

EXEL COMPOSITES PLC'S INTERIM REPORT FOR 1 JANUARY - 30 JUNE 2011

April - June 2011 highlights

- Net sales increased to EUR 23.4 (19.2) million, up by 21.9 per cent on the previous year
- Operating profit was EUR 3.6 (2.7) million, representing 15.5 (13.8) per cent of net sales
- Net operative cash flow was positive at EUR +2.3 (+3.3) million
- Fully diluted earnings per share were EUR 0.22 (0.16)

January - June 2011 highlights

- Net sales increased to EUR 44.9 (34.8) million in the first six months of 2011, up by 28.9 per cent on the corresponding period in 2010
- Operating profit was EUR 6.8 (3.6) million representing 15.1 (10.4) per cent of net sales
- Net operative cash flow was positive at EUR +4.0(+4.1) million
- Fully diluted earnings per share were EUR 0.41 (0.22)

Outlook for 2011

Demand in the pultrusion industry has improved gradually. We believe that Exel Composites is well positioned to take advantage of the growth opportunities as the markets recover. As a result of improved profitability, good cash flow generation and reduced debt level we believe in Exel Composites' long-term performance. Exel Composites recorded a strong first half of 2011, but maintains its cautious stance for the full year 2011, since market uncertainties persist.

Vesa Korpimies, President and CEO:

"Strong growth continued in the second quarter of 2011. The Group's net sales for the second quarter of 2011 increased by 21.9 per cent to EUR 23.4 (19.2) million compared to the corresponding period in 2010. Strong market demand continued in the telecommunications and machine industry also during the second quarter of 2011. Building and infrastructure sales were supported by a recovery in airport products from the previous year's low levels as well as a positive trend in windows and doors driven by consistent sales efforts. Further support to quarterly sales was provided by the electrical industry following recovered demand most notably in the electrical machine industry and other electrical applications.

We made a decision to invest in five new production lines using advanced pultrusion technology to secure future growth. Exel also invested more resources in sales and customer-oriented product development and will continue to strengthen the organization to ensure future growth.

The operating profit increased also in the second quarter of 2011 to EUR 3.6 (2.7) million. The measures taken in the Chinese and British units to improve efficiency continued to show positive results. The turnaround projects will continue throughout 2011. Raw material costs have continued to increase. Exel Composites has taken action to mitigate the effects.

Return on capital employed improved to 32.5 per cent compared to 17.5 per cent in the corresponding period last year.

We are well-positioned to capitalize on growth opportunities as the markets gradually recover. Exel Composites will continue its strategy of profitable growth in 2011.”

CONSOLIDATED KEY FIGURES, EUR million  
(unaudited)

	1.4.- 30.6. 2011	1.4.- 30.6. 2010	Change %	1.1.- 30.6. 2011	1.1.- 30.6. 2010	Change %	1.1.- 31.12. 2010
Net sales	23.4	19.2	21.9	44.9	34.8	28.9	72.9
Operating profit	3.6	2.7	36.8	6.8	3.6	86.1	9.4
% of net sales	15.5	13.8		15.1	10.4		12.9
Profit for the period	2.6	1.9	33.1	4.9	2.6	87.8	6.8
Shareholders' equity	30.8	27.5	12.0	30.8	27.5	12.0	32.5
Net interest-bearing liabilities	2.1	5.6	-62.9	2.1	5.6	-62.9	-1.4
Capital employed	41.0	43.2	-5.0	41.0	43.2	-5.0	42.7
Return on equity, %	31.8	29.7		31.0	19.7		23.3
Return on capital employed, %	34.2	26.3		32.5	17.5		21.8
Equity ratio, %	54.0	47.2		54.0	47.2		57.4
Net gearing, %	6.8	20.4		6.8	20.4		-4.3
Earnings per share, EUR	0.22	0.16		0.41	0.22		0.57
Earnings per share, diluted, EUR	0.22	0.16		0.41	0.22		0.57
Equity per share, EUR	2.59	2.31		2.59	2.31		2.73

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 2010 financial statements.

FINANCIAL PERFORMANCE

1 April - 30 June 2011

The Group's net sales in April - June 2011 increased on the corresponding period last year and were EUR 23.4 (19.2) million.

