

EXEL COMPOSITES PLC'S INTERIM REPORT FOR JANUARY 1 – JUNE 30, 2013

APRIL – JUNE 2013 HIGHLIGHTS

- Net sales were EUR 17.5 (19.8) million in the second quarter of 2013, down by 11.3 per cent on the previous year
- Operating profit was EUR 1.6 million in the second quarter of 2013 compared to EUR 1.8 million in the second quarter of 2012, or 9.2 (9.2) per cent of net sales
- Net cash flow from operating activities was positive at EUR +1.9 (+1.9) million and on the same level as in the corresponding period in 2012
- Fully diluted earnings per share were EUR 0.10 (0.11)

JANUARY – JUNE 2013 HIGHLIGHTS

- Net sales were EUR 34.4 (40.3) million in the first six months of 2013, down by 14.6 per cent on the previous year
- Operating profit was EUR 2.3 million in the first six months of 2013 compared to EUR 3.6 million in the first six months of 2012, or 6.6 (9.0) per cent of net sales
- Net cash flow from operating activities was positive at EUR +2.6 (+3.4) million
- Fully diluted earnings per share were EUR 0.14 (0.22)

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 be challenging. Net sales were EUR 17.5 (19.8) million in the second quarter of 2013, a decrease of 11.3 per cent. Sales decreased especially in the Finnish units. Market demand decreased in the building and construction as well as in the telecommunication industries compared to the second quarter of 2012. However, demand improved in the transportation industry, electrical industry and machine industry market segments in the second quarter of 2013 compared to the corresponding period in 2012.

The Group's operating profit improved from the first quarter of 2013 and was EUR 1.6 (1.8) million, i.e. 9.2 (9.2) per cent of net sales in the second quarter of 2013. Due to cost-saving measures and other corrective actions taken, we managed to maintain operating profit as a percentage of net sales on the same level as in the corresponding period in 2012. Net cash flow from operating activities was positive at EUR +1.9 (+1.9) million and on the same level as in the corresponding period in 2012.

Exel Composites has during the first half of 2013 continued to develop several new customer-specific applications, especially in the building and construction, machine industry and transportation industry market segments.

Visibility is low and the market pressure is expected to continue. Corrective actions have started to have a positive impact in the Australian and British business units. Co-determination negotiations were started in June in the Finnish business units due to weak demand and profitability. Corrective measures will be continued in the whole Group. The focus will be on sales, efficiency and yield improvement as well as on turnaround measures. Structural changes will also be considered.

Despite the challenging situation the composite market is estimated to develop positively in the longer run. Due to a healthy balance sheet and financial position, Exel Composites is well-positioned when the market recovers.”

CONSOLIDATED KEY FIGURES, EUR million
(unaudited)

	1.4. – 30.6. 2013	1.4. – 30.6. 2012	Change, %	1.1. – 30.6. 2013	1.1.– 30.6. 2012	Chang e, %	1.1. – 31.12. 2012
Net sales	17.5	19.8	-11.3	34.4	40.3	-14.6	76.0
Operating profit	1.6	1.8	-11.4	2.3	3.6	-37.6	3.4
% of net sales	9.2	9.2		6.6	9.0		4.5
Profit for the period	1.2	1.3	-10.8	1.7	2.6	-34.3	2.0
Shareholders’ equity	28.2	32.4	-13.0	28.2	32.4	-13.0	31.4
Net interest- bearing liabilities	1.3	2.5	47.2	1.3	2.5	-14.5	-1.1
Capital employed	36.4	42.6	-14.5	36.4	42.6		39.6
Return on equity, %	16.3	16.6		11.5	15.5		6.1
Return on capital employed, %	17.8	18.4		12.0	17.3		8.4
Equity ratio, %	55.7	56.8		55.7	56.8		61.0
Net gearing, %	4.6	7.6		4.6	7.6		-3.4
Earnings per share, EUR	0.10	0.11		0.14	0.22		0.17
Earnings per share, diluted, EUR	0.10	0.11		0.14	0.22		0.17
Equity per share, EUR	2.37	2.73		2.37	2.73		2.64

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 2012 financial statements.

FINANCIAL PERFORMANCE

APRIL – JUNE 2013

The market situation in Central Europe continued to be challenging.

