

EXEL COMPOSITES PLC'S INTERIM REPORT FOR JANUARY 1 – MARCH 31, 2013

JANUARY – MARCH 2013 HIGHLIGHTS

- Net sales decreased to EUR 16.9 (20.5) million in the first quarter of 2013, down by 17.7 per cent on the previous year
- Operating profit was EUR 0.7 million in the first quarter of 2013 compared to EUR 1.8 million in the first quarter of 2012, or 3.9 (8.9) per cent of net sales
- Net operative cash flow was positive at EUR +0.7 (+1.5) million
- Fully diluted earnings per share were EUR 0.05 (0.11)

OUTLOOK FOR 2013

Major uncertainties relating to general growth prospects in the economy continue. Visibility is low and the market pressure is expected to continue in 2013. The Company will continue to work on sales development and on adjusting costs to market conditions. Additional contingency actions may be undertaken which may impact the short-term profits, but protect long-term cash flow and profitability.

COMMENTS BY THE CEO

"The market situation in Central Europe continued to weaken during the first quarter of 2013. Sales continued to decrease in almost all the market segments compared to the same period in 2012. Market demand increased only in the transportation market segment compared to the first quarter of 2012. Net sales decreased in the first quarter 2013 and were EUR 16.9 (20.5) million, a decrease of 17.7 per cent. Sales decreased especially in the telecommunication market segment, electrical industry, machine industry and general industries. Sales increased in the transportation industry compared to the first quarter of 2012.

The Group's operating profit was EUR 0.7 (1.8) million. The main reasons for the decrease were lower sales and sales margins especially in the Finnish units.

Visibility is low and the market pressure is expected to continue. Profitability continues to be weak in the Australian business unit in spite of corrective actions undertaken. Corrective actions will be continued. Structural changes will also be considered. Co-determination negotiations will be started in the Finnish business units due to weak demand and profitability. The focus will be on sales, efficiency and yield improvement as well as on turnaround measures.

Despite the challenging situation the composite market is estimated to develop positively in the longer run, and Exel Composites is well-positioned when the market recovers."

CONSOLIDATED KEY FIGURES, EUR million
(unaudited)

	1.1. – 31.3. 2013	1.1.– 31.3. 2012	Change, %	1.1. – 31.12. 2012
Net sales	16.9	20.5	-17.7	76.0

Operating profit	0.7	1.8	-63.6	3.4
% of net sales	3.9	8.9		4.5
Profit for the period	0.6	1.3	-57.6	2.0
Shareholders' equity	28.7	30.3	-5.1	31.4
Net interest-bearing liabilities	-1.1	-2.4		-1.1
Capital employed	36.1	38.4	-6.1	39.6
Return on equity, %	7.4	16.0		6.1
Return on capital employed, %	7.1	18.1		8.4
Equity ratio, %	54.0	51.5		61.0
Net gearing, %	-4.0	-8.1		-3.4
Earnings per share, EUR	0.05	0.11		0.17
Earnings per share, diluted, EUR	0.05	0.11		0.17
Equity per share, EUR	2.42	2.54		2.64

IFRS REPORTING

This financial statements bulletin has been prepared in accordance with the recognition and measurement principles of IFRS, which are the same as in the 2012 financial statements.

FINANCIAL PERFORMANCE

The Group's net sales in January – March 2013 were EUR 16.9 (20.5) million, a decrease of 17.7 per cent. Sales continued to decrease in almost all the market segments compared to the same period in 2012. Market demand increased only in the transportation market segment compared to the first quarter of 2012. Sales decreased especially in the telecommunication market segment, electrical industry, machine industry and general industries. Sales increased in the transportation industry compared to the first quarter of 2012.

Exel Composites' operating profit for the first quarter of 2013 was EUR 0.7 (1.8) million or 3.9 (8.9) per cent of net sales. The main reasons for the decrease were lower sales and sales margins especially in the Finnish units.

