



January 1 – June 30, 2010

INTERIM REPORT





April–June 2010 highlights

- Net sales from continuing operations were EUR 19.2 (19.3) million, down by 0.6 per cent on the previous year
- Operating profit from continuing operations was EUR 2.7 (2.4) million, representing 13.8 (12.4) per cent of net sales
- Net operative cash flow was positive at EUR +3.3 (+3.2) million
- Fully diluted earnings per share were EUR 0.16 (0.16), of which continuing operations accounted for EUR 0.16 (0.16)

January–June 2010 highlights and outlook

- Net sales from continuing operations were EUR 34.8 (37.8) million for the first six months of 2010, down by 7.9 per cent on the previous year
 - Operating profit from continuing operations was EUR 3.6 (4.4) million, representing 10.4 (11.6) per cent of net sales
 - Net operative cash flow was positive at EUR +4.1 (+6.2) million
 - Fully diluted earnings per share were EUR 0.22 (0.30), of which continuing operations accounted for EUR 0.22 (0.29)
 - Due to the market uncertainty and poor visibility, Exel Composites will not give any profit guidance
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Vesa Korpimies, President and CEO:



“AN IMPROVEMENT COULD BE SEEN in the market situation during the second quarter of the year compared to the first quarter as a number of market segments recovered. The Group’s net sales in the second quarter of 2010 were on the same level as in the corresponding period last year. At the same time, the Group’s profitability improved by 11 per cent and the return on capital employed increased to 26 per cent. Sales continued to

improve in electrical industry, machine industry and the sports and leisure industry.

During the first half of 2010 our cash flow continued to be positive and our equity ratio and net gearing continued to improve.

The challenging market environment is expected to continue in the second half of 2010. We will continue to focus on sales and on developing new applications with our customers. Exel Composites long-term growth prospects remain favorable, as there are many potential opportunities in for example airport products, the electrical industry as well as in the window and door profile market. As an international player, Exel Composites is able to provide unique service to customers both locally and globally. Exel Composites is now well positioned to take advantage of the growth opportunities as the markets gradually recover.”

CONSOLIDATED KEY FIGURES (unaudited)

EUR millions	1.4.–30.6. 2010	1.4.–30.6. 2009	Change, %	1.1.–30.6. 2010	1.1.–30.6. 2009	Change, %	1.1.–31.12. 2009
Net sales, continuing operations	19.2	19.3	-0.6	34.8	37.8	-7.9	70.0
Operating profit, continuing operations	2.7	2.4	11.0	3.6	4.4	-17.2	8.0
% of net sales	13.8	12.4		10.4	11.6		11.4
PROFIT FOR THE PERIOD, CONTINUING OPERATIONS	1.9	1.9	2.9	2.6	3.4	-23.2	5.9
Shareholders' equity	27.5	22.0	25.3	27.5	22.0	25.3	25.6
Net interest-bearing liabilities	5.6	13.9	-59.6	5.6	13.9	-59.6	6.1
Capital employed	43.2	45.5	-5.0	43.2	45.5	-5.0	44.3
Return on equity, %	29.7	38.6		19.7	37.5		31.3
Return on capital employed, %	26.3	22.6		17.5	20.8		20.9
Equity ratio, %	47.2	35.9		47.2	35.9		44.6
Net gearing, %	20.4	63.5		20.4	63.5		23.7
Earnings per share, EUR	0.16	0.16		0.22	0.30		0.56
Earnings per share, diluted, EUR	0.16	0.16		0.22	0.30		0.56
Equity per share, EUR	2.31	1.85		2.31	1.85		2.15

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 2009 financial statements.

Financial performance

1 April - 30 June 2010

The Group's net sales from continuing operations in April - June 2010 were on the same level as in the corresponding period last year and were EUR 19.2 (19.3) million.

Sales continued to improve in electrical industry, where long-term agreements signed in 2009 materialized in new deliveries, in machine industry and in the sports and leisure industry, where the laminate demand for winter sports industries was on a relatively high level.

