

## EXEL COMPOSITES PLC'S INTERIM REPORT FOR JANUARY 1 – JUNE 30, 2012

## APRIL – JUNE 2012 HIGHLIGHTS

- Net sales decreased to EUR 19.8 (23.4) million in the second quarter of 2012, down by 15.3 per cent on the previous year
- Operating profit was EUR 1.8 (3.6 including EUR +0.2 million one-off items) million in the second quarter of 2012, or 9.2 (15.5) per cent of net sales
- Net operative cash flow was positive at EUR +1.9 (+2.3) million
- Fully diluted earnings per share were EUR 0.11 (0.22)

## JANUARY – JUNE 2012 HIGHLIGHTS

- Net sales decreased to EUR 40.3 (44.9) million in the first six months of 2012, down by 10.3 per cent on the corresponding period in 2011
- Operating profit was EUR 3.6 (6.8 including EUR +0.2 million one-off items) million in the first six months of 2012, or 9.0 (15.1) per cent of net sales
- Net operative cash flow was positive at EUR +3.4 (+4.0) million
- Fully diluted earnings per share were EUR 0.22 (0.41)

## OUTLOOK FOR 2012

Major uncertainties relating to general growth prospects in the economy continue, and these uncertainties may affect the demand for composite products. Due to the prevailing state of the markets, the visibility is low.

Exel Composites maintains its cautious stance in 2012, but will continue to drive the long-term initiatives to strengthen the Company's competitive position and to invest in growing market segments to pursue the strategy of profitable growth.

## COMMENTS BY THE CEO

"The demand remained on the same level as during the previous three quarters. Compared to the second quarter of 2011, net sales decreased by 15.3 per cent to EUR 19.8 (23.4) million. Market demand decreased in the building, construction and infrastructure market, telecommunication products, energy sector and machine industry compared to the same period last year. Market demand increased in the transportation and cleaning and maintenance segments compared both to the second quarter of 2011 and the first quarter of 2012. The weak market situation has affected the sales of our main customers, which has resulted in declining sales for Exel Composites. We have invested actively in our sales activities and developed constantly new applications in co-operation with our current and new customers.

The Group's operating profit for the second quarter of 2012 decreased to EUR 1.8 (3.6) million. The decreased sales volumes and increased employee expenses were the main reasons for the decrease in the operating profit. Our operating cash flow continued to be clearly positive. Our financial position is strong and net gearing was 7.6 per cent.

Cost-savings campaigns were initiated in all the units of the Group. Co-determination negotiations concerning the Finnish units were finalized in July 2012. We will continue measures to mitigate the effects of the rising costs, and to pass them to the market by increasing product prices.

The Group's units in Austria and Belgium achieved ISO 14001 environmental management status in May 2012. The Group's Finnish and Chinese units have been certified earlier. The aim is to have all the units of the Group certified in 2012.

Visibility remains low and we remain cautious. However, the financial situation of Exel Composites is strong and we will continue our strategy of profitable growth and to invest in the development of new products, to expand our customer base by reinforcing sales and to maintain good cost control. We are prepared to reinforce actions to cope with continuing slow demand and uncertainty."

CONSOLIDATED KEY FIGURES, EUR million  
(unaudited)

	1.4. – 30.6. 2012	1.4 – 30.6. 2011	Change %	1.1.– 30.6. 2012	1.1. – 30.6. 2011	Change	1.1. – 31.12. 2011
Net sales	19.8	23.4	-15.3	40.3	44.9	-10.3	85.1
Operating profit	1.8	3.6	-50.0	3.6	6.8	-46.1	11.1
% of net sales	9.2	15.5		9.0	15.1		13.0
Profit for the period	1.3	2.6	-49.5	2.6	4.9	-46.8	7.9
Shareholders' equity	32.4	30.8	5.3	32.4	30.8	5.3	35.1
Net interest-bearing liabilities	2.5	2.1	-18.3	2.5	2.1	-18.3	-1.7
Capital employed	42.6	41.0	3.7	42.6	41.0	3.7	43.2
Return on equity, %	16.6	31.8		15.5	31.0		23.5
Return on capital employed, %	18.4	34.2		17.3	32,5		26.1
Equity ratio, %	56.8	54.0		56.8	54.0		61.6
Net gearing, %	7.6	6.8		7.6	6.8		-5.0
Earnings per share, EUR	0.11	0.22		0.22	0.41		0.67
Earnings per share, diluted, EUR	0.11	0.22		0.22	0.41		0.67
Equity per share, EUR	2.73	2.59		2.73	2.59		2.95

IFRS REPORTING

This interim report has been prepared in accordance with the recognition and measurement principles of IFRS, which are the same as in the 2011 financial statements.