The Group's net sales in April – June 2013 decreased by 11.3 per cent on the corresponding period last year and were EUR 17.5 (19.8) million. Sales decreased especially in the Finnish units. Market demand decreased in the building and construction as well as in the telecommunication industries compared to the second quarter of 2012. However, demand improved in the transportation industry, electrical industry and machine industry market segments in the second quarter of 2013 compared to the corresponding period in 2012.

The Group's operating profit improved from the first quarter of 2013 and was EUR 1.6 (1.8) million, i.e. 9.2 (9.2) per cent of net sales in the second quarter of 2013. Due to cost-saving measures and other corrective actions taken we managed to maintain operating profit as a percentage of net sales on the same level as in the corresponding period in 2012. Net cash flow from operating activities was positive at EUR +1.9 (+1.9) million and on the same level as in the corresponding period in 2012.

JANUARY – JUNE 2013

The Group's net sales in January – June 2013 were EUR 34.4 (40.3) million, a decrease of 14.6 per cent on the previous year.

Exel Composites' operating profit in January – June 2013 was EUR 2.3 (3.6) million or 6.6 (9.0) per cent of net sales. The main reasons for the decrease were lower sales especially in the Finnish units. On the other hand, cost-saving measures and other corrective actions taken had a positive impact on the operating profit.

Exel Composites has during the first half of 2013 continued to develop several new customer specific applications, especially in the building and construction, machine industry and transportation industry market segments.

The Group's net financial expenses in January – June 2013 were EUR 0.0 (-0.1) million. The Group's profit before taxes was EUR 2.3 (3.5) million and profit after taxes EUR 1.7 (2.6) million.

Fully diluted total earnings per share were EUR 0.14 (0.22). Return on capital employed was 12.0 (17.3) per cent. Return on equity was 11.5 (15.5) per cent.

BALANCE SHEET AND FINANCIAL POSITION

Net cash flow from operating activities was positive at EUR 2.6 (3.4) million. Cash flow before financing, but after capital expenditure, amounted to EUR 1.2 (1.8) 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 6.9 (7.7) million.

The Group's consolidated total assets at the end of the period under review were EUR 50.8 (57.2) million.

Interest-bearing liabilities amounted to EUR 8.2 (10.1) million. Net interest-bearing liabilities were EUR 1.3 (2.5) million. Non-current liabilities were amortized by EUR 5.0 million and new short-term loans were withdrawn amounting to EUR 5.0 million.

The dividend for 2012 resolved by the Annual General Meeting on 27 March 2013 totaling EUR 3.6 (5.9) million, or EUR 0.30 (0.50) per share, was paid on 10 April 2013.

Equity at the end of the period under review was EUR 28.2 (32.4) million and equity ratio 55.7 (56.8) per cent. The net gearing ratio was 4.6 (7.6) per cent.

CAPITAL EXPENDITURE AND DEPRECIATION

The capital expenditure on fixed assets amounted to EUR 1.3 (1.7) million.

Total depreciation of non-current assets during the period under review amounted to EUR 1.4 (1.5) million.

PERSONNEL

The number of Exel Composites Group employees on 30 June 2013 was 426 (438), of whom 206 (206) worked in Finland and 220 (232) in other countries. The average number of personnel during January – June 2013 was 433 (432). The use of temporary workforce has been largely discontinued for the time being. In addition, in Finland part of maintenance functions were transferred back to Exel Composites, which increased its own personnel by 8 persons.

Co-determination negotiations were started on 13 May 2013 in the Finnish business units due to weak demand and profitability. They are expected to be concluded in mid-August 2013. Corrective actions have started to have a positive impact in the Australian and British business units. Corrective measures will be continued in the whole Group. Structural changes will also be considered.

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 June 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 5.10 (6.42). The share price closed at EUR 5.25 (6.78). The average share price during the period under review was EUR 5.85 (7.82).

A total of 621,761 (512,570) shares were traded during the reporting period, which represents 5.2 (4.3) per cent of the average number of shares. Based on the closing price on 30 June 2013, Exel Composites' market capitalization was EUR 62.5 (80.7) million.

SHAREHOLDERS AND DISCLOSURES

Exel Composites had a total of 2,752 (2,718) shareholders on 30 June 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.

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.

CHANGES IN GROUP MANAGEMENT

Mr. Kari Loukola was appointed VP Sales and Marketing and member of the Group Management Team as of 1 August 2013 to reinforce sales and profitable growth.