Interest in composite glass fiber window and door profiles has grown significantly in most European countries due to new energy regulations.

The airport product group sales came to a standstill in Europe after the financial crisis of Greece was revealed. There have been some weak positive signals from other markets, but the outlook is still slow. In June 2010 Exel Composites signed an agreement with a new distributor in China.

Exel Composites' operating profit from continuing operations in April - June 2010 increased to EUR 2.7 (2.4) million, compared to the corresponding period last year.

1 January – 30 June 2010

Net sales from continuing operations in January - June 2010 decreased by 7.9 per cent to EUR 34.8 (37.8) million compared to the corresponding period in 2009.

The cleaning and maintenance market has remained relatively steady during the recession. New distribution channels and new markets are being searched to gain a stronger position in the market.

The composite profile market continued to be competitive and there was overcapacity in the market.

Exel Composites' operating profit from continuing operations in January - June 2010 decreased to EUR 3.6 (4.4) million, compared to the corresponding period last year. Operating profit as a percentage of net sales from continuing operations was 10.4 (11.6) per cent. Other operating expenses include one-off restructuring costs of EUR 1.2 million due to the corporate restructuring of the former Floorball licensee. Other operating income includes one-off licensing income of EUR 1.2 million.

The Group's net financial expenses from continuing operations in January - June 2010 were EUR -0.1 (+0.2) million. The Group's profit before taxes from continuing operations was EUR 3.5 (4.6) million and profit after taxes EUR 2.6 (3.4) million.

Earnings per share for continuing operations decreased to EUR 0.22 (0.29) and for discontinued operations to EUR 0.00 (0.02). Return on capital employed was 17.5 (20.8) per cent.

Balance sheet and financial position

Net cash flow from operating activities was positive at EUR 4.1 (6.2) million. Cash flow before financing, but after capital expenditure, amounted to EUR 3.4 (6.8) million.

Net interest-bearing liabilities were EUR 5.6 (13.9) million, and the net gearing ratio was 20.4 (63.5) per cent.

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 10.0 (9.6) million.

The Group's consolidated total assets at the end of the review period were EUR 58.3 (61.1) million.

Equity at the end of the period under review was EUR 27.5 (22.0) million and equity ratio 47.2 (35.9) per cent. Interest-bearing liabilities amounted to EUR 15.7 (23.5) million, of which short-term liabilities accounted for EUR 7.5 (4.2) million.

Capital expenditure and depreciation

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

Total depreciation of non-current assets during the period under review amounted to EUR 1.4 (1.6) million.

Personnel

The number of Exel Composites Group employees on 30 June 2010 was 396 (442), of whom 179 (205) worked in Finland and 217 (237) in other countries. The average number of personnel during the reporting period was 403 (452). The decrease both in Finland and abroad is due to the rationalization actions in the Finnish, British and Chinese units and the divestment of Exel Sports Brands' Floorball business.

Shares and share capital

At the end of June 2010, 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 2010, the market capitalization totaled EUR 61.3 (62.5) million. During the reporting period 1,381,356 (1,559,432) shares were traded, accounting for 11.6 (13.1) per cent of the average number of shares outstanding.

The highest share quotation was EUR 6.79 (6.20) and the lowest EUR 5.00 (2.37). The share price closed at EUR 5.15 (5.25). The average share price during the review period was EUR 5.93 (2.90).

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 2,071 shareholders on 30 June 2010. Information on Exel Composites' shareholders is available on the Company website at 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 and a possible new financial crisis in the Euro area as well as to market demand in certain market segments. The market visibility is weak and the second half of 2010 may still be challenging. The raw material prices, energy cost and other cost increases may put pressure on profitability. The possible European Community's anti-dumping tariffs on Chinese glass fiber may have a negative effect on the result. Currency rate changes, especially a strengthening of the U.S. dollar and price competition may also have a negative effect on the result. The poor availability of financing may continue to have effect on the demand and increase the credit loss risk.