Visibility is low and the market pressure is expected to continue. Profitability continues to be weak in the Australian business unit in spite of corrective actions undertaken. Corrective actions will be continued. Structural changes will also be considered. Co-determination negotiations will be started in the Finnish business units due to weak demand and profitability. The focus will be on sales, efficiency and yield improvement as well as on turnaround measures.

The Group's net financial expenses in the first quarter of 2013 were EUR 0.0 (0.1) million. The Group's profit before taxes was EUR 0.7 (1.7) million and profit after taxes EUR 0.6 (1.3) million.

Fully diluted total earnings per share were EUR 0.05 (0.11). Return on capital employed was 7.1 (18.1) per cent. Return on equity was 7.4 (16.0) per cent.

BALANCE SHEET AND FINANCIAL POSITION

Cash flow from business operations was positive at EUR 0.7 (1.5) million. Cash flow before financing, but after capital expenditure, amounted to EUR 0.1 (0.7) million.

Capital expenditure was financed with cash flow from business operations. At the end of the review period, the Group's liquid assets stood at EUR 8.5 (10.6) million.

The Group's consolidated total assets at the end of the period under review were EUR 53.3 (58.8) million.

Interest-bearing liabilities amounted to EUR 7.3 (8.1) million. Net interest-bearing liabilities were EUR -1.1 (-2.4) million. Non-current liabilities were amortized by EUR 5.0 million and new short-term loans were withdrawn amounting to EUR 4.1 million.

Equity at the end of the first quarter of 2013 was EUR 28.7 (30.3) million and equity ratio 54.0 (51.5) per cent. The net gearing ratio was -4.0 (-8.1) per cent.

CAPITAL EXPENDITURE AND DEPRECIATION

The capital expenditure on fixed assets amounted to EUR 0.6 (0.8) 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 2013 was 436 (433), of whom 209 (200) worked in Finland and 227 (233) in other countries. The average number of personnel during the financial year was 439 (428). The use of temporary workforce has been largely discontinued for the time being. In Finland part of maintenance functions were transferred back to Exel Composites, which increased its own personnel by 8 persons.

The ExelWay project that was launched in the latter half of 2011 was continued. The project aims at improving co-operation and harmonizing processes between the units. Project findings including new and efficient business processes and best practices are to be implemented as the project proceeds.

SHARES AND SHARE CAPITAL

At the end of March 2013, 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.

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

SHARE PERFORMANCE AND TURNOVER

The highest share price quoted was EUR 6.50 (8.79) and the lowest EUR 5.70 (7.70). The share price closed at EUR 5.80 (8.29). The average share price during the period under review was EUR 6.16 (8.36).

A total of 198,853 (241,203) shares were traded during the reporting period, which represents 1.7 (2.0) per cent of the average number of shares. Based on the closing price on 31 March 2013, Exel Composites' market capitalization was EUR 69.0 (98.6) million.

SHAREHOLDERS AND DISCLOSURES

Exel Composites had a total of 2,795 (2,726) shareholders on 31 March 2013. Information on Exel Composites' shareholders is available on the Company website at www.exelcomposites.com.

Exel Composites did not receive any flagging announcements during the period under review.

ANNUAL GENERAL MEETING

Exel Composites' Annual General Meeting ("AGM") was held on 27 March 2013. 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 2012. The AGM approved the Board of Directors' proposal to distribute a dividend of EUR 0.30 per share for the financial period that ended on 31 December 2012.

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 30 June 2014.

The Annual General Meeting authorised the Board of Directors to decide on the issuance of a maximum of 2,400,000 new shares and/or conveyance of a maximum of 600,000 Company's own shares. By virtue of the authorisation, the Board of Directors also has the right to grant option rights, convertible bonds and/or other special rights referred to in Chapter 10, Section 1 of the Companies Act, which entitle to new shares or the Company's own shares against payment in such a manner that the subscription price of the shares is paid in cash or by using the subscriber's receivable to set off the subscription price.

