

## EXEL COMPOSITES PLC'S INTERIM REPORT FOR JANUARY 1 – MARCH 31, 2012

## JANUARY – MARCH 2012 HIGHLIGHTS

- Net sales were EUR 20.5 (21.5) million in the first quarter of 2012, down by -4.8 per cent on the previous year
- Operating profit was EUR 1.8 million in the first quarter of 2012 compared to EUR 3.1 million in the first quarter of 2011, or 8.9 (14.6) per cent of net sales
- Net operative cash flow was positive at EUR +1.5 (+1.6) million
- Fully diluted earnings per share were EUR 0.11 (0.20)

## OUTLOOK FOR 2012

Major uncertainties relating to general growth prospects in the economy continue, and these uncertainties may affect the demand for composite products. Due to the prevailing state of the markets, the visibility is low.

Exel Composites maintains its cautious stance in 2012, but will continue to drive the long-term initiatives to strengthen the Company's competitive position and to invest in growing market segments to pursue the strategy of profitable growth.

## COMMENTS BY THE CEO

"The weak demand continued in the first quarter of 2012. Compared to the first quarter of 2011, net sales decreased by 4.8 per cent. However, our net sales improved slightly on the previous quarters and were EUR 20.5 million. Market demand continued to be good in the building, construction and infrastructure market segment, as well as in the electrical industry. Demand in telecommunication products and the machine industry decreased on the previous year.

The Group's operating profit for the first quarter of 2012 was EUR 1.8 (3.1) million. The decreased sales volumes and increased employee expenses were the main reasons for the decrease in the operating profit. Moreover, increased raw material costs and ramp-up costs of new products had an adverse effect on the margins. We continued measures to mitigate the effects, and were able to pass part of the rising costs to the market by increasing product prices. We shall continue price increases to offset the negative impact.

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 to improve productivity.

Visibility remains low and we remain cautious. However, we will continue our strategy of profitable growth and to invest in the development of new products, to expand our customer base by reinforcing sales and to maintain good cost control. We are prepared to take more efficient actions to cope with continuing slow demand and uncertainty."

CONSOLIDATED KEY FIGURES, EUR million  
(unaudited)

1.1. –	1.1 –	Change	1.1. –
31.3.	31.3.	%	31.12.
2012	2011		2011

Net sales	20.5	21.5	-4.8	85.1
Operating profit	1.8	3.1	-41.7	11.1
% of net sales	8.9	14.6		13.0
Profit for the period	1.3	2.3	-43.8	7.9
Shareholders' equity	30.3	34.0	-11.0	35.1
Net interest-bearing liabilities	-2.4	-2.4	0.3	-1.7
Capital employed	38.4	44.2	-13.2	43.2
Return on equity, %	16.0	28.1		23.5
Return on capital employed, %	18.1	29.1		26.1
Equity ratio, %	51.5	57.0		61.6
Net gearing, %	-8.1	-7.2		-5.0
Earnings per share, EUR	0.11	0.20		0.67
Earnings per share, diluted, EUR	0.11	0.20		0.67
Equity per share, EUR	2.54	2.86		2.95

## 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 2011 financial statements.

## FINANCIAL PERFORMANCE

The softening of the overall demand that started towards the end of 2011 continued in the first quarter of 2012. Compared to the first quarter of 2011, net sales decreased by 4.8 per cent. However, our net sales improved slightly on the previous quarters and were EUR 20.5 million. Since year-end the order book increased by EUR 1.3 million to EUR 14.5 (14.4) million. Market demand continued to be good in the building, construction and infrastructure market segment, as well as in the electrical industry. Demand in telecommunication products and the machine industry softened on the previous year.

Exel Composites' operating profit for the first quarter of 2012 was EUR 1.8 (3.1) million or 8.9 (14.6) per cent of net sales. The decreased sales volumes and increased employee expenses were the main reasons for the decrease in the operating profit. The increased raw material costs and ramp-up costs of new products had an adverse effect on the margins. Exel Composites continued measures to mitigate the effects, and passed part of the rising costs to the market by increasing product prices. Exel Composites shall continue price increases to offset the negative impact.

