

EXEL COMPOSITES PLC INTERIM REPORT FOR JANUARY 1 - JUNE 30, 2009

January - June 2009 highlights and outlook

- Net sales of continuing operations decreased to EUR 37.8 (43.4) million compared to 2008 and were 12.8 per cent lower than for the corresponding period in 2008
- Operating profit was EUR 4.4 million compared to EUR 4.6 million last year (including EUR 0.7 million of non-recurring items), representing 11.6 (10.7) per cent of net sales
- Fully diluted earnings per share were EUR 0.30 (-0.31)
- Net operative cash flow was positive at EUR +6.2 (+0.4) million
- Net gearing continued to improve from 123.9 per cent (year end 2008) to 63.5 per cent
- Exel Sports Oy will be merged into Exel Composites Plc in December 2009
- Due to the market uncertainty and poor visibility, Exel will not give any profit guidance

April - June 2009 highlights

- Net sales of continuing operations were EUR 19.3 (22.4) million, 14.1 per cent below previous year
- Operating profit of continuing operations improved 22.8 per cent to EUR 2.4 (1.9 including EUR -0.7 million non-recurring items) million, representing 12.4 (8.7) per cent of net sales
- Net operative cash flow was positive at EUR +3.2 (+0.5) million
- Fully diluted earnings per share EUR 0.16 (-0.30)

Vesa Korpimies, President and CEO:

"During the second quarter 2009, the impact of the financial crisis has continued, affecting also market demand in the pultrusion business negatively. Our sales in the second quarter of 2009 were 14.1 per cent lower than last year. Especially the machine industry, sports and leisure, paper industry and telecommunication markets were affected. Our sales were relatively good in Europe compared to the situation on the Asian markets, which suffered from tough competition particularly in China. Sales to transportation and general industries, especially defense, improved due to new applications.

To address lower sales, we continued actions to adjust Exel Composites' cost base. We maintained a strong emphasis on profitability and operative working capital reduction, safeguarded good cash flow and improved our financial position. The operating profit margin increased to 12.4 (8.7) per cent of net sales.

Composites product market demand is uncertain and we have prepared for the weakening trend to continue. We have initiated further actions to control costs to adapt to lower sales volume, to streamline the operating working capital and to amortize debt. We will also continue to have a strong focus on sales to current and new customers."

CONSOLIDATED KEY FIGURES, EUR million
(unaudited)

	1.4. - 30.6. 2009	1.4. - 30.6. 2008	Change %	1.1. - 30.6. 2009	1.1. - 30.6. 2008	Change, %	1.1. - 31.12 .2008
Net sales, continuing operations	19.3	22.4	-14.1	37.8	43.4	-12.8	84.9
Operating profit, continuing operations	2.4	1.9	22.8	4.4	4.6	-5.4	8.6
% of net sales	12.4	8.7		11.6	10.7		10.1
Profit for the period, continuing operations	1.9	1.9	-0.8	3.4	3.0	11.8	-3.0
Shareholders' equity	22.0	17.2	27.8	22.0	17.2	27.8	16.7
Net interest- bearing liabilities	13.9	30.7	-54.5	13.9	30.7	-54.5	20.7
Capital employed	45.5	53.3	-14.6	45.5	53.3	-14.6	45.4
Return on equity, %	38.6	-71.2		37.5	-36.1		-14.7
Return on capital employed, %	22.5	-34.3		20.7	-15.7		0.0
Equity ratio, %	35.9	24.5		35.9	24.5		28.2
Net gearing, %	63.5	178.4		63.5	178.4		123.9
Earnings per share, EUR	0.16	-0.30		0.30	-0.31		0.34
Earnings per share, diluted, EUR	0.16	-0.30		0.30	-0.31		-0.25
Equity per share, EUR	1.85	1.44	28.5	1.85	1.44	28.5	1.40

