

EXEL COMPOSITES PLC'S INTERIM REPORT FOR JANUARY 1 – JUNE 30, 2014

Q2 in brief:

- o Net sales increased to 21.4 MEUR, up by 22.1 per cent from previous year (Q2/2013:17.5 MEUR)
- o Operating profit was 3.1 (1.6) MEUR, up by 89.7 per cent from previous year
- o Operating profit margin was 14.3 (9.2) per cent of net sales
- o Net operative cash flow was positive at +2.4 (+1.9) MEUR
- o Fully diluted earnings per share were 0.19 (0.10) EUR

H1 in brief:

- o Net sales increased to 39.2 MEUR, up by 13.9 per cent from previous year (H1/2013:34.4 MEUR)
- o Operating profit was 4.9 (2.3) MEUR, up by 117.2 per cent from previous year
- o Operating profit margin was 12.6 (6.6) per cent of net sales
- o Net operative cash flow was positive at +3.1 (+2.6) MEUR
- o Fully diluted earnings per share were 0.28 (0.14) EUR

Near-term outlook

The market has stabilized but remains challenging. Uncertainties relating to general growth prospects in the economy continue. Some positive signs can be seen especially in the laminate and demanding carbon tube markets. The Company invests in growth by reinforcing the organization, especially in sales and operations development. The Company will monitor the general market development and react with additional measures if needed. The Company is well-positioned to grow profitably when the markets recover.

President and CEO Riku Kytömäki:

Exel Composites' net sales for the second quarter increased by 22.1 per cent from the corresponding period in 2013 from EUR 17.5 million to EUR 21.4 million. Order intake increased in the second quarter by 12.5 per cent to EUR 21.4 (19.0) million on the corresponding period in 2013. Our order backlog remained on a good level at EUR 14.1 million in the second quarter of 2014, decreasing slightly from the first quarter 2014 due to strong deliveries in the second quarter of 2014.

Market demand continued to improve during the second quarter. Demand increased especially in the telecommunication, transportation and building, construction and infrastructure markets. However, the market remains challenging.

Exel Composites' operating profit nearly doubled and was EUR 3.1 million compared to EUR 1.6 million due to increased sales, our efficiency improvement and better cost control. We continued to develop the Group's operations in order to further enhance productivity and synergies across the units.

CONSOLIDATED KEY FIGURES, EUR million
 (unaudited)

	1.4. – 30.6. 2014	1.4. – 30.6. 2013	Change, %	1.1. – 30.6. 2014	1.1. – 30.6. 2013	Chan ge %	1.1. – 31.12. 2013
Net sales	21.4	17.5	22.1	39.2	34.4	13.9	69.3

Operating profit	3.1	1.6	89.7	4.9	2.3	117.2	4.8
% of net sales	14.3	9.2		12.6	6.6		7.0
Cash flow from operations	2.4	1.9	30.9	3.1	2.6	20.4	7.8
Capital expenditure	0.5	0.7	-25.1	1.2	1.3	-10.6	2.8
Return on capital employed, %	32.2	17.8		26.8	12.0		13.0
Net gearing, %	5.7	4.6		5.7	4.6		15.0
Earnings per share, EUR	0.19	0.10		0.28	0.14		0.26

Market environment

In the second quarter 2014 the market continued to improve but was still challenging. Demand increased in the telecommunication, transportation and building, construction and infrastructure industries in April – June 2014 compared to the corresponding period in 2013. Market demand decreased in the sports and leisure industry.

In the first half of 2014 market demand increased in the telecommunication, general and transportation industries compared to the corresponding period in 2013 while market demand decreased in the sports and leisure industry.

Order intake and order backlog April – June 2014

Order intake increased in the second quarter by 12.5 per cent to EUR 21.4 (19.0) million on the corresponding period in 2013.

The Group's order backlog increased to EUR 14.1 (13.1) million on 30 June 2014. The order backlog was approximately on the same level as in the first quarter of 2014 (EUR 14.3 million).

