

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

JULY – SEPTEMBER 2013 HIGHLIGHTS

- Net sales were EUR 17.1 (17.1) million in the third quarter of 2013
- Operating profit before non-recurring items improved to EUR 1.5 (1.4) million or 8.5 (8.0) per cent of net sales
- Operating profit after non-recurring items was EUR 1.1 million (including EUR -0.4 million non-recurring items) compared to EUR 1.4 million in the third quarter of 2012, or 6.3 (8.0) per cent of net sales
- Net cash flow from operating activities was positive at EUR +2.3 (+0.3) million
- Fully diluted earnings per share were EUR 0.05 (0.07)
- New CEO Riku Kytömäki was appointed in September to start on 2 January 2014

JANUARY – SEPTEMBER 2013 HIGHLIGHTS

- Net sales were EUR 51.5 (57.4) million in the first nine months of 2013, down by 10.2 per cent on the previous year
- Operating profit before non-recurring items was EUR 3.7 (5.0) million or 7.2 (8.7) per cent of net sales
- Operating profit after non-recurring items was EUR 3.4 million (including EUR -0.4 million non-recurring items) in the first nine months of 2013 compared to EUR 5.0 million in the corresponding period in 2012, or 6.5 (8.7) per cent of net sales
- Net cash flow from operating activities was positive at EUR +4.9 (+3.8) million
- Fully diluted earnings per share were EUR 0.19 (0.29)

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 17.1 (17.1) million in the third quarter of 2013. Demand improved in the building, construction and infrastructure market segment, telecommunication, electrical industry and general industries market segments in the third quarter of 2013 compared to the corresponding period in 2012. However, market demand decreased in the transportation industry, energy industry and paper industry market segments compared to the third quarter of 2012.

The Group's operating profit before non-recurring items improved to EUR 1.5 (1.4) million or 8.5 (8.0) per cent of net sales in the third quarter of 2013. Net cash flow from operating activities was strongly positive at EUR +2.3 (+0.3) million due to good working capital management.

A decision to invest in a new laminate production line at Mäntyharju factory was made during the third quarter of 2013. The investment enables us to extend our product range in high specification laminates and to grow in several market segments.

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

Corrective actions have started to have a positive impact in the British business unit. Turnaround measures in Australia continue in the fourth quarter of 2013. Co-determination negotiations were concluded in August in the Finnish business units. Our operational focus will be on sales, efficiency and yield improvement.

The general market situation is expected to remain unchanged in the last quarter of 2013. The composite market is estimated to develop positively in the longer run. Exel Composites is a market leader in pultruded composite profiles and has a strong balance sheet. We are well-positioned to grow the business when the market recovers. This is the right time for me to hand over the company to Riku Kytömäki to raise Exel Composites to the next level.”

CONSOLIDATED KEY FIGURES, EUR million
(unaudited)

	1.7. – 30.9. 2013	1.7. – 30.9. 2012	Change, %	1.1. – 30.9. 2013	1.1.– 30.9. 2012	Chang e, %	1.1. – 31.12. 2012
Net sales	17.1	17.1	0.1	51.5	57.4	-10.2	76.0
Operating profit	1.1	1.4	-20.6	3.4	5.0	-33.0	3.4
% of net sales	6.3	8.0		6.5	8.7		4.5
Profit for the period	0.6	0.9	-35.6	2.3	3.5	-34.6	2.0
Shareholders’ equity	28.6	33.2	-13.9	28.6	33.2	-13.9	31.4
Net interest- bearing liabilities	-0.4	2.6	117.2	-0.4	2.6	117.2	-1.1
Capital employed	35.8	43.4	-17.5	35.8	43.4	-17.5	39.6
Return on equity, %	8.1	10.8		10.2	13.7		6.1
Return on capital employed, %	12.1	12.7		11.9	15.6		8.4
Equity ratio, %	58.9	59.0		58.9	59.0		61.0
Net gearing, %	-1.6	7.8		-1.6	7.8		-3.4
Earnings per share, EUR	0.05	0.07		0.19	0.29		0.17
Earnings per share, diluted, EUR	0.05	0.07		0.19	0.29		0.17
Equity per share, EUR	2.41	2.79		2.41	2.79		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

JULY – SEPTEMBER 2013

The market situation in Central Europe continued to be challenging.

The Group's net sales in July – September 2013 were EUR 17.1 (17.1) million. Demand improved in the building, construction and infrastructure market segment, telecommunication, electrical industry and general industries market segments in the third quarter of 2013 compared to the corresponding period in 2012. However, market demand decreased in the transportation industry, energy industry and paper industry market segments compared to the third quarter of 2012.

The Group's operating profit before non-recurring items improved to EUR 1.5 (1.4) million or 8.5 (8.0) per cent of net sales. Operating profit after non-recurring items was EUR 1.1 (1.4) million (including EUR -0.4 million non-recurring items) or 6.3 (8.0) per cent of net sales in the third quarter of 2013. Operating profit included non-recurring items of EUR -0.4 million relating to the costs of the CEO change. Net cash flow from operating activities was strongly positive at EUR +2.3 (+0.3) million due to good working capital management.

In the local statutory level the parent company will recognize a non-cash write-down of Australian subsidiary share holding value totaling EUR 5.5 million. The write-down has no impact on the Group financials but reduces the distributable funds.

A decision to invest in a new laminate production line at Mäntyharju factory was made during the third quarter of 2013. The investment enables us to extend our product range in high specification laminates and to grow in several market segments.