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 2008 financial statements. The Company has adopted the following mandatory IAS and IFRS standards that entered into force on 1 January 2009:

- IFRS 8 Operating segments. The standard replaces IAS 14 Segment Reporting. From this interim onwards, Exel Composites will be reporting only with one segment, Exel Composites. Exel Sports Brands segment will be reported as discontinued operations.
- IAS 1 Presentation of Financial Statements. The standard separates owner and non-owner changes in equity. The Group applies this standard as of this interim report.
- IAS 23 Borrowing costs. The revised standard requires capitalization of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. The Group applies the standard as of this interim report.
- IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation. According to the revised standard requires entities to classify puttable financial instruments and instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions. The Group applies the standard as of this interim report.

FINANCIAL PERFORMANCE

Net sales of continued operations in April-June 2009 were EUR 19.3 (22.4) million. Sales in almost all geographical markets and market segments decreased in the second quarter. However, sales to general industries, especially defense, improved due to new applications. Also, sales within the transportation segment to train and tram customers were on a good level in the second quarter. On the other hand, the truck and trailer business has been hit hard due to the recession. Sales within the building and construction segment have shown some resilience in Australia due to governmental financial packages.

Exel's operating profit of continued operations for April-June 2009 increased to EUR 2.4 million, compared to EUR 1.9 million (including EUR 0.7 million of non-recurring items) the corresponding period last year.

Several new products were developed during the second quarter e.g. in energy industry and general industry applications.

Net sales of continued operations in January-June 2009 decreased by 12.8 per cent to EUR 37.8 (43.4) million compared to the corresponding period in 2008. Especially the machine industry, sports and leisure, paper industry and telecommunication markets were affected. Our sales were relatively good in Europe compared to the situation on the Asian market, which suffered from tough competition especially in China.

Exel's operating profit of continued operations for the first six months of 2009 decreased to EUR 4.4 (4.6 including EUR 0.7 million of non-recurring items) million, compared to the corresponding period last year. Operating profit as a percentage of net sales was 11.6 (10.7) per cent.

The comprehensive rationalization program of the Exel Group has restored profitability to satisfactory levels by reducing operational costs and streamlining the capital employed.

The Group's net financial expenses in January-June were EUR +0.2 (-0.5) million. The main reasons for the improvement were lower interest rates, lower debt and

favorable currency exchange rates, especially the Australian dollar. The Group's profit before taxes from continuing operations was EUR 4.6 (4.1) million and profit after taxes EUR 3.4 (3.0) million.

Earnings per share were totally EUR 0.30, EUR 0.29 from continuing operations and EUR 0.02 from discontinued operations. Return on investment was 21.1 (-15.7) per cent.

BALANCE SHEET AND FINANCIAL POSITION

Exel maintained a strong emphasis on cash flow and improved the financial position. Reinforced measures were taken to reduce operative working capital and cash flow from business operations for the first half year 2009 was positive at EUR +6.2 (+0.4) million. Cash flow before financing, but after capital expenditure, was EUR +6.8 (-0.2) million.

Net interest-bearing liabilities were reduced to EUR 13.9 million compared to 30,7 million June 30, 2008, and the net gearing ratio was improved to 63.5 (178.4) per cent.

Capital expenditure was financed with cash flow from business operations. At the end of the second quarter the Group's liquid assets stood at EUR 9.6 (5.4) million.

The Group's consolidated total assets at the end of the financial year were EUR 61.1 (70.3) million.

Equity at the end of the period under review was EUR 22.0 (17.2) million and equity ratio 35.9 (24.5) per cent. Interest-bearing liabilities amounted to EUR 23.5 (36.1) million, of which short-term liabilities accounted for EUR 4.1 (10.8) million.

CAPITAL EXPENDITURE AND DEPRECIATION

The capital expenditure on fixed assets during the review period amounted to EUR 0.8 (0.7) million.