Market conditions have continued to improve. Strong market demand continued in the telecommunications and machine industry also during the second quarter of 2011. Building and infrastructure sales were supported by a recovery in airport products from the previous year's low levels as well as a positive trend in windows and doors driven by consistent sales efforts. Further support to quarterly sales was provided by the electrical industry following recovered demand most notably in the electrical machine industry and other electrical applications.

We made a decision to invest in five new production lines using advanced pultrusion technology to secure future growth. Exel also invested more resources in sales and customer-oriented product development and will continue to strengthen the organization to ensure future growth.

Exel Composites' operating profit for the second quarter of 2011 was EUR 3.6 (2.7) million, or 15.5 (13.8) per cent of net sales. The measures taken in the Chinese and British units to improve efficiency initiated in the last quarter of 2010 continued to show positive results. The turnaround projects will continue throughout 2011.

1 January - 30 June 2011

The Group's net sales in January - June 2011 increased by 28.9 per cent to EUR 44.9 (34.8) million compared to the corresponding period in 2010.

Market conditions have continued to improve. In the first half of 2011 demand has increased especially in the machine industry and the telecommunication market segment.

Raw material costs have continued to increase. Exel Composites has taken action to mitigate the effects and part of the increase has been transferred into product prices.

The European Commission's anti-dumping tariff on imported Chinese glass fiber was lowered from the original 43.6 per cent to 13.8 per cent in mid-March 2011. Exel Composites has increased product prices, employed alternative sourcing opportunities and increased production in its Chinese operations in Nanjing to reduce the impact of the tariff.

Exel Composites' operating profit in January - June 2011 increased by 86.1 per cent to EUR 6.8 (3.6) million compared to the corresponding period last year. Operating profit as a percentage of net sales was 15.1 (10.4) per cent. In 2010 other operating expenses included one-off restructuring costs of Floorball business amounting to EUR 1.2 million. Other operating income included one-off licensing income of EUR 1.2 million. During the first half of 2011 other operating income included EUR 0.2 million of one-off items.

The Group's net financial expenses in January - June 2011 were EUR -0.1 (-0.1) million. The Group's profit before taxes was EUR 6.6 (3.5) million and profit after taxes EUR 4.9 (2.6) million.

Earnings per share improved to EUR 0.41 (0.22). Return on capital employed was 32.5 (17.5) per cent and return on equity 31.0 (19.7) per cent.

#### BALANCE SHEET AND FINANCIAL POSITION

Cash flow from business operations was positive at EUR 4.0 (4.1) million. Cash flow before financing, but after capital expenditure, amounted to EUR 2.5 (3.4) million.

Capital expenditure was financed with cash flow from business operations. At the end of the period under review, the Group's liquid assets stood at EUR 8.1 (10.0) million.

The dividend for 2010 resolved by the Annual General Meeting on 6 April 2011 totaling EUR 5.9 (3.0) million was paid during the period under review.

The Group's consolidated total assets at the end of the review period were EUR 57.1 (58.3) million.

Interest-bearing liabilities amounted to EUR 10.2 (15.7) million, of which short-term liabilities accounted for EUR 0.0 (7.5) million. Net interest-bearing liabilities amounted to EUR 2.1 (5.6) million.

Equity at the end of the period under review was EUR 30.8 (27.5) million and equity ratio 54.0 (47.2) per cent. The net gearing ratio was 6.8 (20.4) per cent.

#### CAPITAL EXPENDITURE AND DEPRECIATION

The capital expenditure on fixed assets amounted to EUR 1.5 (0.7) million.

Total depreciation of non-current assets during the period under review amounted to EUR 1.3 (1.4) million.

#### PERSONNEL

The number of Exel Composites Group employees on 30 June 2011 was 438 (396), of whom 205 (179) worked in Finland and 233 (217) in other countries. The average number of personnel during the reporting period was 424 (403). The increase both in Finland and abroad is due to the increased sales volumes.

#### SHARES AND SHARE CAPITAL

At the end of June 2011, 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 2011, the market capitalization totaled EUR 96.6 (61.3) million. During the reporting period 649,317 (1,381,356) shares were traded, accounting for 5.5 (11.6) per cent of the average number of shares outstanding.

The highest share quotation was EUR 9.40 (6.79) and the lowest EUR 6.85 (5.00). The share price closed at EUR 8.12 (5.15). The average share price during the review period was EUR 8.29 (5.93).