New shares may be issued and the Company's own shares held by the Company may be conveyed also for free. A directed share issue may be free only if there is an especially weighty financial reason both for the Company and with regard to the interests of all shareholders in the Company, such as using the shares as a part of the Company's incentive program for personnel. The new shares may also be issued in a free share issue to the Company itself.

The authorisations are valid until 30 June 2016.

The AGM confirmed the number of the members of the Board of Directors as five and elected a new Board. All the members of the Board of Directors were re-elected: Heikki Hiltunen, Peter Hofvenstam, Göran Jönsson, Reima Kerttula and Heikki Mairinoja. 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.

The AGM decided that the annual remuneration for the Board members be unchanged, i.e. the Chairman of the Board of Directors be paid a yearly remuneration of EUR 34,000 and additionally EUR 1,500 for attendance at Board and committee meetings and other similar Board assignments and the other Board members be paid a yearly remuneration of EUR 16,000 and additionally EUR 1,000 for attendance at Board and committee meetings and other similar Board assignments and that travel expenses and other out-of-pocket expenses arising from the Board work be compensated in accordance with the Company's established practice and travel rules. Out of the yearly remuneration 60 per cent will be paid in cash and 40 per cent in Exel Composites Plc shares, which were acquired directly for and on behalf of the members of the Board of Directors during 2 April – 8 April 2013 from the stock exchange in amounts corresponding to EUR 13,600 for the Chairman and EUR 6,400 for each of the other members.

MAJOR NEAR-TERM RISKS AND UNCERTAINTIES

The most significant near-term business risks are related to the general economic development, government regulations and continued financial crisis in the Euro area as well as to market demand in certain market segments. Success of corrective actions as well as possible restructuring and impairment charges can have an impact on the profitability. Raw material prices, energy cost and other cost increases may continue to put pressure on profitability. 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.

EVENTS AFTER THE REPORTING PERIOD

Co-determination negotiations concerning all the employment groups of the Finnish units of the Exel Composites Group will be commenced on 13 May 2013. The aim is to conclude the negotiations during week 26.

OUTLOOK FOR 2013

Major uncertainties relating to general growth prospects in the economy continue. Visibility is low, but the market pressure is expected to continue in 2013. The Company will continue to work on sales development and on adjusting costs to market conditions. Additional contingency actions may be undertaken which may impact the short-term profits, but protect long-term cash flow and profitability.

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT (unaudited)

EUR thousand	1.1. – 31.3. 2013	1.1. – 31.3. 2012	Change, %	1.1. – 31.12. 2012
Net sales	16,897	20,519	-17.7	75,998
Materials and services	-6,430	-8,119	20.8	-29,986
Employee benefit expenses	-5,309	-5,618	5.5	-21,077
Depreciation and impairment	-673	-742	9.3	-5,387
Other operating expenses	-3,981	-4,452	10.6	-17,057
Other operating income	163	240	-32.1	909
Operating profit	666	1,828	-63.6	3,399
Net financial items	24	-83	128.9	-428
Profit before tax	691	1,745	-60.4	2,971
Income taxes	-136	-435	68.7	-940
Profit/loss for the period	555	1,310	-57.6	2,031
Other comprehensive income:				
Other				

comprehensive
income to be
reclassified to
profit or loss in
subsequent
periods:

Exchange
differences on
translating
foreign
operations

298	-205	245.4	133
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Other
comprehensive
income, net of
tax

0	0	0	0
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Total
comprehensive
income

853	1,105	-22.8	2,164
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Profit/loss
attributable to:
Equity holders
of the parent
company

555	1,310		2,031
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Comprehensive
income
attributable to:
Equity holders
of the parent
company

853	1,105		2,164
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Earnings per
share, diluted
and undiluted,
EUR

0.05	0.11		0.17
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CONDENSED CONSOLIDATED BALANCE SHEET

EUR thousand	31.3.2013	31.3.2012	Change	31.12.2012
ASSETS				
Non-current assets				
Goodwill	11,179	11,854	-675	10,898
Other intangible assets	1,153	1,803	-650	1,220
Tangible assets	10,768	11,730	-962	10,681
Deferred tax assets	858	147	711	752
Other non-current assets	62	65	-3	64
Non-current assets total	24,021	25,600	-1,579	23,615
Current assets				
Inventories	9,276	10,278	-1,002	9,129