During the second quarter we sold tangible assets with EUR 0.4 million. The capital gain was EUR 0.2 million, which is recorded in the other operating income.

Total depreciation of non-current assets during the period under review amounted to EUR 1.6 (2.3) million.

PERSONNEL

The number of Exel Group employees on 30 June 2009 was 442 (537), of whom 205 (235) worked in Finland and 237 (302) in other countries. The average number of personnel during the reporting period was 452 (563). The decrease both in Finland and abroad is due to the rationalization of personnel in the Finnish, British and Chinese units and divestments of Exel Sports Brands' Outdoor and Floorball businesses.

Co-determination negotiations were started in the Finnish units of the Exel Group due to declining demand and to improve efficiency. The negotiations concern all the persons working in the Finnish units. The aim is to conclude the negotiations during week 31.

SHARES AND SHARE CAPITAL

At the end of June 2009, Exel's 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 2009, the market capitalization totaled EUR 62.5 (86.8) million. During the reporting period 1,559,432 (719,190) shares were traded, accounting for 13.1 (6.0) per cent of the average number of shares outstanding.

The highest share quotation was EUR 6.20 (12.20) and the lowest EUR 2.37 (6.87). The share price closed at EUR 5.25 (7.30). The average share price during the review period was EUR 2.90 (9.37).

Exel Composites did not hold any own shares at the end of the period under review.

ANNUAL GENERAL MEETING

The Annual General Meeting of Exel Plc was held on 16 April 2009. 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 2008. The AGM approved the Board's proposal not to distribute a dividend for the financial period that ended on 31 December 2008. The AGM decided to amend Section 1 of the Articles of Association regarding the Company Name and Domicile and changed the Company name to Exel Composites Oyj in Finnish and Exel Composites Plc in English. The AGM also decided to amend Section 10 of the Articles of Association regarding Invitations to Meetings to comply with the Finnish Corporate Governance Code for Listed Companies.

The AGM also authorized Exel's 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 AGM also resolved to issue a maximum of 2,400,000 new shares and convey a maximum of 600,000 own shares. By virtue of the authorization, the Board of Directors also has the right to grant option rights, convertible bonds and/or special rights referred to in Chapter 10, Section 1 of the Companies Act. The authorizations are valid until 16 April 2010.

The AGM confirmed the number of members of the Board of Directors as five and elected a new Board. Peter Hofvenstam, Göran Jönsson, Vesa Kainu and Heikki Mairinoja were re-elected and Reima Kerttula was elected as new member to the Board. At the organizational meeting of the Board of Directors held after the AGM, the Board of Directors elected Peter Hofvenstam as Chairman.

SHAREHOLDERS

Exel had a total of 1,715 shareholders on 30 June 2009. For the current shareholder structure, please see www.exelcomposites.com.

Exel Composites received no flagging notifications during the second quarter of 2009.

CHANGES IN GROUP STRUCTURE

Exel Composites and its wholly-owned subsidiary Exel Sports Oy signed draft terms of merger on 17 June 2009 according to which Exel Sports Oy will merge into its

parent company Exel Composites Plc. The draft terms of merger were entered in the Finnish Trade Register on 23 June 2009.

According to the draft terms of merger, Exel Sports Oy's assets and liabilities will be transferred to the parent company Exel Composites Plc without liquidation. No merger consideration will be paid for the merger, as the parent company owns all of the shares of the merging company. The merger will not cause any amendments to Exel Composite Plc's Articles of Association. The reason for the merger is the clarification of the company structure. The intended date of registration of the implementation of the merger is 31 December 2009.

NAME CHANGE

Based on the decision of Exel's Annual General Meeting on 16 April 2009, the change of Exel Plc's business name was entered into the Trade Register on 23 April 2009. The Company's new name is Exel Composites Plc in English and Exel Composites Oyj in Finnish. Exel will remain the Company's secondary company name.