Market outlook for 2010

The Group has a cautious stance on the economy for 2010 and expects the market conditions to remain challenging although there are signals that the markets are improving. Exel Composites is prepared to take further prompt actions, but also to capture opportunities due to the economic down-turn. Even though the short-term market outlook is challenging, the long-term growth opportunities remain favorable.

Exel Composites' outlook for 2010

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

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

EUR 1,000	1.4.–30.6 2010	1.4.–30.6. 2009	Change, %	1.1.–30.6 2010	1.1.–30.6. 2009	Change, %	1.1.–31.12. 2009
CONTINUING OPERATIONS							
NET SALES	19,173	19,285	-0.6	34,843	37,814	-7.9	70,005
Materials and services	-7,189	-7,988	10.0	-13,252	-15,335	13.6	-28,430
Employee benefit expenses	-4,892	-4,763	-2.7	-9,274	-9,590	3.3	-17,994
Depreciation and impairment	-763	-748	-2.0	-1,438	-1,567	8.2	-3,028
Other operating expenses	-4,229	-3,843	-10.0	-9,052	-7,679	-17.9	-13,859
Other operating income	553	448	23.4	1,809	748	141.8	1,296
OPERATING PROFIT	2,653	2,390	11.0	3,636	4,391	-17.2	7,990
Net financial items	-10	185	-105.4	-96	238	-140.3	-20
PROFIT BEFORE TAX	2,643	2,575	2.6	3,540	4,629	-23.5	7,970
Income taxes	-706	-693	-1.9	-925	-1,223	24.4	-2,025
PROFIT/LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS	1,937	1,882	2.9	2,615	3,406	-23.2	5,945
DISCONTINUED OPERATIONS							
Profit/loss for the period from discontinuing operations	0	80	100.0	0	213	100.0	662
PROFIT/LOSS FOR THE PERIOD	1,937	1,962	1.3	2,615	3,619	27.7	6,607
OTHER COMPREHENSIVE INCOME							
Exchange differences on translating foreign operations	1,008	1,331	-24.3	2,303	1,663	38.5	2,293
Income tax relating to components of other comprehensive income	0	0	0.0	0	0	0.0	0
Other comprehensive income, net of tax	1,008	1,331	-24.3	2,303	1,663	38.5	2,293
Total comprehensive income	2,946	3,293	-10.5	4,918	5,283	-6.9	8,900
PROFIT/LOSS ATTRIBUTABLE TO:							
Equity holders of the parent company	1,937	1,962	0.0	2,615	3,619	0.0	6,607
COMPREHENSIVE INCOME ATTRIBUTABLE TO:							
Equity holders of the parent company	2,946	3,293	0.0	4,918	5,283	0.0	8,900
EARNINGS PER SHARE, DILUTED AND UNDILUTED, EUR							
From continuing operations	0.16	0.16	0.0	0.22	0.29	0.0	0.50
From discontinued operations	0.00	0.01	0.0	0.00	0.02	0.0	0.06
TOTAL	0.16	0.16	0.0	0.22	0.30	0.0	0.56