FINANCIAL PERFORMANCE

1 April – 30 June 2012

The demand remained on the same level as during the previous three quarters. The Group's net sales in April – June 2012 decreased by 15.3 per cent on the corresponding period last year and were EUR 19.8 (23.4) million. Market demand decreased in the building, construction and infrastructure market, telecommunication products, energy sector and machine industry compared to the same period last year. Market demand increased in the transportation and cleaning and maintenance segments compared both to the second quarter of 2011 and the first quarter of 2012. The weak market situation affected the sales of our main customers, which has resulted in declining sales. We have invested actively in our sales activities and developed constantly new applications in co-operation with our current and new customers.

Exel Composites' operating profit for the second quarter of 2012 was EUR 1.8 (3.6 including EUR +0.2 million one-off items) million or 9.2 (15.5) per cent of net sales. The decreased sales volumes and increased employee expenses were the main reasons for the decrease in the operating profit. Cost-savings campaigns were initiated in all the units of the Group to adjust costs to current sales levels. We will continue measures to mitigate the effects of the rising costs, and to pass them to the market by increasing product prices.

The Group's units in Austria and Belgium achieved ISO 14001 environmental management status in May 2012. The Group's Finnish and Chinese units have been certified earlier. The aim is to have all the units of the Group certified in 2012.

1 January – 30 June 2012

The weak demand that started during the third quarter of 2011 continued in the first half of 2012. The Group's net sales in January – June 2012 decreased by 10.3 per cent to EUR 40.3 (44.9) million compared to the corresponding period in 2011.

Exel Composites' operating profit in January – June 2012 decreased by 46.1 per cent to EUR 3.6 (6.8 including EUR +0.2 million one-off items) million compared to the corresponding period last year. Operating profit as a percentage of net sales was 9.0 (15.1) per cent. The declined operating profit is mainly due to decreased sales volumes and investments made in organizational development.

The Group's net financial expenses in January - June 2012 were EUR -0.1 (-0.1) million. The Group's profit before taxes was EUR 3.5 (6.6) million and profit after taxes EUR 2.6 (4.9) million.

Earnings per share were EUR 0.22 (0.41). Return on capital employed was 17.3 (32.5) per cent. Return on equity was 15.5 (31.0) per cent.

#### BALANCE SHEET AND FINANCIAL POSITION

Cash flow from business operations was positive at EUR 3.4 (4.0) million. Cash flow before financing, but after capital expenditure, amounted to EUR 1.8 (2.5) million.

Capital expenditure was financed with cash flow from business operations.

At the end of the review period, the Group's liquid assets stood at EUR 7.7 (8.1) million.

The Group's consolidated total assets at the end of the period under review were EUR 57.2 (57.1) million.

Interest-bearing liabilities amounted to EUR 10.1 (10.2) million. Net interest-bearing liabilities were EUR 2.5 (2.1) million.

The dividend for 2011 resolved by the Annual General Meeting on 29 March 2012 totaling EUR 5.9 (5.9) million, or EUR 0.50 (0.50) per share, was paid on 12 April 2012.

Equity at the end of the period under review was EUR 32.4 (30.8) million and equity ratio 56.8 (54.0) per cent. The net gearing ratio was 7.6 (6.8) per cent.

## CAPITAL EXPENDITURE AND DEPRECIATION

The capital expenditure on fixed assets amounted to EUR 1.7 (1.5) million.

Total depreciation of non-current assets during the period under review amounted to EUR 1.5 (1.3) million.

## PERSONNEL

The number of Exel Composites Group employees on 30 June 2012 was 438 (438), of whom 206 (205) worked in Finland and 232 (233) in other countries. The average number of personnel during the financial year was 432 (424).

Co-determination negotiations concerning the salaried employees working in the Finnish units of the Exel Composites Group were started in June 2012. As a result of negotiations, the amount of employment contracts to be terminated are five at the most. Possibilities for part-time employment contracts will be investigated for some of the persons concerned. In addition, job descriptions, tasks and essential terms of the employment contracts will be altered to correspond to the new situation when necessary.

Furthermore, the salaried employees of the Finnish units will be laid off temporarily for a maximum of 90 days between autumn 2012 and spring 2013.

Permanent personnel reductions will take place by the end of 2012.

The ExelWay project that was launched in the latter half of 2011 was continued. The project aims at improving co-operation and harmonizing processes between the units. Project findings including new and efficient business processes and best practices are to be implemented as the project proceeds.

## SHARES AND SHARE CAPITAL

At the end of June 2012, Exel Composites' share capital was EUR 2,141,431.74 and the number of shares was 11,896,843. There were no changes in the share capital during the review period.