CHANGES IN MANAGEMENT

Pertti Kainu was appointed General Manager of Exel Composites China on 15 June 2009.

MAJOR NEAR-TERM RISKS AND UNCERTAINTIES

The most significant near-term business risks are related to market demand. Raw material price, energy cost and other cost increases may put pressure on profitability. Currency rate changes, and further intensified price competition may also have a negative effect on the result. The cost and poor availability of bank financing may weaken the demand in Exel Composites' market and may increase the credit loss risks and have an effect on the Exel Group.

OUTLOOK

The pultrusion market is affected by the worldwide business slow-down. A weakened demand has been observed in several geographical markets and market segments. Composites product market demand is uncertain and we have prepared for the weakening trend to continue. This is expected to have a negative impact also on the margin development.

Due to the volatile situation and poor visibility of the market development, the Group has implemented comprehensive cost and capital reduction programs to protect profitability, to manage cash flow and to reduce net debt. Furthermore, Exel has developed contingency plans to respond promptly to further market decline.

Due to the market uncertainty and poor visibility, Exel Composites will not give any profit guidance.

Vantaa, 23 July 2009

EXEL COMPOSITES PLC
Board of Directors

Vesa Korpimies
President and CEO

expenses	-4763	-5393	11.7	-9590	-11116	13.7	-20650
Depreciation and impairment	-748	-1362	45.1	-1567	-2263	30.8	-3967
Other operating expenses	-3843	-5220	26.4	-7679	-8633	11.1	-17417
Other operating income	448	32	1300.0	748	42	1681.0	281
Operating profit	2390	1947	22.8	4391	4641	-5.4	8593
Net financial items	185	606	69.5	238	-530	144.9	-3003
Profit before tax	2575	2553	0.9	4629	4111	12.6	5590
Income taxes	-693	-655	-5.8	-1223	-1065	-14.8	-1554
Profit/loss for the period from continuing operations	1882	1898	-0.8	3406	3046	11.8	4036
Discontinued operations Profit/loss for the period from discontinuing operations	80	-5478	101.5	213	-6719	103.2	-6992
Profit/loss for the period	1962	-3580	154.8	3619	-3673	198.5	-2956
Other comprehensive income:							
Exchange differences on translating foreign operations	1331	76	1651.3	1663	-295	663.7	-1513
Income tax relating to							

components of other comprehensi ve income	0	0	0	0	0	0	0
Other comprehensi ve income, net of tax	1331	76	1651.3	1663	-295	663.7	-1513
Total comprehensi ve income	3293	-3504	194.0	5283	-3968	233.1	-4469
Profit/loss attributabl e to:							
Equity holders of the parent company	1962	-3580	154.8	3619	-3673	198.5	-2956
Minority interest	0	0		0	0		0
Comprehensi ve income attributabl e to:							
Equity holders of the parent company	3293	-3504	194.0	5283	-3968	233.1	-4469
Minority interest	0	0		0	0		0
Earnings per share, diluted and undiluted, EUR							
From continuing operations	0.16	0.16		0.29	0.26		0.34
From discontinue d operations	0.01	-0.46		0.02	-0.56		-0.59
Total	0.16	-0.30		0.30	-0.31		-0.25

CONDENSED CONSOLIDATED BALANCE SHEET

EUR thousand	30.6.2009	30.6.2008	Change	31.12.2008
ASSETS				
Non-current assets				
Goodwill	9,374	9,799	-425	8,362