Trade and other receivables	11,488	12,389	-901	9,513
Cash at bank and in hand	8,465	10,551	-2,086	9,245
Current assets total	29,229	33,218	-3,989	27,887
Total assets	53,250	58,818	-5,568	51,502

EQUITY AND LIABILITIES

Shareholders' equity				
Share capital	2,141	2,141	0	2,141
Other reserves	45	30	15	45
Invested unrestricted equity fund	8,488	8,488	0	8,488
Translation differences	4,636	3,999	637	4,337
Retained earnings	12,874	14,306	-1,432	14,396
Profit for the period	555	1,310	-755	2,031

Total equity attributable to equity holders of the parent company	28,738	30,274	-1,536	31,438
Total equity	28,738	30,274	-1,536	31,438

Non-current liabilities				
Interest-bearing liabilities	2,497	8,103	-5,606	8,168
Interest-free liabilities	426	400	26	411
Deferred tax liabilities	376	520	-144	377

Current liabilities				
Interest-bearing liabilities	4,823	10	4,813	11
Trade and other non-current liabilities	16,390	19,512	-3,122	11,098

Total liabilities	24,512	28,544	-4,032	20,064
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Total equity and liabilities	53,250	58,818	-5,568	51,502
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STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

EUR thousand	Share Capital	Other Reserves	Invested Unrestricted Equity Fund	Translation Differences	Retained Earnings	Total
Balance at 1 January 2012	2,141	30	8,488	4,204	20,255	35,118
Comprehensive result				-205	1,310	1,105
Other items						
Dividend					-5,948	-5,948
Balance at 31 March 2012	2,141	30	8,488	3,999	15,616	30,274
Balance at 1						

January 2013	2,141	45	8,488	4,337	16,427	31,438
Comprehensive result				298	555	853
Other items					16	16
Dividend					-3,569	-3,569
Balance at 31 March 2013	2,141	45	8,488	4,636	13,429	28,738

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

EUR thousand	1.1. – 31.3. 2013	1.1. – 31.3. 2012	Change	1.1. – 31.1 2. 2012
Cash Flow from Operating Activities				
Profit for the period	555	1,310	-755	2,031
Adjustments	810	1,153	-343	7,170
Change in working capital	-371	-179	-192	1,223
Cash Flow Generated by Operations	994	2,284	-1,290	10,424
Interest paid	-37	-47	10	-259
Interest received	3	20	-17	80
Other financial items	-25	14	-39	-155
Income taxes paid	-236	-767	531	-1,897
Net Cash Flow from Operating Activities	699	1,504	-805	8,193
Capital expenditure	-610	-790	180	-2,846
Proceeds from sale of fixed assets	0	0	0	16
Cash Flow from Investing Activities	-610	-790	180	-2,830
Cash Flow from Financing				
Proceeds from long-term borrowings	0	0	0	0
Instalments of long-term borrowings	-5,000	0	-5,000	0
Change in short-term loans	4,134	0	4,134	0
Change in finance lease liabilities	-3	-3	0	-10
Dividends paid	0	0	0	-5,948
Net Cash Flow from Financing	-869	-3	-866	-5,958
Change in Liquid Funds	-780	711	-1,491	-595
Liquid funds in the beginning of				

period	9,245	9,840	-595	9,840
Change in liquid funds	-780	711	-1,491	-595
Liquid funds at the end of period	8,465	10,551	-2,086	9,245