Based on the closing price on 30 June 2012, the market capitalization totaled EUR 80.7 (96.6) million. During the reporting period 512,570 (649,317) shares were traded, accounting for 4.3 (5.5) per cent of the average number of shares outstanding.

The highest share quotation was EUR 8.79 (9.40) and the lowest EUR 6.42 (6.85). The share price closed at EUR 6.78 (8.12). The average share price during the period under review was EUR 7.82 (8.29).

### Own shares

Exel Composites did not hold any of its own shares during the period of review.

## SHAREHOLDERS AND DISCLOSURES

Exel Composites had a total of 2,718 (2,566) shareholders on 30 June 2012. Information on Exel Composites' shareholders is available on the Company website at [www.exelcomposites.com](http://www.exelcomposites.com).

Exel Composites received no flagging notifications during the period under review.

## MAJOR NEAR-TERM RISKS AND UNCERTAINTIES

The most significant near-term business risks are related to the general economic development, government regulations and continued financial crisis in the Euro area as well as to market demand in certain market segments. Raw material prices, energy cost and other cost increases may continue and put pressure on

profitability. Currency rate changes, price competition and alternative competing materials may also have a negative effect on the result. The availability and cost of financing may continue to have an effect on the demand and increase the risk of credit losses.

#### OUTLOOK FOR 2012

Major uncertainties relating to general growth prospects in the economy continue, and these uncertainties may affect the demand for composite products. Due to the prevailing state of the markets, the visibility is low.

Exel Composites maintains its cautious stance in 2012, but will continue to drive the long-term initiatives to strengthen the Company's competitive position and to invest in growing market segments to pursue the strategy of profitable growth.

#### CONSOLIDATED COMPREHENSIVE INCOME STATEMENT (unaudited)

EUR thousand	1.4. – 30.6. 2012	1.4. – 30.6. 2011	Change, %	1.1. – 30.6. 2012	1.1. – 30.6. 2011	Change, %	1.1. – 31.12. 2011
Net sales	19,791	23,367	-15.3	40,310	44,915	-10.3	85,136
Materials and services	-7,491	-9,295	19.4	-15,610	-17,673	11.7	-33,358
Employee benefit expenses	-5,942	-5,672	-4.8	-11,560	-10,894	-6.1	-21,133
Depreciation and impairment	-723	-663	-9.0	-1,464	-1,347	-8.7	-2,702
Other operating expenses	-4,209	-4,424	4.9	-8,660	-8,686	0.3	-17,709
Other operating income	390	317	23.3	629	452	39.2	849
Operating profit	1,816	3,630	-50.0	3,645	6,768	-46.1	11,082
Net financial items	-30	-104	71.2	-113	-127	11.0	-284
Profit before tax	1,786	3,527	-49.4	3,532	6,641	-46.8	10,798
Income taxes	-485	-948	48.8	-920	-1,729	46.8	-2,852
Profit/loss for the period	1,302	2,579	-49.5	2,612	4,912	-46.8	7,946
Other comprehensive income:							

Exchange differences on translating foreign operations	866	172	403.5	660	-696	194.8	893
Other comprehensive income, net of tax	866	172	403.5	660	-696	194.8	893
Total comprehensive income	2,167	2,751	-21.2	3,272	4,216	-22.4	8,839
Profit/loss attributable to: Equity holders of the parent company	1,302	2,579		2,612	4,912		7,946
Comprehensive income attributable to: Equity holders of the parent company	2,167	2,751		3,272	4,216		8,839
Earnings per share, diluted and undiluted, EUR	0.11	0.22		0.22	0.41		0.67

#### CONDENSED CONSOLIDATED BALANCE SHEET

EUR thousand	30.6.2012	30.6.2011	Change	31.12.2011
<b>ASSETS</b>				
Non-current assets				
Goodwill	12,238	11,396	842	11,939
Other intangible assets	1,811	2,109	-298	1,961
Tangible assets	12,123	10,576	1,547	11,612
Deferred tax assets	101	642	-541	148
Other non-current assets	64	63	1	64
Non-current assets total	26,337	24,786	1,551	25,723
Current assets				
Inventories	10,556	10,097	459	10,499
Trade and other receivables	12,650	14,109	-1,459	10,985