Other intangible assets	2,539	3,085	-546	2,514
Tangible assets	11,494	12,707	-1,213	11,823
Deferred tax assets	3,186	4,628	-1,442	3,207
Other non-current assets	60	69	-9	68
Non-current assets total	26,653	30,289	-3,635	25,975
Current assets				
Inventories	10,666	17,095	-6,429	12,408
Trade and other receivables	14,223	17,450	-3,227	12,856
Other liquid assets	0	0	0	0
Cash at bank and in hand	9,571	5,431	4,140	8,035
Current assets total	34,461	39,976	-5,515	33,300
Non-current assets held for sale	0	0	0	0
Total assets	61,114	70,265	-9,151	59,275
EQUITY AND LIABILITIES				
Shareholders' equity				
Share capital	2,141	2,141	0	2,141
Share premium reserve	0	8,488	-8,488	0
Other reserves	5	5	0	5
Invested unrestricted equity fund	8,488	0	8,488	8,488
Translation differences	-730	-817	87	-2,393
Retained earnings	8,440	11,042	-2,602	11,395
Profit for the period	3,619	-3,673	7,292	-2,956
Total equity attributable to equity holders of the parent company	21,963	17,186	4,777	16,680
Minority share	0	0	0	0
Total equity	21,963	17,186	4,777	16,680
Non-current liabilities				
Interest-bearing liabilities	19,319	25,331	-6,012	22,057
Interest-free liabilities	366	0	366	348
Deferred tax liabilities	329	1,092	-763	353
Current liabilities				
Interest-bearing liabilities	4,195	10,758	-6,563	6,648
Trade and other non- current liabilities	14,940	15,898	-958	13,188
Total liabilities	39,151	53,079	-13,928	42,594
Total equity and liabilities	61,114	70,265	-9,151	59,275

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

EUR thousand	Share Capit al	Share Premiu m Reserv e	Other Reser ves	Invest ed Unrest ricted Equity Fund	Transl ation Differ ences	Retain ed Earnin gs	Minori ty Intere st	Total
Balance at 1 January 2008	2,141	8,488	5	0	-880	13,780	0	23,533
Comprehen- sive result	0	0	0	0	-295	-3,673	0	-3,968
Dividend					0	-2,379		-2,379
Balance at 30 June 2008	2,141	8,488	5	0	-1,175	7,728	0	17,186
Balance at 1st January 2009	2,141	0	5	8,488	-2,393	8,440	0	16,680
Comprehen- sive result	0	0	0	0	1,663	3,619	0	5,283
Dividend					0			0
Balance at 30 June 2009	2,141	0	5	8,488	-730	12,059	0	21,963

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

EUR thousand	1.1. - 30.6. 2009	1.1. - 30.6. 2008	Change	1.1. - 31.12. 2008
Cash Flow from Operating Activities				
Profit for the period	3,619	-3,673	7,292	-2,956
Adjustments	907	1,234	-327	6,182
Change in working capital	1,421	4,682	-3,261	11,815
Cash Flow Generated by Operations	5,947	2,243	3,704	15,041
Interest paid	-650	-953	303	-1,876
Interest received	126	47	79	259
Other financial items	825	55	770	-763
Income taxes paid	-88	-1,013	925	-1,572
Net Cash Flow from Operating Activities	6,160	379	5,781	11,089

Cash Flow from Investing Activities				
Acquisitions	0	0	0	0
Disposal of business	1,000	0	1000	25
Capital expenditure	-819	-679	-140	-1,765
Proceeds from sale of fixed assets	410	60	350	90
Cash Flow from Investing Activities	591	-619	1,210	-1,650
Cash Flow from Financing				
Share issue	0	0	0	0
Proceeds from long-term borrowings	0	10,000	-10,000	10,000
Instalments of long-term borrowings	-4,752	-6,297	1,545	-8,973
Change in short-term loans	-264	-360	96	-4,563
Instalments of finance lease liabilities	-199	-194	-5	-390
Dividends paid	0	-2,379	2,379	-2,379
Net Cash Flow from Financing	-5,215	770	-5,985	-6,305
Change in Liquid Funds	1,536	530	1,006	3,134
Liquid funds in the beginning of period	8,035	4,901	3,134	4,901
Change in liquid funds	1,536	530	1,006	3,134
Liquid funds at the end of period	9,571	5,431	4,140	8,035

