary**

Revenue for the third quarter of 2010 was \$71.1 million, compared to \$60.4 million in the third quarter 2009. Gross margin was 18% in 2010, as it was in 2009. Operating expenses in the third quarter 2010 were \$8.9 million compared to a third quarter 2009 total of \$8.0 million. Net Income for the third quarter of 2010 was \$1.6 million or \$.06 per diluted share, as compared to net income in the third quarter of 2009 of \$1.8 million, or \$.07 per diluted share. Adjusted EBITDA for the third quarter of 2010 was \$5.8 million, compared to adjusted EBITDA of \$4.8 million in the third quarter of 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 non-operating expenses, plant consolidation and exit costs, extraordinary items, depreciation and amortization (Adjusted EBITDA) provides a useful measure of operations.

Flanders' Chief Financial Officer, John Oakley said: "We are again pleased with the results, particularly cash flows from operations. Gross margins were impacted in the third quarter by product mix as a higher percentage of our sales were from retail products."

"Operating expenses in the third quarter of 2010 continue to be impacted by higher commission expense from the increase in sales and an increase in freight expenses due to changes in shipping arrangements with customers earlier in 2010. We incurred plant consolidation and exits costs of \$0.8 million in the third quarter. We anticipate these costs to taper as we have now shuttered these facilities."

"Increases in accounts receivable reflect the 18% increase in revenue while our inventory management improvements showed their impact with inventory showing improved operational performance over the prior year. The MOX project, however, has continued to struggle and, at this time, we do not anticipate being able to prevent some revenues from that project slipping into 2011 from 2010. Additionally, the C&I ASHRAE product lines have not recovered as quickly as we anticipated and we are further refining our revenue expectations as between \$235 million and \$240 million. This updated range would present a 6% to 8% increase over 2009."

#### **Restatements of first quarter and second quarter 2010 results**

The Company is restating its first and second quarter 2010 results in order to record certain liabilities. While these adjustments do impact the previously released results, none of the changes impact the Company's prior year's results or future cash flows.

These adjustments are primarily a result of activities connected with the previously announced consolidation of operations into the new Ardmore, Oklahoma facility. Subsequent to the consolidation efforts in the first and second quarters of this year, the company has determined the potential to sublease the four exited facilities is not likely and therefore a liability for the remaining lease term must be recorded in the amount of approximately \$8 million, effectively eliminating the lease expense for these facilities from the company's statements of operations for the remainder of the lease term. After considerable review, the company has also determined there has not been sufficient change in the external factors surrounding these leases and those liabilities should have been recorded in the first and second quarters of 2010 at the time the Company moved substantially all the operations from those facilities into the Ardmore facility.

Flanders' Chief Financial Officer, John Oakley stated: "We are excited to complete the previously announced consolidation of facilities resulting in opportunities for higher efficiencies, not to mention to have removed our operations from the violence in northeast Mexico. While obviously not pleased with having to adjust the previous quarter's results but given the status of the commercial real estate markets in the United States and the violence in the northeastern regions of Mexico, we are unsure as to the timing of our ability to secure sublease tenants and have reflected this uncertainty in the liability calculation. We continue to explore all alternatives to find sub lessee tenants for

these exited facilities while taking advantage of the efficiencies gained by consolidating to one facility. ”

The impact of all items is a decrease in net income of \$2.2 million in the first quarter of 2010, or \$(0.08) per fully diluted share, and a decrease of \$4.6 million in the second quarter, or \$(0.17) per fully diluted share.

#### **Financial Summary – Nine Months Ended September 30, 2010**

Revenue for the nine months ended September 30, 2010 was \$183.0 million, compared to \$167.2 million for the same period a year ago. Gross margin was 18%, compared to 20% for the same period a year ago. Operating expenses in 2010 were \$30.3 million compared to a 2009 total of \$24.1 million. Plant consolidation and exit costs were \$11.0 million for the nine months ended September 30, 2010. Year-to-date net income was a loss of \$5.1 million, or \$(0.19) per diluted share, compared to net income of \$6.0 million or \$0.23 per diluted share for the same period in 2009. Adjusted EBITDA for the nine months ended September 30, 2010 was \$13.7 million, compared to \$14.9 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 November 11, 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 22983583. A telephone replay will be available until midnight Eastern Time on December 11 by dialing 800-642-1687 or 706-645-9291 and entering pass code 22983583.