Cash at bank and in hand	7,660	8,131	-471	9,840
Current assets total	30,866	32,336	-1,470	31,323
Total assets	57,203	57,122	81	57,047
<b>EQUITY AND LIABILITIES</b>				
Shareholders' equity				
Share capital	2,141	2,141	0	2,141
Other reserves	30	30	0	30
Invested unrestricted equity fund	8,488	8,488	0	8,488
Translation differences	4,864	2,616	2,248	4,204
Retained earnings	14,306	12,631	1,675	12,309
Profit for the period	2,612	4,912	-2,300	7,946
Total equity attributable to equity holders of the parent company	32,442	30,818	1,624	35,118
Total equity	32,442	30,818	1,624	35,118
Non-current liabilities				
Interest-bearing liabilities	8,117	10,207	-2,090	8,088
Interest-free liabilities	410	367	43	392
Deferred tax liabilities	497	559	-62	539
Current liabilities				
Interest-bearing liabilities	2,011	10	2,001	10
Trade and other non-current liabilities	13,727	15,160	-1,433	12,900
Total liabilities	24,761	26,304	-1,543	21,928
Total equity and liabilities	57,203	57,122	81	57,047

#### STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

EUR thousand	Share Capital	Other Reserves	Invested Unrestricted Equity Fund	Translation Differences	Retained Earnings	Total
Balance at 1 January 2011	2,141	37	8,488	3,311	18,529	32,507
Comprehensive result	0	0	0	-696	4,912	4,216
Other items	0	-7	0	0	50	43
Dividend				0		-5,948
Balance at 30 June 2011	2,141	30	8,488	2,616	17,543	30,818
Balance at 1 January 2012	2,141	30	8,488	4,204	20,255	35,118

Comprehensive result	0	0	0	660	2,612	3,272
Other items	0	0	0	-1		-1
Dividend				0	-5,948	-5,948
Balance at 30 June 2012	2,141	30	8,488	4,864	16,918	32,442

#### CONDENSED CONSOLIDATED CASH FLOW STATEMENT

EUR thousand	1.1. – 30.6. 2012	1.1. – 30.6. 2011	Change	1.1. – 31.12. 2011
<b>Cash Flow from Operating Activities</b>				
Profit for the period	2,612	4,912	-2,300	7,946
Adjustments	2,700	2,562	138	6,308
Change in working capital	-492	-2,468	1,976	-2,216
<b>Cash Flow Generated by Operations</b>	<b>4,820</b>	<b>5,006</b>	<b>-186</b>	<b>12,038</b>
Interest paid	-99	-173	74	-349
Interest received	65	47	18	129
Other financial items	-8	146	-154	-191
Income taxes paid	-1,344	-1,070	-274	-2,067
<b>Net Cash Flow from Operating Activities</b>	<b>3,434</b>	<b>3,956</b>	<b>-522</b>	<b>9,560</b>
<b>Capital expenditure</b>	<b>-1,677</b>	<b>-1,478</b>	<b>-199</b>	<b>-3,208</b>
Proceeds from sale of fixed assets	16	0	16	0
<b>Cash Flow from Investing Activities</b>	<b>-1,661</b>	<b>-1,478</b>	<b>-183</b>	<b>-3,208</b>
<b>Cash Flow from Financing</b>				
Proceeds from long-term borrowings	0	0	0	0
Instalments of long-term borrowings	0	0	0	-2,160
Change in short-term loans	2,000	0	2,000	0
Instalments of finance lease liabilities	-5	-5	0	-10
Dividends paid	-5,948	-5,948	0	-5,948
<b>Net Cash Flow from Financing</b>	<b>-3,953</b>	<b>-5,953</b>	<b>2,000</b>	<b>-8,118</b>
<b>Change in Liquid Funds</b>	<b>-2,180</b>	<b>-3,475</b>	<b>1,295</b>	<b>-1,766</b>
Liquid funds in the beginning of period	9,840	11,606	-1,766	11,606
Change in liquid funds	-2,180	-3,475	1,295	-1,766
Liquid funds at the end of period	7,660	8,131	-471	9,840

#### QUARTERLY KEY FIGURES

EUR thousand	II/ 2012	I/ 2012	IV/ 2011	III/ 2011	II/ 2011	I/ 2011
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Net sales	19,791	20,519	19,758	20,463	23,367	21,548
Materials and services	-7,491	-8,119	-7,529	-8,156	-9,295	-8,378
Employee benefit expenses	-5,942	-5,618	-5,419	-4,820	-5,672	-5,221
Depreciation and impairment	-723	-742	-672	-683	-663	-684
Operating expenses	-4,209	-4,452	-4,668	-4,356	-4,424	-4,262
Other operating income	390	240	284	113	317	135
Operating profit	1,816	1,828	1,754	2,560	3,630	3,137
Net financial items	-30	-83	-31	-126	-104	-23
Profit before taxes	1,786	1,745	1,723	2,434	3,527	3,115
Income taxes	-485	-435	-459	-664	-948	-782
Profit/loss for the period from continuing operations	1,302	1,310	1,264	1,770	2,579	2,333
Profit/loss for the period	1,302	1,310	1,264	1,770	2,579	2,333
Earnings per share, EUR	0.11	0.11	0.11	0.15	0.22	0.20
Earnings per share, EUR, diluted	0.11	0.11	0.11	0.15	0.22	0.20
Average number of shares, undiluted, 1,000 shares	11,897	11,897	11,897	11,897	11,897	11,897
Average number of shares, diluted, 1,000 shares	11,897	11,897	11,897	11,897	11,897	11,897
Average number of personnel	435	428	433	433	432	416