The Group's net financial expenses in the first quarter of 2012 were EUR 0.1 (0.0) million. The Group's profit before taxes was EUR 1.7 (3.1) million and profit after taxes EUR 1.3 (2.3) million.

Earnings per share were EUR 0.11 (0.20). Return on capital employed was 18.1 (29.1) per cent. Return on equity was 16.0 (28.1) per cent.

## BALANCE SHEET AND FINANCIAL POSITION

Cash flow from business operations was positive at EUR 1.5 (1.6) million. Cash flow before financing, but after capital expenditure, amounted to EUR 0.7 (1.1) 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 10.6 (12.7) million.

The Group's consolidated total assets at the end of the period under review were EUR 58.8 (59.8) million.

Interest-bearing liabilities amounted to EUR 8.1 (10.2) million. Net interest-bearing liabilities were EUR -2.4 (-2.4) million.

The dividend for 2011 resolved by the Annual General Meeting on 29 March 2012 totaling EUR 5.9 (5.9) was paid on 12 April 2012.

Equity at the end of the first quarter of 2012 was EUR 30.3 (34.0) million and equity ratio 51.5 (57.0) per cent. The net gearing ratio was -8.1 (-7.2) per cent.

## CAPITAL EXPENDITURE AND DEPRECIATION

The capital expenditure on fixed assets amounted to EUR 0.8 (0.6) 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 2012 was 433 (418), of whom 200 (196) worked in Finland and 233 (222) in other countries. The average number of personnel during the financial year was 428 (416).

Kim Sjö Dahl was appointed SVP Product and Technology Development and member of the Group Management Team as of 1 February 2012.

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 2012, 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 2012, the market capitalization totaled EUR 98.6 (110.4) million. During the reporting period 241,203 (343,137) shares were traded, accounting for 2.0 (2.9) per cent of the average number of shares outstanding.

The highest share quotation was EUR 8.79 (9.30) and the lowest EUR 7.70 (6.85). The share price closed at EUR 8.29 (9.28). The average share price during the period under review was EUR 8.36 (7.90).

## 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 2,726 (2,522) shareholders on 31 March 2012. Information on Exel Composites' shareholders is available on the Company website at [www.exelcomposites.com](http://www.exelcomposites.com).

Exel Composites received no flagging notifications during the period under review.

#### ANNUAL GENERAL MEETING

Exel Composites' Annual General Meeting ("AGM") was held on 29 March 2012. 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 2011. 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 2011.

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. 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 – 10 April 2012 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 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 and put pressure on profitability. In case the European Commission decides on new anti-dumping tariffs to be imposed on Chinese glass fiber, it may have a negative effect on the profitability if the rising costs of glass fiber can only be transferred partially to product 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.

#### OUTLOOK FOR 2012

Major uncertainties relating to general growth prospects in the economy continue, and these uncertainties may affect the demand for composite products. Due to the prevailing state of the markets, the visibility is low.

Exel Composites maintains its cautious stance in 2012, but will continue to drive the long-term initiatives to strengthen the Company's competitive position and to invest in growing market segments to pursue the strategy of profitable growth.

#### CONSOLIDATED COMPREHENSIVE INCOME STATEMENT (unaudited)

EUR thousand	1.1. – 31.3. 2012	1.1. – 31.3. 2011	Change, %	1.1. – 31.12. 2011
Net sales	20,519	21,548	-4.8	85,136
Materials and services	-8,119	-8,378	3.1	-33,358
Employee benefit expenses	-5,618	-5,221	-7.6	-21,133
Depreciation and impairment	-742	-684	-8.5	-2,702
Other operating expenses	-4,452	-4,262	-4.5	-17,709
Other operating income	240	135	77.8	849
Operating profit	1,828	3,137	-41.7	11,082
Net financial items	-83	-23	-260.9	-284
Profit before tax	1,745	3,115	-44.0	10,798
Income taxes	-435	-782	44.4	-2,852
Profit/loss for the period	1,310	2,333	-43.8	7,946
Other comprehensive income:				
Exchange differences on translating foreign operations	-205	-867	76.4	893
Other comprehensive income, net of tax	0	0	0	0
Total comprehensive income	1,105	1,466	-24.6	8,839
Profit/loss attributable to: Equity holders of the parent company	1,310	2,333		7,946
Comprehensive income attributable to: Equity holders of the parent company	1,105	1,466		8,839