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	1.4. – 30.6. 2013	1.4. – 30.6. 2012	Change, %	1.1. – 30.6. 2013	1.1. – 30.6. 2012	Change, %	1.1. – 31.12. 2012
Net sales	17,548	19,791	-11.3	34,445	40,310	-14.6	75,998
Materials and services	-6,455	-7,491	13.8	-12,885	-15,610	17.5	-29,986
Employee benefit expenses	-5,448	-5,942	8.3	-10,757	-11,560	6.9	-21,077
Depreciation and impairment	-684	-723	5.4	-1,357	-1,464	7.3	-5,387
Other operating expenses	-3,510	-4,209	16.6	-7,491	-8,660	13.5	-17,057
Other operating income	159	390	-59.2	322	629	-48.8	909
Operating profit	1,609	1,816	-11.4	2,276	3,645	-37.6	3,399
Net financial items	-48	-30	-60.0	-23	-113	79.6	-428
Profit before tax	1,562	1,786	-12.5	2,252	3,532	-36.2	2,971
Income taxes	-399	-485	17.7	-535	-920	41.8	-940
Profit/loss for the period	1,162	1,302	-10.8	1,717	2,612	-34.3	2,031
Other comprehensive income:							
Other comprehensive income to							

be reclassified to profit or loss in subsequent periods:

Exchange differences on translating foreign operations

-1,690	866	-295.2	-1,392	660	310.9	133
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Other comprehensive income, net of tax

-1,690	866	-295.2	-1,392	660	310.9	133
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Total comprehensive income

-527	2,167	-124.3	326	3,272	-90.0	2,164
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Profit/loss attributable to: Equity holders of the parent company

1,162	1,302		1,717	2,612	-90.0	2,031
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Comprehensive income attributable to: Equity holders of the parent company

-527	2,167		326	3,272		2,164
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Earnings per share, diluted and undiluted, EUR

0.10	0.11		0.14	0.22		0.17
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CONDENSED CONSOLIDATED BALANCE SHEET

EUR thousand	30.6.2013	30.6.2012	Change	31.12.2012
ASSETS				
Non-current assets				
Goodwill	10,017	12,238	-2,221	10,898
Other intangible assets	971	1,811	-840	1,220
Tangible assets	10,791	12,123	-1,332	10,681
Deferred tax assets	799	101	698	752
Other non-current assets	63	64	-1	64
Non-current assets total	22,640	26,337	-3,696	23,615
Current assets				
Inventories	9,097	10,556	-1,459	9,129
Trade and other receivables	12,206	12,650	-444	9,513

Cash at bank and in hand	6,884	7,660	-776	9,245
Current assets total	28,186	30,866	-2,680	27,887
Total assets	50,826	57,203	-6,377	51,502
EQUITY AND LIABILITIES				
Shareholders' equity				
Share capital	2,141	2,141	0	2,141
Other reserves	72	30	42	45
Invested unrestricted equity fund	8,488	8,488	0	8,488
Translation differences	2,946	4,864	-1,918	4,337
Retained earnings	12,845	14,306	-1,461	14,396
Profit for the period	1,717	2,612	-895	2,031
Total equity attributable to equity holders of the parent company				
	28,209	32,442	-4,233	31,438
Total equity	28,209	32,442	-4,233	31,438
Non-current liabilities				
Interest-bearing liabilities	2,496	8,117	-5,621	8,168
Interest-free liabilities	401	410	-9	411
Deferred tax liabilities	382	497	-115	377
Current liabilities				
Interest-bearing liabilities	5,690	2,011	3,679	11
Trade and other non-current liabilities	13,649	13,727	-78	11,098
Total liabilities	22,617	24,761	-2,144	20,064
Total equity and liabilities	50,826	57,203	-6,377	51,502

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				660	2,612	3,272
Other items					-1	-1
Dividend					-5,948	-5,948
Balance at 30 June 2012	2,141	30	8,488	4,864	16,919	32,442
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