CONDENSED CONSOLIDATED BALANCE SHEET

EUR 1,000	30.6.2010	30.6.2009	Change	31.12.2009
ASSETS				
NON-CURRENT ASSETS				
Goodwill	10,294	9,374	920	9,686
Other intangible assets	2,975	2,539	436	2,460
Tangible assets	10,904	11,494	-590	10,835
Deferred tax assets	1,737	3,186	-1,449	2,315
Other non-current assets	62	60	2	64
NON-CURRENT ASSETS TOTAL	25,972	26,653	-681	25,642
CURRENT ASSETS				
Inventories	9,671	10,666	-995	8,782
Trade and other receivables	12,617	14,223	-1,606	10,281
Cash at bank and in hand	10,044	9,571	473	12,597
Current assets total	32,331	34,461	-2,130	31,661
TOTAL ASSETS	58,303	61,114	-2,811	57,303
EQUITY AND LIABILITIES				
SHAREHOLDERS' EQUITY				
Share capital	2,141	2,141	0	2,141
Other reserves	37	5	32	37
Invested unrestricted equity fund	8,488	8,488	0	8,488
Translation differences	2,204	-730	2,934	-100
Retained earnings	12,039	8,440	3,599	8,407
Profit for the period	2,615	3,619	-1,004	6,607
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	27,524	21,963	5,561	25,580
TOTAL EQUITY	27,524	21,963	5,561	25,580
NON-CURRENT LIABILITIES				
Interest-bearing liabilities	8,162	19,319	-11,157	16,346
Interest-free liabilities	321	367	-46	330
Deferred tax liabilities	206	329	-123	248
CURRENT LIABILITIES				
Interest-bearing liabilities	7,510	4,195	3,315	2,324
Trade and other non-current liabilities	14,580	14,940	-360	12,476
TOTAL LIABILITIES	30,779	39,151	-8,372	31,723
TOTAL EQUITY AND LIABILITIES	58,303	61,114	-2,811	57,303

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

EUR 1,000	Share capital	Share premium reserve	Other reserves	Invested unrestricted equity fund	Translation differences	Retained earnings	Total
Balance at 1 January 2009	2,141	0	5	8,488	-2,393	8,440	16,680
Comprehensive result	0	0	0	0	1,663	3,619	5,283
Dividend						0	0
Balance at 30 June 2009	2,141	0	5	8,488	-730	12,059	21,963
Balance at 1 January 2010	2,141	0	37	8,488	-100	15,013	25,580
Comprehensive result	0	0	0	0	2,303	2,615	4,918
Dividend						-2,974	-2,974
BALANCE AT 30 JUNE 2010	2,141	0	37	8,488	2,204	14,654	27,524

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

EUR 1,000	1.1.–30.6.2010	1.1.–30.6.2009	Change	1.1.–31.12.2009
CASH FLOW FROM OPERATING ACTIVITIES				
Profit for the period	2,615	3,619	-1,004	6,607
Adjustments	3,125	907	2,218	4,829
Change in working capital	-515	1,421	-1,936	2,309
Cash flow generated by operations	5,255	5,947	-722	13,745
Interest paid	-273	-650	377	-1,015
Interest received	154	126	28	292
Other financial items	64	825	-761	770
Income taxes paid	-1,071	-88	-983	427
NET CASH FLOW FROM OPERATING ACTIVITIES	4,099	6,160	-2,061	14,219
CASH FLOW FROM INVESTING ACTIVITIES				
Disposal of business	0	1,000	-1,000	1,225
Capital expenditure	-695	-819	124	-1,440
Proceeds from sale of fixed assets	0	410	-410	410
CASH FLOW FROM INVESTING ACTIVITIES	-695	591	-1,286	195
CASH FLOW FROM FINANCING				
Instalments of long-term borrowings	-2,157	-4,752	2,595	-7,623
Change in short-term loans	0	-264	264	-1,823
Instalments of finance lease liabilities	-826	-199	-627	-406
Dividends paid	-2,974	0	-2,974	0
Net cash flow from financing	-5,957	-5,215	-742	-9,852
CHANGE IN LIQUID FUNDS	-2,553	1,536	-4,089	4,562
Liquid funds in the beginning of period	12,597	8,035	4,562	8,035
Change in liquid funds	-2,553	1,536	-4,089	4,562
Liquid funds at the end of period	10,044	9,571	473	12,597