Sales review April – June 2014

Group net sales increased 22.1 per cent to EUR 21.4 (17.5) million on the corresponding period in 2013.

Net sales increased in the largest region, Europe, by 21.1 per cent compared to the corresponding period in 2013. Net sales in the APAC region increased by 22.2 per cent. Net sales in the region Rest of the world increased by 28.6 per cent.

Sales of Industrial applications increased by 29.4 per cent to EUR 13.2 million from EUR 10.2 million in the corresponding period in 2013. Sales increased especially to the telecommunication and transportation industries.

Sales of Construction and Infrastructure applications in the second quarter of 2014 increased by 4.4 per cent to EUR 4.4 (3.9) million compared to the corresponding period in 2013.

Sales of Other applications grew by 5.6 per cent to EUR 3.8 (3.6) million compared to the corresponding period in 2013.

Order intake January – June 2014

Order intake increased by 15.5 per cent to during the first six months of the year to EUR 43.1 (37.4) million compared to the corresponding period in 2013.

Sales review January – June 2014

Group net sales increased 13.9 per cent to EUR 39.2 (34.4) million on the corresponding period in 2013.

Net sales increased in the largest region, Europe, by 17.0 per cent compared to the corresponding period in

2013. The APAC region declined by 3.6 per cent. The decline in APAC was mainly related to the Australian market, where the decline was mainly due to a one-off project recorded in the first quarter of 2013.

Sales of Industrial applications increased by 16.7 per cent to EUR 23.0 million from EUR 19.7 million in the corresponding period in 2013. Sales increased especially to the telecommunication, transportation, paper and machine industries.

Sales of Construction and Infrastructure applications increased by 3.6 per cent to EUR 8.5 (8.2) million compared to the corresponding period in 2013.

Sales of Other applications grew by 18.2 per cent to EUR 7.7 (6.6) million compared to the corresponding period in 2013. Sales increased in the cleaning and maintenance and general industries market applications, but decreased in the sports and leisure market applications.

Net sales by Region

MEUR	1.4. – 30.6. 2014	1.4. – 30.6. 2013	Change, %	1.1. – 30.6. 2014	1.1. – 30.6. 2013	Change, %	–1.1. – 31.12. 2013
Europe	17.2	14.2	21.1	32.3	27.6	17.0	56.0
APAC	3.3	2.7	22.2	5.3	5.5	-3.6	10.6
Rest of world	0.9	0.7	28.6	1.6	1.4	14.2	2.7
Total	21.4	17.5	22.1	39.2	34.4	13.9	69.3

Sales by Customer Industry

MEUR	1.4. – 30.6. 2014	1.4. – 30.6. 2013	Change, %	1.1. – 30.6. 2014	1.1. – 30.6. 2013	Change, %	–1.1. – 31.12. 2013
Construction and infrastructure	4.4	3.9	12.8	8.5	8.2	3.6	15.8
Industrial applications	13.2	10.2	29.4	23.0	19.7	16.7	40.7
Other applications	3.8	3.6	5.6	7.7	6.6	18.2	12.8
Total	21.4	17.5	22.1	39.2	34.4	13.9	69.3

Financial performance

April – June 2014

The Group's operating profit continued to develop positively in April – June 2014 due to increased sales, continued efficiency improvement, and better cost control. The Group's operating profit in April – June 2014 was EUR 3.1 (1.6) million or 14.3 (9.2) per cent of net sales.

The turnaround measures in Australia, including change in the operating model and transfer of Brisbane unit to Melbourne, have been completed but have not yet resulted in satisfactory profitability. The focus is on generating more sales.

January – June 2014

The Group's operating profit in January – June 2014 was EUR 4.9 (2.3) million or 12.6 (6.6) per cent of net sales. The main reasons for the increase in the operating profit were increased sales, efficiency improvement and better cost control.

The Group's net financial expenses in January – June 2014 were EUR -0.3 (0.0) million. The Group's profit before taxes was EUR 4.6 (2.3) million and profit after taxes EUR 3.3 (1.7) million.