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

EUR thousand	1.1. – 30.6. 2013	1.1. – 30.6. 2012	Change	1.1. – 31.12. 2012
Cash Flow from Operating Activities				
Profit for the period	1,717	2,612	-885	2,031
Adjustments	1,771	2,700	-929	7,170
Change in working capital	-265	-492	227	1,223
Cash Flow Generated by Operations	3,223	4,820	-1,597	10,424
Interest paid	-93	-99	6	-259
Interest received	8	65	-57	80
Other financial items	-45	-8	-37	-155
Income taxes paid	-539	-1,344	805	-1,897
Net Cash Flow from Operating Activities	2,554	3,434	-880	8,193
Capital expenditure	-1,341	-1,677	336	-2,846
Proceeds from sale of fixed assets	0	16	-16	16
Cash Flow from Investing Activities	-1,341	-1,661	320	-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	5,000	2,000	3,000	0
Change in finance lease liabilities	-5	-5	0	-10
Dividends paid	-3,569	-5,948	2,379	-5,948
Net Cash Flow from Financing	-3,574	-3,953	379	-5,958
Change in Liquid Funds	-2,361	-2,180	-181	-595
Liquid funds in the beginning of period	9,245	9,840	-595	9,840
Change in liquid funds	-2,361	-2,180	-181	-595

Liquid funds at the end of period

6,884 7,660 -776 9,245

QUARTERLY KEY FIGURES

EUR thousand	II/ 2013	I/ 2013	IV/ 2012	III/ 2012	II/ 2012	I/ 2012
Net sales	17,548	16,897	18,634	17,054	19,791	20,519
Materials and services	-6,455	-6,430	-7,670	-6,706	-7,491	-8,119
Employee benefit expenses	-5,448	-5,309	-5,095	-4,422	-5,942	-5,618
Depreciation and impairment	-684	-673	-3,304	-619	-723	-742
Operating expenses	-3,510	-3,981	-4,345	-4,052	-4,209	-4,452
Other operating income	159	163	173	107	390	240
Operating profit	1,609	666	-1,608	1,362	1,816	1,828
Net financial items	-48	24	-109	-206	-30	-83
Profit before taxes	1,562	691	-1,717	1,156	1,786	1,745
Income taxes	-399	-136	246	-266	-485	-435
Profit/loss for the period	1,162	555	-1,471	890	1,302	1,310
Earnings per share, EUR	0.10	0.05	-0.12	0.07	0.11	0.11
Earnings per share, EUR, diluted	0.10	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	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	436	431	433	435	428
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COMMITMENTS AND CONTINGENCIES

EUR thousand	30.6.2013	30.6.2012
On own behalf		
Mortgages	2,783	2,783
Corporate mortgages	12,500	12,500
Lease liabilities		
- in next 12 months	953	903
- in next 1-5 years	1,838	3,054
Other commitments	6	45

DERIVATIVE FINANCIAL INSTRUMENTS

Nominal values EUR thousand	30.6.2013	30.6.2012
Foreign exchange derivatives		
Forward contracts	0	0
Interest rate derivatives		
Interest rate swaps	5,000	5,000

CONSOLIDATED KEY FIGURES

EUR thousand	1.1. – 30.6. 2013	1.1. – 30.6. 2012	Change, %	1.1.– 31.12. 2012
Net sales	34,445	40,310	-14.6	75,998
Operating profit	2,276	3,645	-37.6	3,399
% of net sales	6.6	9.0		4.5
Profit before tax	2,252	3,532	-36.2	2,971
% of net sales	6.5	8.8		3.9
Profit for the period	1,717	2,612	-34.3	2,031
% of net sales	5.0	6.5		2.7
Shareholders' equity	28,209	32,442	-13.0	31,438
Interest-bearing liabilities	8,185	10,128	-19.2	8,179
Cash and cash equivalents	6,884	7,660	-10.1	9,245
Net interest-bearing liabilities	1,302	2,468	47.2	-1,066
Capital employed	36,394	42,569	-14.5	39,617
Return on equity, %	11.5	15.5		6.1
Return on capital employed, %	12.0	17.3		8.4
Equity ratio, %	55.7	56.8		61.0
Net gearing, %	4.6	7.6		-3.4

Capital expenditure	1,341	1,677	-20.0	2,846
% of net sales	3.9	4.2		3.7
Research and development costs	868	857	1.3	1,606
% of net sales	2.5	2.1		2.1
Order stock	13,057	14,173	-7.9	10,677
Earnings per share, EUR	0.14	0.22	-36.4	0.17
Earnings per share, EUR, diluted	0.14	0.22	-36.4	0.17
Equity per share, EUR	2.37	2.73	-13.2	2.64
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	433	432	0.2	431

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, 25 July 2013

Exel Composites Plc
Board of Directors

Vesa Korpimies
President and CEO

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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.