QUARTERLY KEY FIGURES

EUR 1,000	II/2010	I/2010	IV/2009	III/2009	II/2009	I/2009
CONTINUING OPERATIONS						
NET SALES	19,173	15,671	16,248	15,942	19,285	18,530
Materials and services	-7,189	-6,062	-6,393	-6,702	-7,988	-7,347
Employee benefit expenses	-4,892	-4,381	-4,071	-4,332	-4,763	-4,827
Depreciation and impairment	-763	-675	-712	-748	-748	-820
Operating expenses	-4,229	-4,824	-3,080	-3,101	-3,843	-3,836
Other operating income	553	1,255	367	180	448	300
OPERATING PROFIT	2,653	983	2,360	1,239	2,390	2,001
Net financial items	-10	-86	30	-288	185	53
PROFIT BEFORE TAXES	2,643	897	2,390	951	2,575	2,054
Income taxes	-706	-219	-550	-252	-693	-530
Profit/loss for the period from continuing operations	1,937	678	1,840	699	1,882	1,524
Profit/loss for the period from discontinuing activities	0	0	351	97	80	133
PROFIT/LOSS FOR THE PERIOD	1,937	678	2,191	796	1,962	1,658
Earnings per share, EUR	0.16	0.06	0.18	0.07	0.16	0.14
Earnings per share, EUR, diluted	0.16	0.06	0.18	0.07	0.16	0.14
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	397	408	414	425	452	461

COMMITMENTS AND CONTINGENCIES

EUR 1,000	30.6.2010	30.6.2009	31.12.2009
ON OWN BEHALF			
Mortgages	2,783	2,783	2,783
Corporate mortgages	12,500	12,500	12,500
LEASE LIABILITIES			
• in next 12 months	384	573	516
• in next 1–5 years	1,411	1,453	1,328
OTHER COMMITMENTS			
	182	178	235

DERIVATIVE FINANCIAL INSTRUMENTS

Nominal values, EUR 1,000	30.6.2010	30.6.2009	31.12.2009
FOREIGN EXCHANGE DERIVATIVES			
Forward contracts	0	716	341
INTEREST RATE DERIVATIVES			
Interest rate swaps	10,000	9,369	10,000
Purchased interest rate options	0	5,000	0

CONSOLIDATED KEY FIGURES

EUR 1,000	1.1.–30.6.2010	1.1.–30.6.2009	Change, %	1.1.–31.12.2009
CONTINUING OPERATIONS				
Net sales	34,843	37,814	-7.9	70,005
Operating profit	3,636	4,391	-17.2	7,990
% of net sales	10.4	11.6		11.4
Profit before tax	3,540	4,629	-23.5	7,970
% of net sales	10.2	12.2		11.4
Profit for the period	2,615	3,406	-23.2	5,945
% of net sales	7.5	9.0		8.5
Shareholders' equity	27,524	21,963	25.3	25,580
Interest-bearing liabilities	15,672	23,514	-33.4	18,669
Cash and cash equivalents	10,044	9,571	4.9	12,597
Net interest-bearing liabilities	5,628	13,943	-59.6	6,072
Capital employed	43,196	45,477	-5.0	44,250
Return on equity, %	19.7	37.5		31.3
Return on capital employed, %	17.5	20.8		20.9
Equity ratio, %	47.2	35.9		44.6
Net gearing, %	20.4	63.5		23.7
Capital expenditure	695	819	-15.1	1,440
% of sales	2.0	2.2		2.1
Research and development costs	702	781	-10.1	1,407
% of net sales	2.0	2.1		2.0
Order stock	12,353	12,241	0.9	8,827
Earnings per share, EUR	0.22	0.30	-27.7	0.56
Earnings per share, EUR, diluted	0.22	0.30	-27.2	0.56
Equity per share, EUR	2.31	1.85	24.9	2.15
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	403	452	-10.8	436

VANTAA, 23 JULY 2010

**EXEL COMPOSITES PLC
BOARD OF DIRECTORS**

**VESA KORPIMIES
PRESIDENT AND CEO**

It should be noted that certain statements herein which are not historical facts, including, without limitation, those regarding expectations for general economic development and the market situation, expectations for company growth, development and profitability, and statements preceded by "expects" or "estimates" or similar expressions, are forward-looking statements. These statements are based on current decisions and plans and currently known facts. They involve risks and uncertainties which may cause the actual results to materially differ from the results currently expected by the company.

