

EXEL COMPOSITES PLC'S INTERIM REPORT FOR JANUARY 1 - MARCH 31, 2011

January-March 2011 highlights

- Net sales increased to EUR 21.5 (15.7) million in the first quarter of 2011, up by 37.5 per cent on the weak first quarter of the previous year
- Operating profit was EUR +3.1 million in the first quarter of 2011 compared to EUR 1.0 million in the first quarter of 2010, or 14.6 (6.3) per cent of net sales
- Net operative cash flow was positive at EUR +1.6 (+0.8) million
- Fully diluted earnings per share were EUR 0.20 (0.06)

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 start of 2011, but maintains its cautious stance for the full year 2011, since market uncertainties persist.

Vesa Korpimies, President and CEO:

"We experienced strong growth in the first quarter of 2011 compared to the weak first quarter of 2010. The Group's net sales for the first quarter of 2011 increased by 37.5 per cent to EUR 21.5 (15.7) million compared to the corresponding period in 2010. Market demand was strong especially in the machine industry, the paper industries and the telecommunication market segment. There were also some signs of recovering demand in the building and construction industry which suffered from poor demand during the whole last year.

The operating profit also increased in the first quarter of 2011 to EUR 3.1 (1.0) million. The measures taken in the Chinese and British units to improve efficiency initiated in the last quarter of 2010 started to show positive results. The turnaround projects will continue throughout 2011. However, raw material costs have continued to increase. Exel Composites has taken action to mitigate the effects and will continue to do so.

Return on capital employed improved to 29.1 per cent compared to 9.8 per cent in the corresponding period last year.

We are well-positioned to capitalize on growth opportunities on the gradually recovering markets and we will continue our strategy of profitable growth in 2011."

CONSOLIDATED KEY FIGURES, EUR million
(unaudited)

	1.1. - 31.3. 2011	1.1.- 31.3. 2010	Change %	1.1. - 31.12. 2010
Net sales	21.5	15.7	37.5	72.9

Operating profit	3.1	1.0	219.1	9.4
% of net sales	14.6	6.3		12.9
Profit for the period	2.3	0.7	244.1	6.8
Shareholders' equity	34.0	24.6	38.4	32.5
Net interest-bearing liabilities	-2.4	5.6	-143.7	-1.4
Capital employed	44.2	41.3	7.0	42.7
Return on equity, %	28.1	10.8		23.3
Return on capital employed, %	29.1	9.8		21.8
Equity ratio, %	57.0	42.9		57.4
Net gearing, %	-7.2	22.8		-4.3
Earnings per share, EUR	0.20	0.06		0.57
Earnings per share, diluted, EUR	0.20	0.06		0.57
Equity per share, EUR	2.86	2.07		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.

1 JANUARY - 31 MARCH 2011

FINANCIAL PERFORMANCE

The Group's net sales for the first quarter of 2011 increased by 37.5 per cent to EUR 21.5 (15.7) million compared to the corresponding period in 2010. Since the weak outset of 2010 market conditions have improved gradually. In the first quarter of 2011 demand increased especially in the machine industry, the paper industries and the telecommunication market segment. There were some signals of recovering demand also in the building and construction industry which suffered from poor demand during the whole last year.

Raw material costs have continued to increase. Exel Composites has taken action to mitigate the effects; 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 in addition to the base tariff of 7 per cent. 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. In 2010 other operating expenses included one-off restructuring costs of Floorball business amounting to EUR 1.0 million. Other operating income included one-off licensing income of EUR 0.9 million. During the first quarter of 2011 no one-off items were recorded.

Exel Composites' operating profit for the first quarter of 2011 was EUR 3.1 (1.0) million or 14.6 (6.3) per cent of net sales. The measures taken in the Chinese and British units to improve efficiency initiated in the last quarter of 2010 started to show positive results. The turnaround projects will continue throughout 2011.

The Group's net financial expenses in the first quarter of 2011 were EUR 0.0 (0.1) million. The Group's profit before taxes was EUR 3.1 (0.9) million and profit after taxes EUR 2.3 (0.7) million.

Earnings per share improved to EUR 0.20 (0.06). Return on capital employed was 29.1 (20.9) per cent.

BALANCE SHEET AND FINANCIAL POSITION

Cash flow from business operations was positive at EUR 1.6 (0.8) million. Cash flow before financing, but after capital expenditure, amounted to EUR 1.1 (0.5) 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 12.7 (11.2) million.

The Group's consolidated total assets at the end of the review period were EUR 59.8 (57.3) million.

Net interest-bearing liabilities amounted to EUR -2.4 (5.6) million, and the net gearing ratio improved to -7.2 (22.8) per cent.