Financial position

Net cash flow from operating activities was positive at EUR +3.1 (+2.6) million due to improved operating profit. However, working capital increased in the review period due to higher receivables based on increased sales. Cash flow before financing, but after capital expenditure, amounted to EUR 1.9 (1.2) million. The capital expenditure on fixed assets amounted to EUR 1.2 (1.3) 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 9.9 (6.9) million.

The Group's consolidated total assets at the end of the review period were EUR 54.3 (50.8) million. Interest-bearing liabilities amounted to EUR 11.5 (8.2) million. Net interest-bearing liabilities were EUR 1.6 (1.3) million.

Equity at the end of the second quarter of 2014 was EUR 27.1 (28.2) million and equity ratio 50.0 (55.7) per cent. The net gearing ratio was 5.7 (4.6) per cent.

Business development and strategy implementation

Exel Composites is revisiting its strategy. The new strategy will target boosting profitable growth in the future. The new strategy is expected to be disclosed during the second half of 2014.

Strategic improvement projects are being continued. In 2014 focus is on improving production speed and yield. Advanced laminates production is in the ramp up phase at the Mäntyharju factory.

Research and development

Exel Composites has continued to develop several new customer-specific applications during the period under review, especially to the building and construction, machine industry, and transportation industry markets.

Product and technology development costs totaled EUR 0.9 (0.9) million, representing 2.2 (2.5) per cent of net sales. The main projects were connected with the development of new products and customer applications.

Shares and share performance

At the end of June 2014, Exel Composites' share capital was EUR 2,141,431.74 and the number of shares was 11,896,843 each having the counter-book value of EUR 0.18. There were no changes in the share capital during the review period. There is only one class of shares and all shares are freely assignable under Finnish law. Exel Composites' share is listed in the Small Cap segment of the NASDAQ OMX Helsinki Ltd. in the Industrials sector.

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

During the period under review the highest share price quoted was EUR 6.35 (6.50) and the lowest EUR 5.56 (5.10). The share price closed at EUR 6.35 (5.25). The average share price during the period under review was EUR 6.05 (5.85).

A total of 4,580,749 (621,761) shares were traded during the reporting period, which represents 38.5 (5.2) per cent of the average number of shares. Based on the closing price on 30 June 2014, Exel Composites' market capitalization was EUR 75.5 (62.5) million.

Shareholders and disclosures

Exel Composites had a total of 2,676 (2,752) shareholders on 30 June 2014. Information on Exel Composites' shareholders is available on the Company website at www.exelcomposites.com.

Exel Composites received three flagging announcements during the period under review.

According to a flagging announcement received from Nordstjernan AB the holding of Nordstjernan AB had fallen under 5 per cent of the voting rights and share capital in Exel Composites Plc. Through share transactions concluded on 9 June 2014, Nordstjernan AB sold its entire holding, 1,656,506 shares, representing 13.9 per cent of the shares and voting rights of the Company.

On 10 June 2014 Exel Composites received a flagging announcement according to which the holding of Redarnas Ömsesidiga Försäkringsbolag had exceeded 5 per cent of the voting rights and share capital in Exel Composites Plc. Through share transactions concluded on 9 June 2014, the holding of Redarnas Ömsesidiga Försäkringsbolag rose to 847,098 shares, representing 7.12 per cent of the shares and voting rights of the Company.

On 10 June 2014 Exel Composites received a flagging announcement according to which the holding of the investment funds administered by OP-Rahastoyhtiö Funds had exceeded 5 per cent of the voting rights and share capital in Exel Composites Plc. Through share transactions concluded on 9 June 2014, the holding of OP-Rahastoyhtiö Funds rose to 889,551 shares, representing 7.48 per cent of the shares and voting rights of the Company.

Significant related-party transactions

Exel Composites' permanent public insiders include Exel Composites' Board members, the President and CEO and the members of the Group Management Team. No significant related-party transactions were conducted by the Group or the permanent insiders during the period under review.