Further information

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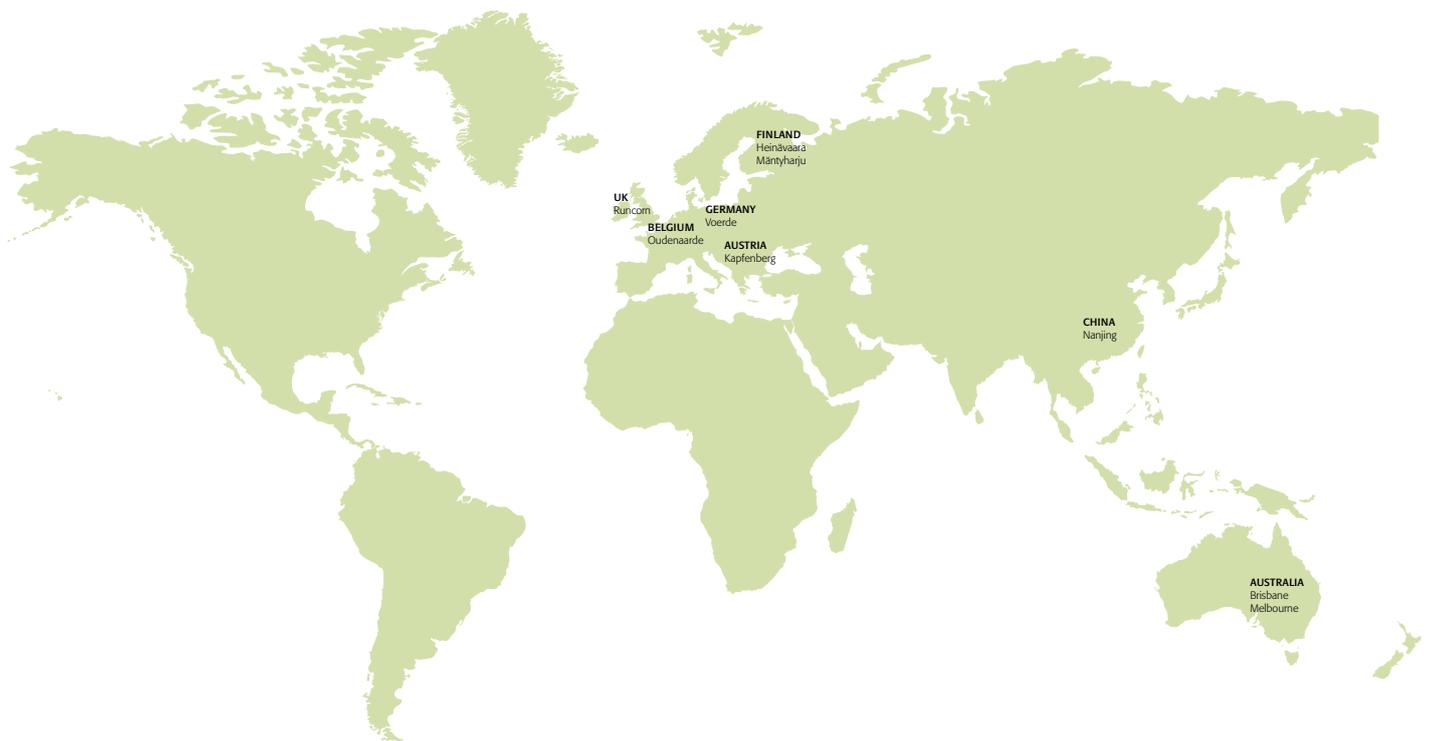
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Exel Composites in brief

Exel Composites (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.

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



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