

Interim report – Q2 2008

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President and CEO

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Q2 in brief

- Net Sales in the first six months EUR 48.9 (57.5) million
- Net Sales in the second quarter EUR 24.8 (28.7) million
- Operating Loss in the first six months EUR -4.3 (6.2) million including EUR -7.3 million non-recurring items
- Operating Loss in the second quarter EUR -5.6 (+2.7) million including EUR -7.3 million non-recurring items
- Unsatisfactory performance in Exel Sports Brands continued, operating loss of EUR -7.6 (-1.8) million including EUR -6.6 million non-recurring items
- Outdoor business of ESB transferred to Karhu Sports
- Fully diluted earnings per share EUR -0.31 (0.36)

Key figures of Exel Composites

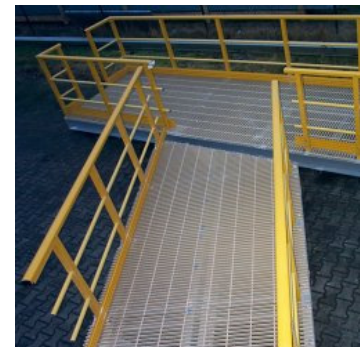
	Q2/2008	Q2/2007	change, %	2007
Net Sales, M€	22.9	27.6	-16.8	104.3
Oper. profit, M€	1.8	4.5	-60.2	15.2
<i>as % of sales</i>	7.8	16.2		14.6
Average no. of personnel	495	499	-0.8	500



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Exel Composites

- Net sales decreased by 16.8% from previous year to EUR 22.9 (27.6) million
 - Procurement model change in the wind energy segment
 - Divestment of Plastics business in Germany
 - Weaker market conditions also in other segments, especially in building and construction
 - partly due to the delay of start-up of new construction projects
 - Price competition intensified further



Exel Composites

- Operating profit decreased to EUR 1.8 (4.5) million
 - Reduction in sales and increasing price competition
- Non-recurring items amounting to EUR -1.1 million relating mainly to Exel Composites sub-contracting business to Exel Sports Brands and wind energy business



Key figures of Exel Sports Brands

	Q2/2008	Q2/2007	change, %	2007
Net Sales, M€	2.4	2.2	10.5	13.6
Oper. profit, M€	-7.6	-1.8	-330.5	-10.7
<i>as % of Sales</i>	<i>-316.6</i>	<i>-81.3</i>		<i>-78.1</i>
Average no. of personnel	43	46	-6.5	49



Exel Sports Brands

- Exel Sports Brands' Outdoor business sold to Karhu Sports on 1 June 2008
- ESB now consists solely of the Floorball business
- Net sales increased by 10.5% from previous year to EUR 2.4 (2.2) million
- Operating loss of EUR -7.6 (-1.8) million. Non-recurring items amounting to EUR -6.6 million recorded composing of inventory and fixed assets write-offs, and provisions for restructuring measures



Group net sales

M€	Q2/2008	Q2/2007	change, %	2007
Exel Composites	22.9	27.6	-16.8	104.3
Exel Sports Brands	2.4	2.2	10.5	13.6
Intra Group sales	-484			
Total	24.8	28.7		113.5



Group operating profit

M€	Q2/2008	Q2/2007	change, %	2007
Exel Composites	1.8	4.5	-60.2	15.2
Exel Sports Brands	-7.6	-1.8	-330.5	-10.7
Total	-5.6	2.7		4.8



Balance sheet, cash flow and financing

- Consolidated total assets of EUR 70.3 (82.3) million
- Equity of EUR 17.2 (26.2) million and equity ratio of EUR 24.5% (31.9%)
- Cash flow of business operations of EUR +0.4 (-2.2) million
- Liquid assets of EUR 5.4 (4.0) million at the end of reporting period
- Interest bearing liabilities of EUR 36.1 (36.3) million
- Net gearing ratio of 178.4% (123.5)

Consolidated key figures

EUR million	Q2/2008	Q2/2007	change, %	2007
Net sales	24.8	28.7	-13.5	113.5
Operating profit	-5.6	2.7	-311.5	4.8
<i>% of net sales</i>	-22.7	9.3		4.2
Profit for the period	-3.6	1.9	-284.0	2.01
SH's equity	17.2	26.2	-34.4	23.5
Capital employed	53.3	62.5	-14.7	56.3
ROE, %	-71.2	29.5		8.4
ROCE, %	-34.3	19.1		7.3
Equity ratio, %	24.5	31.9		31.3
Net gearing, %	178.4	123.5		118.4
EPS, €	-0.30	0.16		0.17
EPS, fully diluted, €	-0.30	0.16		0.17

Shares and share capital

8/2007 - 7/2008



- 6.0% (29.8%) of shares outstanding were traded during the review period
- The highest share quotation was EUR 12.20 (16.70) and the lowest EUR 6.87 (12.50)
- The share price closed at EUR 7.30 (16.18) and the market capitalization at the end of the review period was EUR 86.8 (192.5) million

Largest shareholders (30 June 2008)

	Number of shares	Percentage of share capital
Nordstjernan AB	3,496,506	29.39
Ilmarinen Mutual Pension Insurance Company	689,400	5.79
Berling Capital Oy	412,000	3.46
OP Suomi Pienyhtiöt	380,900	3.20
Veikko Laine Oy	378,800	3.18
Varma Mutual Pension Insurance Company	363,600	3.05
Ulkomarkkinat Oy	346,600	2.91
Alfred Berg Finland Inv. Fund	343,225	2.88
Fondita Nordic Small Cap Inv. Fund	330,000	2.77
Suutarinen Matti	294,400	2.47
SEB (nominee registered)	233,169	1.95

Outlook

- The global pultrusion market is affected by a worldwide business slow-down
- Growth opportunities for Exel Composites may be available in advanced composite profile applications
- New product applications are continuously being developed
- Exel Composites may have a weak development in telecommunications (emerging technologies), building and construction and infrastructure segments (slow-down in building activity), as well as in wind energy business (change of procurement practices)
- Increased price competition and higher costs are further putting pressure on profitability

Outlook

- In the future the Group will reinforce the focus on its core business, namely Exel Composites
- New profitable applications are being sought continuously
- A stringent cost reduction program has been introduced to restore profitability
- The profit before taxes is expected to be positive in the second half of 2008
- For the full year the Group's profit before taxes is expected to be negative