Organization and personnel

The number of employees on 30 June 2014 was 433 (426), of whom 201 (206) worked in Finland and 232 (220) in other countries. The average number of personnel during January – June 2014 was 423 (433).

Management

On 19 May 2014 Mrs. Tiina Hiltunen was appointed SVP Human Resources and member of Exel Composites Plc's Group Management Team as of 1 August 2014.

Health, safety and environment

Special attention will be given to occupational health and safety issues in 2014. The Nanjing unit in China achieved the Health and Safety standard ISO 18001 in 2013. It is our intention to roll out this certification over all sites.

Risks and uncertainties

The most significant near-term business risks are related to the general economic development, government regulations and financial crisis in the Euro area as well as to market demand. Continuing low demand in the Australian market may require further corrective actions which can have an impact on the profitability. The possible uncertainties in the Russian market may have limited impact on Exel Composites.

Raw material prices, energy cost and other cost increases may continue to put pressure on profitability. The possible new European Community's anti-dumping tariffs on Chinese glass fiber may have a negative effect on the result in terms of increased raw material prices. 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.

Near-term outlook

The market has stabilized but remains challenging. Uncertainties relating to general growth prospects in the economy continue. Some positive signs can be seen especially in the laminate and demanding carbon tube markets. The Company invests in growth by reinforcing the organization, especially in sales and operations development. The Company will monitor the general market development and react with additional measures if needed. The Company is well-positioned to grow profitably when the markets recover.

Vantaa, 24 July 2014

Board of Directors of Exel Composites Plc

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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.

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

Summary of Financial Statements and notes to the Financial Statements 1 January – 30 June 2014

Accounting principles:

This interim report has been prepared in accordance with IAS 34, Interim Financial Reporting. The same accounting policies have been followed as in the previous Financial Statements. Key indicator calculations remain unchanged and have been presented in the 2013 Financial Statements.

Preparation of financial statements in accordance with the IFRS standards requires Exel Composites' management to make estimates and assumptions that have an effect on the amount of assets and liabilities on the balance sheet at the closing date as well as the amounts of income and expenses for the financial period. In addition, the management must exercise its judgement regarding the application of accounting policies. Since the estimates and assumptions are based on the views at the date of the Interim Report, they include risks and uncertainties. The actual results may differ from the estimates and assumptions.

The amounts presented in the income statement and balance sheet are Group figures. The amounts presented in the release are rounded, so the sum of individual figures may differ from the sum reported. The Interim Report is unaudited.

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

EUR thousand	1.4. – 30.6. 2014	1.4. – 30.6. 2013	Change, %	1.1. – 30.6. 2014	1.1. – 30.6. 2013	Change, %	1.1. – 31.12. 2013
Net sales	21,420	17,548	22.1	39,232	34,445	13.9	69,290

Materials and services	-8,290	-6,455	-28.4	-14,266	-12,885	-10.7	-26,037
Employee benefit expenses	-5,635	-5,448	-3.4	-11,028	-10,757	-2.5	-21,128
Depreciation and impairment	-654	-684	4.4	-1,317	-1,357	2.9	-2,691
Other operating expenses	-3,949	-3,510	-12.5	-8,038	-7,491	-7.3	-15,258
Other operating income	161	159	1.3	361	322	12.1	667
Operating profit	3,054	1,609	89.7	4,943	2,276	117.2	4,843
Net financial items	-118	-48	-145.8	-347	-23	-1,408.7	-286
Profit before tax	2,935	1,562	87.9	4,596	2,252	104.1	4,557
Income taxes	-706	-399	-76.9	-1,251	-535	-133.8	-1,477
Profit/loss for the period	2,229	1,162	91.8	3,346	1,717	94.9	3,080
Other comprehensive income:							
Other comprehensive income to be reclassified to profit or loss in subsequent periods:							
Exchange differences on translating foreign operations	528	-1,690	-131.2	932	-1,392	167.0	-2,174
Other comprehensive income, net of tax	528	-1,690	-131.2	932	-1,392	167.0	-2,174
Total comprehensive income	2,757	-527	-623.1	4,278	326	1,212.3	906
Profit/loss attributable to:							