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

## SHAREHOLDERS AND DISCLOSURES

Exel Composites had a total of 2,566 shareholders on 30 June 2011. Information on Exel Composites' shareholders is available on the Company website at [www.exelcomposites.com](http://www.exelcomposites.com).

Exel Composites received a flagging notification on 20 May 2011 according to which the holdings of Veikko Laine Oy had fallen under 5 per cent of the voting rights and share capital in Exel Composites Plc on 20 May 2011. Before the transaction the holdings of Veikko Laine Oy were 595,796 shares or 5.95 per cent of Exel Composites' share capital and votes. After the transaction Veikko Laine Oy's ownership was 395,796 shares or 3.33 per cent.

## ANNUAL GENERAL MEETING

The Annual General Meeting of Exel Composites Plc was held on 6 April 2011. The financial accounts of the Group were approved and the members of the Board of Directors and the President were discharged from their liabilities for the financial year 2010. The AGM approved the Board of Directors' proposal to distribute a dividend of EUR 0.50 per share for the financial period that ended on 31 December 2010.

The Annual General Meeting authorized the Board of Directors to acquire the Company's own shares by using unrestricted equity. The maximum amount to be acquired is 600,000 shares. The authorization is valid until the next Annual General Meeting.

The AGM confirmed the number of the members of the Board of Directors as five and elected a new Board. The following members of the Board of Directors were re-elected: Peter Hofvenstam, Göran Jönsson, Reima Kerttula and Heikki Mairinoja. Heikki Hiltunen was elected as a new member of the Board of Directors. At the formative meeting of the Board of Directors held after the AGM, the Board of Directors elected from among its members Peter Hofvenstam as its Chairman.

## EVENTS AFTER THE PERIOD UNDER REVIEW

Exel Composites ensured in July 2011 a new committed 3-year revolving credit facility of EUR 20 million to refinance current credit facilities and to ensure the financing of growth.

Exel Composites has entered into trademark license agreement with E-Sports Group in relation to Exel's pole products. The agreement will be in effect from 1 August 2011.

## MAJOR NEAR-TERM RISKS AND UNCERTAINTIES

The most significant near-term business risks are related to the general economic development, government regulations and a possible new 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. The European Commission's anti-dumping tariffs imposed on Chinese glass fiber will have a negative effect on the profitability in case the rising costs of raw materials cannot be transferred in full to product prices. If the measures taken in the Chinese and British units to improve efficiency prove to be unsuccessful, this may have an effect on the result of the company. 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 2011

Demand in the pultrusion industry has improved gradually. We believe that Exel Composites is well positioned to take advantage of the growth opportunities as the markets recover. As a result of improved profitability, good cash flow generation and reduced debt level we believe in Exel Composites' long-term performance. Exel Composites recorded a strong first half of 2011, but maintains its cautious stance for the full year 2011, since market uncertainties persist.

#### CONSOLIDATED COMPREHENSIVE INCOME STATEMENT (unaudited)

EUR thousand	1.4.- 30.6. 2011	1.4.- 30.6. 2010	Change %	1.1.- 30.6. 2011	1.1.- 30.6. 2010	Change %	1.1.- 31.12. 2010
Net sales	23,367	19,173	21.9	44,915	34,843	28.9	72,872
Materials and services	-9,295	-7,189	-29.3	-17,673	-13,252	-33.4	-28,403
Employee benefit expenses	-5,672	-4,892	-15.9	-10,894	-9,274	-17.5	-18,833
Deprecia- tion and impairment	-663	-763	13.1	-1,347	-1,438	6.3	-2,880
Other operating expenses	-4,424	-4,229	-4.6	-8,686	-9,052	4.0	-16,808
Other operating income	317	553	-42.7	452	1,809	-75.0	3,481
Operating profit	3,630	2,653	36.8	6,768	3,636	86.1	9,430
Net financial items	-104	-10	-940.0	-127	-96	-32.3	-493
Profit before tax	3,527	2,643	33.4	6,641	3,540	87.6	8,936
Income taxes	-948	-706	-34.3	-1,729	-925	-86.9	-2,165
Profit/ loss for the period	2,579	1,937	33.1	4,912	2,615	87.8	6,772