#### **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.

**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.

-Tables Follow-

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

<b>ASSETS</b>	<b>Unaudited September 30, 2010</b>	<b>December 31, 2009</b>
<b>Current assets</b>		
Cash and cash equivalents	\$ 371	\$ 260
Receivables:		
Trade, net of allowance for doubtful accounts of \$2,131 in 2010 and \$2,172 in 2009	44,729	33,159
Other	408	407
Inventories, net	29,957	29,415
Deferred taxes	2,158	2,566
Other current assets	15,188	8,134
Total current assets	92,811	73,941
Property and equipment, net	73,638	71,263
Intangible assets, net	252	280
Restricted cash	301	-
Other assets	17,724	17,511
	\$ 184,726	\$ 162,995
 <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Current maturities of long-term debt and capital lease obligations	\$ 1,056	\$ 1,051
Current maturity line of credit	20,058	-
Accounts payable	36,778	26,855
Accrued expenses	7,603	5,832
Current portion of exit cost liability	1,051	-
Other current Liabilities	498	498
Total current liabilities	67,044	34,236
Long-term capital lease obligations, less current maturities	73	150
Long-term debt, less current maturities	16,892	33,662
Long-term liabilities, other	3,190	3,085
Long-term exit cost liability	7,087	-
Deferred taxes	91	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 September 2010 and 26,132,838 in December 2009	27	26
Additional paid-in capital	92,767	88,902
Accumulated other comprehensive loss	(1,009)	(908)
Retained Earnings (deficit)	(1,436)	3,684
	90,349	91,704
	\$ 184,726	\$ 162,995

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2010	2009	2010	2009
Net sales	\$71,141	\$60,426	\$183,035	\$167,173
Cost of goods sold	58,467	49,445	149,775	133,689
Gross profit	12,674	10,981	33,260	33,484
Operating expenses	8,861	8,034	30,297	24,128
Plant consolidation and exit costs	755	-	11,005	-
Operating income (loss)	3,058	2,947	(8,042)	9,356
Non-operating income (expense):				
Other income (expense), net	38	451	212	1,353
Interest expense, net	(404)	(291)	(1,180)	(876)
	(366)	160	(968)	477
Earnings (loss) before income taxes & extraordinary items	2,692	3,107	(9,010)	9,833
Provision (benefit) for income taxes	1,047	1,337	(3,505)	3,825
Net earnings (loss) before extraordinary items	1,645	1,770	(5,505)	\$ 6,008
Extraordinary gain (net of taxes)	-	-	385	-
Net earnings (loss) after extraordinary items	1,645	1,770	(5,120)	\$ 6,008
Basic earnings per share:				
Income (loss) before extraordinary item	\$ .06	\$ .07	\$ (.20)	\$ .23
Extraordinary item	-	-	.01	-
Net earnings (loss) per share	\$ .06	\$ .07	\$ (.19)	\$ .23
Diluted earnings per share:				
Income (loss) before extraordinary item	\$ .06	\$ .07	\$ (.20)	\$ .23
Extraordinary item	-	-	.01	-
Net earnings (loss) per share	\$ .06	\$ .07	\$ (.19)	\$ .23
Weighted average common shares outstanding				
Basic	27,133	25,928	26,679	25,660
Diluted	27,133	25,994	26,679	25,687