Equity holders of the parent company	2,229	1,162	3,346	1,717	3,080
Comprehensive income attributable to: Equity holders of the parent company	2,757	-527	4,278	326	906
Earnings per share, diluted and undiluted, EUR	0.19	0.10	0.28	0.14	0.26

CONDENSED CONSOLIDATED BALANCE SHEET

EUR thousand	30.6.2014	30.6.2013	Change	31.12.2013
ASSETS				
Non-current assets				
Goodwill	9,823	10,017	-194	9,393
Other intangible assets	789	971	-182	921
Tangible assets	10,839	10,791	48	10,796
Deferred tax assets	725	799	-74	641
Other non-current assets	73	63	10	70
Non-current assets total	22,249	22,640	-392	21,821
Current assets				
Inventories	9,286	9,097	189	7,936
Trade and other receivables	12,856	12,206	650	9,273
Cash at bank and in hand	9,931	6,884	3,047	9,438
Current assets total	32,073	28,186	3,887	26,648
Total assets	54,322	50,826	3,496	48,468
EQUITY AND LIABILITIES				
Shareholders' equity				
Share capital	2,141	2,141	0	2,141
Other reserves	72	72	0	72
Invested unrestricted equity fund	2,539	8,488	-5,949	2,539
Translation differences	3,096	2,946	150	2,164
Retained earnings	15,924	12,845	3,079	12,844
Profit for the period	3,346	1,717	1,629	3,080
Total equity attributable to equity holders of the parent company	27,118	28,209	-1,091	22,841
Total equity	27,118	28,209	-1,091	22,841
Non-current liabilities				
Interest-bearing liabilities	1,046	2,496	-1,450	1,761
Interest-free liabilities	439	401	38	402
Deferred tax liabilities	465	382	83	440

Current liabilities				
Interest-bearing liabilities	10,440	5,690	4,750	11,105
Trade and other non-current liabilities	14,814	13,649	1,165	11,920
Total liabilities	27,204	22,617	4,587	25,628
Total equity and liabilities	54,322	50,826	3,496	48,468

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 2013	2,141	45	8,488	4,337	16,427	31,438
Comprehensive result				-1,392	1,717	326
Other items		27			-13	14
Dividend					-3,569	-3,569
Balance at 30 June 2013	2,141	72	8,488	2,946	14,562	28,209
Balance at 1st January 2014	2,141	72	2,539	2,164	15,924	22,841
Comprehensive result				932	3,346	4,278
Other items					0	0
Dividend					0	0
Balance at 30 June 2014	2,141	72	2,539	3,096	19,270	27,118

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

EUR thousand	1.1. – 30.6. 2014	1.1. – 30.6. 2013	Change	1.1.- 31.12. 2013
Cash Flow from Operating Activities				
Profit for the period	3,346	1,717	1,629	3,080
Adjustments	3,277	1,771	1,506	4,088
Change in working capital	-2,272	-265	-2,007	1,658

Cash Flow Generated by Operations	4,351	3,223	1,128	8,826
Interest paid	-94	-93	-1	-213
Interest received	42	8	34	39
Other financial items	-103	-45	-58	-196
Income taxes paid	-1,120	-539	-581	-668
Net Cash Flow from Operating Activities	3,076	2,554	522	7,788
Cash Flow from Investing Activities				
Acquisitions	0	0	0	0
Disposal of business	0	0	0	0
Capital expenditure	-1,198	-1,341	143	-2,767
Proceeds from sale of fixed assets	0	0	0	0
Cash Flow from Investing Activities	-1,198	-1,341	143	-2,767
Cash Flow from Financing				
Share issue	0	0	0	0
Proceeds from long-term borrowings	0	0	0	0
Instalments of long-term borrowings	-1,380	-5,000	3,620	-5,000
Change in short-term loans	0	5,000	-5,000	9,700
Instalments of finance lease liabilities	-5	-5	0	-11
Additional capital repayment	0	0	0	-3,569
Dividends paid	0	-3,569	3 569	-5,948
Net Cash Flow from Financing	-1,385	-3,574	2,189	-4,828
Change in Liquid Funds	493	-2,361	2 854	193
Liquid funds in the beginning of period	9,438	9,245	193	9,245
Change in liquid funds	493	-2,361	2 854	193
Liquid funds at the end of period	9,931	6,884	3 047	9,438