Other comprehensive income:							
Exchange differences on translating foreign operations	172	1,008	-82.9	-696	2,303	-130.2	3,411
Other comprehensive income, net of tax	172	1,008	-82.9	-696	2,303	-130.2	3,411
Total comprehensive income	2,751	2,946	-6.6	4,216	4,918	-14.3	10,183
Profit/loss attributable to: Equity holders of the parent company	2,579	1,937	33.1	4,912	2,615	87.8	6,772
Comprehensive income attributable to: Equity holders of the parent company	2,751	2,946	-6.6	4,216	4,918	-14.3	10,183
Earnings per share, diluted and undiluted, EUR	0.22	0.16	37.5	0.41	0.22	87.8	0.57

CONDENSED CONSOLIDATED BALANCE SHEET

EUR thousand	30.6.	30.6.	Change	31.12.
	2011	2010		2010

ASSETS

Non-current assets

Goodwill	11,396	10,294	1,102	11,637
Other intangible assets	2,109	2,975	-866	2,426
Tangible assets	10,576	10,904	-328	10,427
Deferred tax assets	642	1,737	-1,095	1,585

Other non-current assets	63	62	1	64
Non-current assets total	24,786	25,972	-1,186	26,139
Current assets				
Inventories	10,097	9,671	426	9,600
Trade and other receivables	14,109	12,617	1,492	9,540
Cash at bank and in hand	8,131	10,044	-1,913	11,606
Current assets total	32,336	32,331	5	30,746
Total assets	57,122	58,303	-1,181	56,885
EQUITY AND LIABILITIES				
Shareholders' equity				
Share capital	2,141	2,141	0	2,141
Other reserves	30	37	-7	37
Invested unrestricted equity fund				
Translation differences	8,488	8,488	0	8,488
Retained earnings	2,616	2,204	412	3,311
Profit for the period	12,631	12,039	592	11,757
	4,912	2,615	2,297	6,772
Total equity attributable to equity holders of the parent company				
Total equity	30,818	27,524	3,294	32,507
Non-current liabilities				
Interest-bearing liabilities				
Interest-free liabilities	10,207	8,162	2,045	10,204
Deferred tax liabilities	367	321	46	362
	559	206	353	549
Current liabilities				
Interest-bearing liabilities				
Trade and other non-current liabilities	10	7,510	-7,500	15
	15,160	14,580	580	13,250
Total liabilities	26,304	30,779	-4,475	24,378
Total equity and liabilities	57,122	58,303	-1,181	56,885

#### STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

EUR thousand	Share Capital	Other reserves	Invested Unrestricted Equity	Translation Differences	Retained Earnings	Total
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	Fund					
Balance at 1 January 2010	2,141	37	8,488	-100	15,013	25,580
Comprehensive result	0	0	0	2,303	2,615	4,918
Dividend	0	0	0	0	-2,974	-2,974
Balance at 30 June 2010	2,141	37	8,488	2,204	14,654	27,524
Balance at 1st 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					-5,948	-5,948
Balance at 30 June 2011	2,141	30	8,488	2,616	17,543	30,818

#### CONDENSED CONSOLIDATED CASH FLOW STATEMENT

EUR thousand	1.1.- 30.6. 2011	1.1.- 30.6. 2010	Change	31.12. 2010
Cash Flow from Operating Activities				
Profit for the period	4,912	2,615	2,297	6,772
Adjustments	2,562	3,125	-563	6,276
Change in working capital	-2,468	-515	-1,953	1,729
Cash Flow Generated by				
Operations	5,006	5,225	-219	14,777
Interest paid	-173	-273	100	-515
Interest received	47	154	-107	114
Other financial items	146	64	82	-88
Income taxes paid	-1,070	-1,071	1	-2,296
Net Cash Flow from Operating Activities	3,956	4,099	-143	11,992
Acquisitions				
Disposal of business	0	0	0	0
Capital expenditure	-1,478	-695	-783	-1,570
Proceeds from sale of fixed assets	0	0	0	0
Cash Flow from Investing Activities	-1,478	-695	-783	-1,570
Cash Flow from Financing				