Equity at the end of the period under review was EUR 34.0 (24.6) million and equity ratio 57.0 (42.9) per cent. Interest-bearing liabilities amounted to EUR 10.2 (16.8) million, of which short-term liabilities accounted for EUR 0.0 (7.7) million.

CAPITAL EXPENDITURE AND DEPRECIATION

The capital expenditure on fixed assets amounted to EUR 0.6 (0.3) million.

Total depreciation of non-current assets during the period under review amounted to EUR 0.7 (0.7) million.

PERSONNEL

The number of Exel Composites Group employees on 31 March 2011 was 418 (403), of whom 196 (177) worked in Finland and 222 (226) in other countries. The average number of personnel during the financial year was 416 (408).

SHARES AND SHARE CAPITAL

At the end of March 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 31 March 2011, the market capitalization totaled EUR 110.4 (70.4) million. During the reporting period 343,137 (765,035) shares were traded, accounting for 2.9 (6.4) per cent of the average number of shares outstanding.

The highest share quotation was EUR 9.30 (6.20) and the lowest EUR 6.85 (5.19). The share price closed at EUR 9.28 (5.92). The average share price during the review period was EUR 7.90 (5.82).

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 2,522 shareholders on 31 March 2011. 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, 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 to increase 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 glass fiber can only be transferred partially to product prices. In case 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 loss.

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.

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 start of 2011, but maintains its cautious stance for the full year 2011, since market uncertainties persist.

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT (unaudited)

EUR thousand	1.1. - 31.3. 2011	1.1.- 31.3. 2010	Change, %	1.1. - 31.12. 2010
Net sales	21,548	15,671	37.5	72,872
Materials and services	-8,378	-6,062	-38.2	-28,403
Employee benefit expenses	-5,221	-4,381	-19.2	-18,833
Depreciation and impairment	-684	-675	-1.3	-2,880
Other operating expenses	-4,262	-4,824	11.7	-16,808
Other operating income	135	1,255	-89.2	3,481
Operating profit	3,137	983	219.1	9,430
Net financial items	-23	-86	73.3	-493
Profit before tax	3,115	897	247.3	8,936
Income taxes	-782	-219	-257.1	-2,165
Profit/loss for the period	2,333	678	244.1	6,772
Other comprehensive				

income:

Exchange differences on translating foreign operations	-867	1,295	-166.9	3,411
Other comprehensive income, net of tax	-867	1,295	-166.9	3,411
Total comprehensive income	1,466	1,972	-25.7	10,183
Profit/loss attributable to: Equity holders of the parent company	2,333	678		6,772
Comprehensive income attributable to: Equity holders of the parent company	1,466	1,972		10,183
Earnings per share, diluted and undiluted, EUR	0.20	0.06		

CONDENSED CONSOLIDATED BALANCE SHEET

EUR thousand	31.3. 2011	31.3. 2010	Change	31.12. 2010
ASSETS				
Non-current assets				
Goodwill	11,231	10,624	607	11,637
Other intangible assets	2,203	2,488	-285	2,426
Tangible assets	10,248	10,878	-630	10,427

Deferred tax assets	1,661	1,873	-212	1,585
Other non-current assets	63	63	0	64
Non-current assets total	25,406	25,926	-520	26,139
Current assets				
Inventories	9,480	9,191	289	9,600
Trade and other receivables	12,258	11,001	1,257	9,540
Cash at bank and in hand	12,662	11,161	1,501	11,606
Current assets total	34,400	31,353	3,047	30,746
Total assets	59,805	57,279	2,526	56,885
EQUITY AND LIABILITIES				
Shareholders' equity	2,141	2,141	0	2,141
Share capital	0	0	0	0
Other reserves	30	37	-7	37
Invested unrestricted equity fund	8,488	8,488	0	8,488
Translation differences	2,488	1,195	1,293	3,311
Retained earnings	18,536	12,039	6,497	11,757
Profit for the period	2,333	678	1,655	6,772
Total equity attributable to equity holders of the parent company	34,017	24,578	9,438	32,507
Total equity	34,017	24,578	9,438	32,507
Non-current liabilities				
Interest-bearing liabilities	10,206	9,025	1,181	10,204
Interest-free liabilities	364	317	47	362
Deferred tax liabilities	542	680	-138	549
Current liabilities				
Interest-bearing liabilities	10	7,731	-7,721	15
Trade and other non-current liabilities	14,667	14,948	-281	13,250
Total liabilities	25,788	32,701	-6,913	24,378
Total equity and liabilities	59,805	57,279	2,526	56,885