QUARTERLY KEY FIGURES

EUR thousand	II/ 2014	I/ 2014	IV/ 2013	III/ 2013	II/ 2013	I/ 2013
Net sales	21,420	17,811	17,770	17,075	17,548	16,897
Materials and services	-8,290	-5,976	-6,443	-6,709	-6,455	-6,430
Employee benefit expenses	-5,635	-5,393	-5,388	-4,983	-5,448	-5,309
Depreciation and impairment	-654	-663	-683	-650	-684	-673
Operating expenses	-3,949	-4,089	-4,035	-3,731	-3,510	-3,981
Other operating income	161	200	267	79	159	163

Operating profit	3,054	1,890	1,486	1,081	1,609	666
Net financial items	-118	-229	9	-271	-48	24
Profit before taxes	2,935	1,661	1,495	810	1,562	691
Income taxes	-706	-545	-705	-237	-399	-136
Profit/loss for the period	2,229	1,116	790	573	1,162	555
Earnings per share, EUR	0.19	0.09	0.07	0.05	0.10	0.05
Earnings per share, EUR, diluted	0.19	0.09	0.07	0.05	0.10	0.05
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	427	418	417	427	427	436

COMMITMENTS AND CONTINGENCIES

EUR thousand	30.6.2014	30.6.2013
On own behalf		
Mortgages	2,783	2,783
Corporate mortgages	12,500	12,500
Lease liabilities		
- in next 12 months	744	953
- in next 1-5 years	1,197	1,838
Other commitments	6	6

DERIVATIVE FINANCIAL INSTRUMENTS

Nominal values	30.6.2014	30.6.2013
EUR thousand		
Interest rate derivatives		

Interest rate swaps	0	5,000
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CONSOLIDATED KEY FIGURES

EUR thousand	1.1. – 30.6. 2014	1.1. – 30.6. 2013	Change, %	1.1. – 31.12. 2013
Net sales	39,232	34,445	13.9	69,290
Operating profit	4,943	2,276	117.2	4,843
% of net sales	12.6	6.6		7.0
Profit before tax	4,596	2,252	104.1	4,557
% of net sales	11.7	6.5		6.6
Profit for the period	3,346	1,717	94.9	3,080
% of net sales	8.5	5.0		4.4
Shareholders' equity	27,118	28,209	-3.9	22,841
Interest-bearing liabilities	11,486	8,185	40.3	12,866
Cash and cash equivalents	9,931	6,884	44.3	9,483
Net interest-bearing liabilities	1,555	1,302	19.4	3,428
Capital employed	38,604	36,394	6.1	35,707
Return on equity, %	26.8	11.5		11.3
Return on capital employed, %	26.8	12.0		13.0
Equity ratio, %	50.0	55.7		47.2
Net gearing, %	5.7	4.6		15.0
Capital expenditure	1,198	1,341	-10.6	2,767
% of sales	3.1	3.9		4.0
Research and development costs	858	868	-11.4	1,511
% of net sales	2.2	2.5		2.2
Order intake	43,148	37,372	15.5	69,784
Order backlog	14,107	13,057	8.0	10,458
Earnings per share, EUR	0.28	0.14		0.26
Earnings per share, EUR, diluted	0.28	0.14		0.26
Equity per share, EUR	2.28	2.37		1.92
Average number of shares				
- cumulative	11,897	11,897		11,897
- cumulative, diluted	11,897	11,897		11,897
Average number of employees	423	433	-2.3	427