QUARTERLY KEY FIGURES

EUR thousand	I/ 2013	IV/ 2012	III/ 2012	II/ 2012	I/ 2012
Net sales	16,897	18,634	17,054	19,791	20,519
Materials and services	-6,430	-7,670	-6,706	-7,491	-8,119
Employee benefit expenses	-5,309	-5,095	-4,422	-5,942	-5,618
Depreciation and impairment	-673	-3,304	-619	-723	-742
Operating expenses	-3,981	-4,345	-4,052	-4,209	-4,452
Other operating income	163	173	107	390	240
Operating profit	666	-1,608	1,362	1,816	1,828
Net financial items	24	-109	-206	-30	-83
Profit before taxes	691	-1,717	1,156	1,786	1,745
Income taxes	-136	246	-266	-485	-435
Profit/loss for the period from continuing operations	555	-1,471	890	1,302	1,310
Profit/loss for the period	555	-1,471	890	1,302	1,310
Earnings per share, EUR	0.05	-0.12	0.07	0.11	0.11
Earnings per share, EUR, diluted	0.05	-0.12	0.07	0.11	0.11
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	436	431	433	435	428

COMMITMENTS AND CONTINGENCIES

EUR thousand	31.3.2013	31.3.2012
On own behalf		
Mortgages	2,783	2,783
Corporate mortgages	12,500	12,500
Lease liabilities		
- in next 12 months	837	934
- in next 1-5 years	2,213	3,017
Other commitments	6	43

DERIVATIVE FINANCIAL INSTRUMENTS

Nominal values	31.3.2013	31.3.2012
EUR thousand		
Foreign exchange derivatives		
Forward contracts	0	0
Interest rate derivatives		
Interest rate swaps	5,000	10,000

CONSOLIDATED KEY FIGURES

EUR thousand	1.1. – 31.3. 2013	1.1. – 31.3. 2012	Change, %	1.1. – 31.12. 2012
Net sales	16,897	20,519	-17.7	75,998
Operating profit	666	1,829	-63.6	3,399
% of net sales	3.9	8.9		4.5
Profit before tax	691	1,745	-60.4	2,971
% of net sales	4.1	8.5		3.9
Profit for the period	555	1,310	-57.6	2,031
% of net sales	3.3	6.4		2.7
Shareholders' equity	28,738	30,274	-5.1	31,438
Interest-bearing liabilities	7,320	8,113	-9.8	8,179
Cash and cash equivalents	8,465	10,551	-19.8	9,245

Net interest-bearing liabilities	-1,145	-2,438		-1,066
Capital employed	36,058	38,387	-6.1	39,617
Return on equity, %	7.4	16.0		6.1
Return on capital employed, %	7.1	18.1		8.4
Equity ratio, %	54.0	51.5		61.0
Net gearing, %	-4.0	-8.1		-3.4
Capital expenditure	610	790	-22.8	2,846
% of net sales	3.6	3.8		3.7
Research and development costs	321	411	-21.9	1,606
% of net sales	1.9	2.0		2.1
Order stock	11,763	14,459	-18.6	10,677
Earnings per share, EUR	0.05	0.11	-54.5	0.17
Earnings per share, EUR, diluted	0.05	0.11	-54.5	0.17
Equity per share, EUR	2.42	2.54	-4.7	2.65
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	436	428	1.9	431

PRESS CONFERENCE

Exel Composites will hold an analyst and press conference regarding the interim report today Friday 3 May 2013 at 12.30 pm in the Freda Cabinet of the Scandic Hotel Simonkenttå 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.

Other unknown or unpredictable factors or underlying assumptions subsequently proving to be incorrect could cause actual results to differ materially from those in the forward-looking statements. Exel Composites does not undertake any obligation to publicly update or revise forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required.

Vantaa, 3 May 2013

EXEL COMPOSITES PLC
Board of Directors

Vesa Korpimies
President and CEO

FURTHER INFORMATION:

Vesa Korpimies, President and CEO, tel. +358 50 590 6754, or email vesa.korpimies@exelcomposites.com
Ilkka Silvanto, CFO and Administrative Director, tel. +358 50 598 9553, or email
ilkka.silvanto@exelcomposites.com

DISTRIBUTION

NASDAQ OMX Helsinki Ltd.
Main news media
www.exelcomposites.com

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.

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