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

EUR thousand	Share Capital	Other reserves	Invested Unrestricted Equity Fund	Translation Differences	Retained Earnings	Total
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Balance at 1 January 2010	2,141	37	8,488	-100	15,013	25,580
Comprehen- sive result	0	0	0	1,295	678	1,973
Dividend	0	0	0	0	-2,974	-2,974
Balance at 31 March 2010	2,141	37	8,488	1,195	12,717	24,579
Balance at 1st January 2011	2,141	37	8,488	3,311	18,529	32,507
Comprehen- sive result	0	0	0	-867	2,333	1,466
Other items	0	-7	0	0	52	44
Dividend	0	0	0	0	0	0
Balance at 31 March 2011	2,141	30	8,488	2,444	20,914	34,017

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

EUR thousand	1.1. - 31.3. 2011	1.1. - 31.3. 2010	Change	31.12. 2010
Cash Flow from Operating Activities				
Profit for the period	2,333	678	1,665	6,772
Adjustments	1,222	1,667	-445	6,276
Change in working capital	-1,605	-522	-1,083	1,729
Cash Flow Generated by Operations	1,950	1,823	127	14,777
Interest paid	-50	-93	43	-515
Interest received	27	69	-42	114
Other financial items	41	64	-23	-88
Income taxes paid	-337	-1,047	710	-2,296
Net Cash Flow from Operating Activities	1,631	816	815	11,992
Cash Flow from Investing Activities				
Acquisitions	0	0	0	0
Disposal of business	0	0		0
Capital expenditure	-573	-348	-225	-1,570
Proceeds from sale of fixed assets	0	0	0	0

Cash Flow from Investing Activities	-573	-348	-225	-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	-1,800	1,800	-6,857
Change in short-term loans	0	0	0	-106
Instalments of finance lease liabilities	-2	-104	102	-1,477
Dividends paid	0	0	0	-2,974
Net Cash Flow from Financing	-2	-1,904	1,902	-11,414
Change in Liquid Funds	1,056	-1,436	2,492	-992
Liquid funds in the beginning of period	11,606	12,597	-991	12,597
Change in liquid funds	1,056	-1,436	2,492	-992
Liquid funds at the end of period	12,662	11,161	1,501	11,606

QUARTERLY KEY FIGURES

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

the period from continuing operations	2,333	2,291	1,865	1,937	678
Profit/loss for the period	2,333	2,291	1,865	1,937	678
Earnings per share, EUR	0.20	0.19	0.16	0.16	0.06
Earnings per share, EUR, diluted	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
Average number of shares, diluted, 1,000 shares	11,897	11,897	11,897	11,897	11,897
Average number of personnel	416	408	402	397	408

COMMITMENTS AND CONTINGENCIES

EUR thousand	31.3.2011	31.3.2010	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	1,068	485	886
- in next 1-5 years	2,111	1,394	2,770
Other commitments	6	209	10

DERIVATIVE FINANCIAL INSTRUMENTS

Nominal values	31.3.2011	31.3.2010	31.12.2010
EUR thousand			
Foreign exchange derivatives			
Forward contracts			
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. -	1.1. -	Change %	31.12.
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	31.3. 2011	31.3. 2010		2010
Net sales	21,548	15,671	37.5	72,872
Operating profit	3,137	983	219.1	9,430
% of net sales	14.6	6.3		12.9
Profit before tax	3,115	897	247.3	8,936
% of net sales	14.5	5.7		12.3
Profit for the period	2,333	678	244.1	6,772
% of net sales	10.8	4.3		9.3
Shareholders' equity	34,017	24,578	38.4	32,507
Interest-bearing liabilities	10,216	16,756	-39.0	10,219
Cash and cash equivalents	12,662	11,161	13.4	11,606
Net interest-bearing liabilities	-2,446	5,595	-143.7	-1,387
Capital employed	44,232	41,335	7.0	42,725
Return on equity, %	28.1	10.8		23.3
Return on capital employed, %	29.1	9.8		21.8
Equity ratio, %	57.0	42.9		57.4
Net gearing, %	-7.2	22.8		-4.3
Capital expenditure	573	348	64.7	1,570
% of net sales	2.7	2.2		2.2
Research and development costs	364	400	-9.0	1,312
% of net sales	1.7	2.6		1.8
Order stock	14,430	10,860	32.9	13,316
Earnings per share, EUR	0.20	0.06	244.3	0.57
Earnings per share, EUR, diluted	0.20	0.06	244.3	0.57
Equity per share, EUR	2.86	2.07	38.2	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	416	408	2.0	404

PRESS CONFERENCE

Exel Composites will host an analyst and press conference to present the interim report today Thursday 5 May 2011 at 12.30 pm in the Pavilion Cabinet of the Scandic Hotel Simonkenttä at Simonkatu 9, Helsinki, Finland.

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, 5 May 2011

EXEL COMPOSITES PLC
Board of Directors

Vesa Korpimies
President and CEO

FURTHER INFORMATION:

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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.