Earnings per share,  
diluted and  
undiluted, EUR

0.11

0.20

0.67

#### CONDENSED CONSOLIDATED BALANCE SHEET

EUR thousand	31.3.2012	31.3.2011	Change	31.12.2011
<b>ASSETS</b>				
Non-current assets				
Goodwill	11,854	11,231	623	11,939
Other intangible assets	1,803	2,203	-400	1,961
Tangible assets	11,730	10,248	1,482	11,612
Deferred tax assets	147	1,661	-1,514	148
Other non-current assets	65	63	2	64
Non-current assets total	25,600	25,406	193	25,723
Current assets				
Inventories	10,278	9,480	798	10,499
Trade and other receivables	12,389	12,258	131	10,985
Cash at bank and in hand	10,551	12,662	-2,111	9,840
Current assets total	33,218	34,400	-1,182	31,323
Total assets	58,818	59,805	-987	57,046
<b>EQUITY AND LIABILITIES</b>				
Shareholders' equity				
Share capital	2,141	2,141	0	2,141
Other reserves	30	30	0	30
Invested unrestricted equity fund	8,488	8,488	0	8,488
Translation differences	3,999	2,488	1,511	4,204
Retained earnings	14,306	18,536	-4,230	12,309
Profit for the period	1,310	2,333	-1,023	7,946
Total equity attributable to equity holders of the parent company	30,274	34,017	-3,743	35,118
Total equity	30,274	34,017	-3,743	35,118
Non-current liabilities				
Interest-bearing liabilities	8,103	10,206	-2,103	8,088
Interest-free liabilities	400	364	36	392
Deferred tax liabilities	520	542	-22	539
Current liabilities				
Interest-bearing liabilities	10	10	0	10
Trade and other non-current liabilities	19,512	14,667	4,845	12,900
Total liabilities	28,544	25,788	2,756	21,928
Total equity and liabilities	58,818	59,805	-987	57,046

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

EUR thousand	Share Capital	Other Reserves	Unrestricted Equity Fund	Translation Differences	Retained Earnings	Total
Balance at 1 January 2011	2,141	37	8,488	3,311	18,529	32,507
Comprehensive result	0	0	0	-867	2,333	1,466
Other items	0	-7	0	0	52	44
Dividend				0		0
Balance at 31 March 2011	2,141	30	8,488	2,444	20,914	34,017
Balance at 1 January 2012	2,141	30	8,488	4,204	20,255	35,118
Comprehensive result	0	0	0	-205	1,310	1,105
Other items	0	0	0	0		0
Dividend				0	-5,948	-5,948
Balance at 31 March 2012	2,141	30	8,488	3,999	15,616	30,274

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

EUR thousand	1.1. – 31.3. 2012	1.1. – 31.3. 2011	Change	1.1. – 31.12.2011
<b>Cash Flow from Operating Activities</b>				
Profit for the period	1,310	2,333	-1,023	7,946
Adjustments	1,153	1,222	-69	6,308
Change in working capital	-179	-1,605	1,426	-2,216
<b>Cash Flow Generated by Operations</b>	<b>2,284</b>	<b>1,950</b>	<b>334</b>	<b>12,038</b>
Interest paid	-47	-50	3	-349
Interest received	20	27	-7	129
Other financial items	14	41	-27	-191
Income taxes paid	-767	-337	-430	-2,067
<b>Net Cash Flow from Operating Activities</b>	<b>1,504</b>	<b>1,631</b>	<b>-127</b>	<b>9,560</b>
Capital expenditure	-790	-573	-217	-3,208
Proceeds from sale of fixed assets	0	0	0	0