Share issue	0	0	0	0
Proceeds from long-term borrowings	0	0	0	0
Instalments of long-term borrowings	0	-2,157	2,157	-6,857
Change in short-term loans	0	0	0	-106
Instalments of finance lease liabilities	-5	-826	821	-1,477
Dividends paid	-5,948	-2,974	-2,974	-2,974
Net Cash Flow from Financing	-5,953	-5,957	4	-11,414
Change in Liquid Funds	-3,475	-2,553	-922	-992
Liquid funds in the beginning of period	11,606	12,597	-991	12,597
Change in liquid funds	-3,475	-2,553	-922	-992
Liquid funds at the end of period	8,131	10,044	-1,913	11,606

#### QUARTERLY KEY FIGURES

EUR thousand	II/ 2011	I/ 2011	IV/ 2010	III/ 2010	II/ 2010	1/ 2010
Net sales	23,367	21,548	19,338	18,692	19,173	15,671
Materials and services	-9,295	-8,378	-7,700	-7,451	-7,189	-6,062
Employee benefit expenses	-5,672	-5,221	-4,982	-4,577	-4,892	-4,381
Depreciation and impairment	-663	-684	-719	-724	-763	-675
Operating expenses	-4,424	-4,262	-3,901	-3,856	-4,229	-4,824
Other operating income	317	135	1,078	595	553	1,255
Operating profit	3,630	3,137	3,115	2,679	2,653	983
Net financial items	-104	-23	-246	-152	-10	-86
Profit before taxes	3,527	3,115	2,869	2,527	2,643	897
Income taxes	-948	-782	-578	-662	-706	-219
Profit/loss for the period from continuing operations	2,579	2,333	2,291	1,865	1,937	678

Profit/loss for the period	2,579	2,333	2,291	1,865	1,937	678
Earnings per share, EUR	0.22	0.20	0.19	0.16	0.16	0.06
Earnings per share, EUR, diluted	0.22	0.20	0.19	0.16	0.16	0.06
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	432	416	408	402	397	408

#### COMMITMENTS AND CONTINGENCIES

EUR thousand	30.6.2011	30.6.2010	31.12.2010
On own behalf			
Mortgages	2,783	2,783	2,783
Corporate mortgages	12,500	12,500	12,500
Lease liabilities			
- in next 12 months	927	384	886
- in next 1-5 years	2,481	1,411	2,770
Other commitments	6	182	10

#### DERIVATIVE FINANCIAL INSTRUMENTS

Nominal values EUR thousand	30.6.2011	30.6.2010	31.12.2010
Interest rate derivatives			
Interest rate swaps	10,000	10,000	10,000
Purchased interest rate options	0	0	0

#### CONSOLIDATED KEY FIGURES

EUR thousand	1.1.- 30.6. 2011	1.1.- 30.6. 2010	Change %	31.12. 2010
Net sales	44,915	34,843	28.9	72,872
Operating profit	6,768	3,636	86.1	9,430
% of net sales	15.1	10.4		12.9

Profit before tax	6,641	3,540	87.6	8,936
% of net sales	14.8	10.2		12.3
Profit for the period	4,912	2,615	87.8	6,772
% of net sales	10.9	7.5		9.3
Shareholders' equity	30,818	27,524	12.0	32,507
Interest-bearing liabilities	10,217	15,672	-34.8	10,219
Cash and cash equivalents	8,131	10,044	-19.0	11,606
Net interest-bearing liabilities	2,086	5,628	-62.9	-1,387
Capital employed	41,035	43,196	-5.0	42,725
Return on equity, %	31.0	19.7		23.3
Return on capital employed, %	32.5	17.5		21.8
Equity ratio, %	54.0	47.2		57.4
Net gearing, %	6.8	20.4		-4.3
Capital expenditure	1,478	695	112.7	1,570
% of net sales	3.3	2.0		2.2
Research and development costs	795	702	13.2	1,312
% of net sales	1.8	2.0		1.8
Order stock	15,946	12,353	29.1	13,316
Earnings per share, EUR	0.41	0.22	87.8	0.57
Earnings per share, EUR, diluted	0.41	0.22	87.8	0.57
Equity per share, EUR	2.59	2.31	12.1	2.73
Average number of shares				
- cumulative	11,897	11,897	0.0	11,897
- cumulative, diluted	11,897	11,897	0.0	11,897
Average number of employees	424	403	5.2	404

#### 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.

Vantaa, 22 July 2011

EXEL COMPOSITES PLC  
Board of Directors

Vesa Korpimies  
President and CEO

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EXEL COMPOSITES IN BRIEF

Exel Composites 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.