QUARTERLY KEY FIGURES

EUR thousand	II/ 2009	I/ 2009	IV/ 2008	III/ 2008	II/ 2008	I/ 2008
Continuing operations						
Net sales	19,285	18,530	20,454	21,111	22,449	20,907
Materials and services	-7,988	-7,347	-8,822	-9,008	-8,559	-8,186
Employee benefit expenses	-4,763	-4,827	-4,282	-5,252	-5,393	-5,723
Depreciation and impairment	-748	-820	-819	-884	-1,362	-901
Operating expenses	-3,843	-3,836	-4,591	-4,193	-5,220	-3,413
Other operating income	448	300	229	11	32	10
Operating profit	2,390	2,001	2,168	1,785	1,947	2,694
Net financial items	185	53	-1,145	-1,328	606	-1,137
Profit before taxes	2,575	2,054	1,023	456	2,553	1,558
Income taxes	-693	-530	-401	-88	-655	-410
Profit/loss for the period from continuing operations	1,882	1,524	622	368	1,898	1,148

Profit/loss for the period from discontinuing activities	80	133	-755	482	-5,478	-1,241
Profit/loss for the period	1,962	1,658	-133	850	-3,580	-92
Earnings per share, EUR	0.16	0.14	-0.01	0.07	-0.30	-0.01
Earnings per share, EUR, diluted	0.16	0.14	-0.01	0.07	-0.30	-0.01
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	452	461	480	499	556	570

COMMITMENTS AND CONTINGENCIES

EUR thousand	30.6.2009	30.6.2008	31.12.2008
On own behalf			
Mortgages	2,783	2,783	2,783
Corporate mortgages	12,500	12,500	12,500
Lease liabilities			
- in next 12 months	573	478	492
- in next 1-5 years	1,453	2,078	1,756
Other commitments	178	480	92

DERIVATIVE FINANCIAL INSTRUMENTS

Nominal values EUR thousand	30.6.2009	30.6.2008	31.12.2008
Foreign exchange derivatives			
Forward contracts	716	1,091	1,770
Purchased currency options	0	3,568	0
Sold currency options	0	2,149	0
Currency swaps	0	0	0
Interest rate derivatives			
Interest rate swaps	9,369	250	9,810
Purchased interest rate options	5,000	3,889	3,500

CONSOLIDATED KEY FIGURES

EUR thousand	1.1. - 30.6. 2009	1.1. - 30.6. 2008	Change, %	1.1. - 31.12. 2008

Continuing operations				
Net sales	37,814	43,356	-12.8	84,921
Operating profit	4,391	4,641	-5.4	8,593
% of net sales	11.6	10.7		10.1
Profit before tax	4,629	4,111	12.6	5,590
% of net sales	12.2	9.5		6.6
Profit for the period	3,406	3,046	11.8	4,036
% of net sales	9.0	7.0		4.8
Shareholders' equity	21,963	17,186	27.8	16,680
Interest-bearing liabilities	23,514	36,089	-34.8	28,706
Cash and cash equivalents	9,571	5,431	76.2	8,035
Net interest-bearing liabilities	13,943	30,658	-54.5	20,671
Capital employed	45,477	53,275	--14.6	45,386
Return on equity, %	37.5	-36.1		-14.7
Return on capital employed, %	20.8	-15.7		0.0
Equity ratio, %	35.9	24.5		28.2
Net gearing, %	63.5	178.4		123.9
Capital expenditure	819	679	20.6	1,765
% of sales	2.2	1.6		2.1
Research and development costs	781	1,471	-46.9	1,918
% of net sales	2.1	3.4		2.3
Order stock	12,241	14,793	-17.3	11,650
Earnings per share, EUR	0.30	-0.31		-0.25
Earnings per share, EUR, diluted	0.30	-0.31		-0.25
Equity per share, EUR	1.85	1.44	28.5	1.40
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	453	563	-19.7	527