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2010	2009	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net earnings (loss)	\$ 1,645	\$ 1,770	\$ (5,120)	\$ 6,008
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:				
Depreciation and amortization expense	1,991	1,419	5,040	4,150
Provision for bad debts	164	552	1,285	2,011
Provision for inventory reserve	-	-	-	-
Extraordinary gain (net of taxes)	-	-	(385)	-
Compensation expense	-	-	4,866	45
Tax impact of stock options exercised	-	(1,645)	-	(1,645)
Deferred gain	(18)	(18)	(54)	(42)
(Gain) loss on disposal of property and equipment	(40)	(96)	851	(219)
Deferred taxes	562	166	407	455
Change in working capital components				
(Increase) decrease in accounts receivable	(1,403)	(453)	(12,855)	(15,711)
(Increase) decrease in other receivables	2	309	(1)	(308)
(Increase) decrease in inventory	2,959	6,305	(542)	2,239
Proceeds from insurance claim	-	-	-	1,135
(Increase) decrease in restricted cash	(29)	-	(301)	-
(Increase) decrease in other current assets	(2,307)	(125)	(8,554)	1565
(Increase) decrease in other assets	367	317	751	881
Increase (decrease) in accounts payable	2,200	(4,414)	9,923	742
Increase (decrease) in accrued expenses	1,025	826	1,771	6,918
Increase (decrease) in exit cost liability	(255)	-	8,137	-
Net cash provided by operating activities	\$ 6,863	\$ 4,913	\$ 5,219	\$ 8,224
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of property and equipment	(4,120)	(2,887)	(10,999)	(15,047)
Proceeds from sale of property and equipment	-	5	1,799	2,509
Proceeds from insurance claim on building and equipment	-	-	1,885	466
Net cash used in investing activities	\$ (4,120)	\$ (2,882)	\$ (7,315)	\$ (12,072)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from revolving credit agreement	65,417	60,861	176,027	163,810
Payments to revolving credit agreement	(67,976)	(62,928)	(171,123)	(158,489)
Payments on long-term borrowings	(326)	(351)	(1,697)	(1,484)
Payment of debt issuance costs	-	-	-	(90)
Tax impact of stock options exercised	-	1,645	-	1,645
Purchase and retirement of common stock	-	-	(1,000)	-
Net cash provided by (used in) financing activities	(2,885)	(773)	2,207	5,392
Net increase in cash and cash equivalents	(142)	1,258	111	1,544
<b>CASH AND CASH EQUIVALENTS</b>				
Beginning of period	513	690	260	404
End of period	\$ 371	\$ 1,948	\$ 371	\$ 1,948

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

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
<b>SUPPLEMENTAL DISCLOSURES OF</b>				
<b>CASH FLOW INFORMATION</b>				
Cash paid during the period for:				
Income taxes	\$ 810	\$ 592	\$ 2,392	\$ 833
Interest, net of amounts capitalized to property, plant and equipment	\$ 654	\$ 306	\$ 1,559	\$ 1,013
Interest capitalized to property, plant and equipment	\$ 83	\$ 242	\$ 255	\$ 603
<b>SUPPLEMENTAL SCHEDULE OF NONCASH</b>				
<b>INVESTING AND FINANCING ACTIVITIES</b>				
Sale of building/equipment for note receivable	-	\$ 249	\$ 400	\$ 864
Purchase of building with debt	-	\$ 4,600	-	\$ 6,080
Offset of accrued expenses against trade accounts receivable	-	\$ 2,218	-	\$ 8,057

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

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Net earnings (loss)	\$ 1,645	\$ 1,770	\$ (5,120)	\$ 6,008
Net interest expense	404	291	1,180	876
Taxes	1,047	1,337	(3,505)	3,825
Noncash stock compensation expense	-	-	4,866	-
Loss on sale of real estate	-	-	578	-
Extraordinary gain	-	-	(385)	-
Plant consolidation and exit costs	755	-	11,005	-
Depreciation and amortization	1,991	1,419	5,040	4,150
Adjusted EBITDA	<u>\$ 5,842</u>	<u>\$ 4,817</u>	<u>\$13,659</u>	<u>\$14,859</u>