Cash Flow from Investing Activities	-790	-573	-217	-3,208
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	0	0	-2,160
Change in short-term loans	0	0	0	0
Instalments of finance lease liabilities	-3	-2	-1	-10
Dividends paid	0	0	0	-5,948
Net Cash Flow from Financing	-3	-2	-1	-8,118
Change in Liquid Funds	711	1,056	-345	-1,766
Liquid funds in the beginning of period	9,840	11,606	-1,766	11,606
Change in liquid funds	711	1,056	-345	-1,766
Liquid funds at the end of period	10,551	12,662	-2,111	9,840

#### QUARTERLY KEY FIGURES

EUR thousand	I/ 2012	IV/ 2011	III/ 2011	II/ 2011	I/ 2011
Net sales	20,519	19,758	20,463	23,367	21,548
Materials and services	-8,119	-7,529	-8,156	-9,295	-8,378
Employee benefit expenses	-5,618	-5,419	-4,820	-5,672	-5,221
Depreciation and impairment	-742	-672	-683	-663	-684
Operating expenses	-4,452	-4,668	-4,356	-4,424	-4,262
Other operating income	240	284	113	317	135
Operating profit	1,828	1,754	2,560	3,630	3,137
Net financial items	-83	-31	-126	-104	-23
Profit before taxes	1,745	1,723	2,434	3,527	3,115
Income taxes	-435	-459	-664	-948	-782
Profit/loss for the period from continuing operations	1,310	1,264	1,770	2,579	2,333
Profit/loss for the period	1,310	1,264	1,770	2,579	2,333
Earnings per					



share, EUR	0.11	0.11	0.15	0.22	0.20
Earnings per share, EUR, diluted	0.11	0.11	0.15	0.22	0.20
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	428	433	433	432	416

#### COMMITMENTS AND CONTINGENCIES

EUR thousand	31.3.2012	31.3.2011
On own behalf		
Mortgages	2,783	2,783
Corporate mortgages	12,500	12,500
Lease liabilities		
- in next 12 months	934	1,068
- in next 1-5 years	3,017	2,111
Other commitments	43	6

#### DERIVATIVE FINANCIAL INSTRUMENTS

Nominal values	31.3.2012	31.3.2011
EUR thousand		
Interest rate derivatives		
Interest rate swaps	10,000	10,000

#### CONSOLIDATED KEY FIGURES

EUR thousand	1.1. - 31.3. 2012	1.1. - 31.3. 2011	Change %	1.1. - 31.12. 2011
Net sales	20,519	21,548	-4.8	85,136
Operating profit	1,829	3,137	-41.7	11,082
% of net sales	8.9	14.6		13.0
Profit before tax	1,745	3,115	-44.0	10,798
% of net sales	8.5	14.5		12.7
Profit for the period	1,310	2,333	-43.8	7,946
% of net sales	6.4	10.8		9.3
Shareholders' equity	30,274	34,017	-11.0	35,118
Interest-bearing liabilities	8,113	10,216	-20.6	8,098
Cash and cash equivalents	10,551	12,662	-16.7	9,840

Net interest-bearing liabilities	-2,438	-2,446	0.3	-1,742
Capital employed	38,387	44,232	-13.2	43,216
Return on equity, %	16.0	28.1		23.5
Return on capital employed, %	18.1	29.1		26.1
Equity ratio, %	51.5	57.0		61.6
Net gearing, %	-8.1	-7.2		-5.0
Capital expenditure	790	573	37.8	3,208
% of sales	3.8	2.7		3.8
Research and development costs	411	364	12.9	1,639
% of net sales	2.0	1.7		1.9
Order stock	14,459	14,430	0.2	13,114
Earnings per share, EUR	0.11	0.20	-43.9	0.67
Earnings per share, EUR, diluted	0.11	0.20	-43.9	0.67
Equity per share, EUR	2.54	2.86	-11.2	2.95
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	428	416	2.9	428

## PRESS CONFERENCE

Exel Composites will hold an analyst and press conference regarding the interim report today Friday 4 May 2012 at 12.30 p.m. 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.

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, 4 May 2012

EXEL COMPOSITES PLC  
Board of Directors

Vesa Korpimies  
President and CEO

**FURTHER INFORMATION:**

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**EXEL COMPOSITES IN BRIEF**

Exel Composites ([www.exelcomposites.com](http://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.