#### COMMITMENTS AND CONTINGENCIES

EUR thousand	30.6.2012	30.6.2011
On own behalf		
Mortgages	2,783	2,783
Corporate mortgages	12,500	12,500
Lease liabilities		

- in next 12 months	903	927
- in next 1-5 years	3,054	2,481
Other commitments	45	6

#### DERIVATIVE FINANCIAL INSTRUMENTS

Nominal values EUR thousand	30.6.2012	30.6.2011
Interest rate derivatives Interest rate swaps	5,000	10,000

#### CONSOLIDATED KEY FIGURES

EUR thousand	1.1. – 30.6. 2012	1.1. – 30.6. 2011	Change %	1.1. – 31.12. 2011
Net sales	40,310	44,915	-10.3	85,136
Operating profit	3,645	6,768	-46.1	11,082
% of net sales	9.0	15.1		13.0
Profit before tax	3,532	6,641	-46.8	10,798
% of net sales	8.8	14.8		12.7
Profit for the period	2,612	4,912	-46.8	7,946
% of net sales	6.5	10.9		9.3
Shareholders' equity	32,442	30,818	5.3	35,118
Interest-bearing liabilities	10,128	10,217	-0.9	8,098
Cash and cash equivalents	7,660	8,131	-5.8	9,840
Net interest-bearing liabilities	2,468	2,086	-18.3	-1,742
Capital employed	42,569	41,035	3.7	43,216
Return on equity, %	15.5	31.0		23.5
Return on capital employed, %	17.3	32.5		26.1
Equity ratio, %	56.8	54.0		61.6
Net gearing, %	7.6	6.8		-5.0
Capital expenditure	1,677	1,478	13.5	3,208
% of sales	4.2	3.3		3.8
Research and development costs	857	795	7.8	1,639
% of net sales	2.1	1.8		1.9
Order stock	14,173	15,946	-11.1	13,114
Earnings per share, EUR	0.22	0.41	-46.7	0.67
Earnings per share, EUR, diluted	0.22	0.41	-46.7	0.67
Equity per share, EUR	2.73	2.59	5.4	2.95
Average number of shares				
- cumulative	11,897	11,897		11,897
- cumulative, diluted	11,897	11,897		11,897
Average number of employees	432	424	1.9	428

## FORWARD-LOOKING STATEMENTS

Certain statements in this report, which are not historical facts, including, without limitation, those regarding expectations for general economic development and market situation; regarding customer industry profitability and investment willingness; regarding Company growth, development and profitability; regarding cost savings; regarding fluctuations in exchange rates and interest levels; regarding the success of pending and future acquisitions and restructurings; and statements preceded by "believes," "expects," "anticipates," "foresees" or similar expressions are forward-looking statements.

These statements are based on current expectations and currently known facts. Therefore, they involve risks and uncertainties that may cause actual results to differ materially from results currently expected by the Company.

Other unknown or unpredictable factors or underlying assumptions subsequently proving to be incorrect could cause actual results to differ materially from those in the forward-looking statements. Exel Composites does not undertake any obligation to publicly update or revise forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required.

Vantaa, 25 July 2012

EXEL COMPOSITES PLC  
Board of Directors

Vesa Korpimies  
President and CEO

### FURTHER INFORMATION:

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### EXEL COMPOSITES IN BRIEF

Exel Composites ([www.exelcomposites.com](http://www.exelcomposites.com)) is a technology company which designs, manufactures and markets composite profiles and tubes for industrial applications. The Group is the leading composite profile manufacturer in the world and concentrates on growing niche segments.

The core of the operations is based on own, internally developed composite technology, product range based on it and a strong market position in selected segments with a strong quality and brand image. Profitable growth is pursued by a relentless search for new applications and development in co-operation with customers. The personnel's expertise and high level of technology play a major role in Exel Composites' operations.

Exel Composites Plc share is listed in the Small Cap segment of NASDAQ OMX Helsinki Ltd.