JANUARY – SEPTEMBER 2013

The Group's net sales in January – September 2013 were EUR 51.5 (57.4) million, a decrease of 10.2 per cent on the corresponding period in 2012.

Exel Composites' operating profit before non-recurring items was EUR 3.7 (5.0) million or 7.2 (8.7) per cent of net sales in January – September 2013. Operating profit after non-recurring items was EUR 3.4 million (including EUR -0.4 million non-recurring items) in the first nine months of 2013 compared to EUR 5.0 million in the corresponding period in 2012, or 6.5 (8.7) 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 nine months 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 – September 2013 were EUR -0.3 (-0.3) million. The Group's profit before taxes was EUR 3.1 (4.7) million and profit after taxes EUR 2.3 (3.5) million.

Fully diluted total earnings per share were EUR 0.19 (0.29). Return on capital employed was 11.9 (15.6) per cent. Return on equity was 10.2 (13.7) per cent.

BALANCE SHEET AND FINANCIAL POSITION

Net cash flow from operating activities was positive at EUR 4.9 (3.8) million mainly due to decreased working capital. Cash flow before financing, but after capital expenditure, amounted to EUR 3.0 (1.6) 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 7.6 (7.5) million.

The Group's consolidated total assets at the end of the period under review were EUR 48.7 (56.5) million.

Interest-bearing liabilities amounted to EUR 7.2 (10.1) million. Net interest-bearing liabilities were EUR -0.4 (2.6) million. Non-current liabilities were amortized by EUR 5.0 million and new short-term loans were withdrawn amounting to EUR 4.0 million.

Equity at the end of the period under review was EUR 28.6 (33.2) million and equity ratio 58.9 (59.0) per cent. The net gearing ratio was -1.6 (7.8) per cent.

CAPITAL EXPENDITURE AND DEPRECIATION

The capital expenditure on fixed assets amounted to EUR 1.9 (2.1) million.

Total depreciation of non-current assets during the period under review amounted to EUR 2.0 (2.1) million.

PERSONNEL

The number of Exel Composites Group employees on 30 September 2013 was 426 (431), of whom 205 (197) worked in Finland and 221 (233) in other countries. The average number of personnel during January – September 2013 was 431 (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 concluded in August 2013 in the Finnish business units. As a result of the negotiations, 12 employment contracts were terminated in the Joensuu unit. The negotiations did not incur non-recurring items. Diverse working hours in accordance with the Collective Agreement will be taken into use for non-salaried employees in all the Finnish units in order to increase flexibility. Part of the salaried employees is laid off temporarily in all the Finnish units.

Corrective actions have started to have a positive impact in the British business unit. Turnaround measures in Australia continue in the fourth quarter of 2013. Our operational focus will be on sales, efficiency and yield improvement.

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 September 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 (6.00). The share price closed at EUR 5.80 (6.48). The average share price during the period under review was EUR 5.82 (7.45).

A total of 822,895 (674,931) shares were traded during the reporting period, which represents 6.9 (5.7) per cent of the average number of shares. Based on the closing price on 30 September 2013, Exel Composites' market capitalization was EUR 69.0 (77.1) million.

SHAREHOLDERS AND DISCLOSURES

Exel Composites had a total of 2,738 (2,710) shareholders on 30 September 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.

Mr. Riku Kytömäki was appointed new President and CEO of Exel Composites in September 2013. He will assume his duties on 2 January 2014 and succeeds Mr. Vesa Korpimies, who will resign from his position. Vesa Korpimies will continue in his role as CEO until Riku Kytömäki takes up his position.

EVENTS AFTER THE REPORTING PERIOD

A decision was made to consolidate the Australian units in one location. Brisbane unit will be moved to Melbourne site. The move will have a negative effect on the fourth quarter 2013 results, but will improve the profit in 2014.

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.

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT (unaudited)

EUR thousand	1.7. – 30.9. 2013	1.7. – 30.9. 2012	Change, %	1.1. – 30.9. 2013	1.1. – 30.9. 2012	Change, %	1.1. – 31.12. 2012
Net sales	17,075	17,054	0.1	51,520	57,364	-10.2	75,998
Materials and services	-6,709	-6,706	0.0	-19,594	-22,316	12.2	-29,986
Employee benefit expenses	-4,983	-4,422	-12.7	-15,740	-15,982	1.5	-21,077
Depreciation and impairment	-650	-619	-5.0	-2,007	-2,083	3.6	-5,387
Other operating expenses	-3,731	-4,052	7.9	-11,223	-12,712	11.7	-17,057

Other operating income	79	107	-26.2	401	736	-45.5	909
Operating profit	1,081	1,362	-20.6	3,357	5,007	-33.0	3,399
Net financial items	-271	-206	-31.6	-295	-319	7.5	-428
Profit before tax	810	1,156	-29.9	3,062	4,688	-34.7	2,971
Income taxes	-237	-266	10.9	-772	-1,186	34.9	-940
Profit/loss for the period	573	890	-35.6	2,290	3,502	-34.6	2,031
Other comprehensive income: Other comprehensive income to be reclassified to profit or loss in subsequent periods:							
Exchange differences on translating foreign operations	-162	-23	604.3	-1,553	638	343.4	133
Other comprehensive income, net of tax	-162	-23	604.3	-1,553	638	343.4	133
Total comprehensive income	411	867	-52.6	737	4,140	-82.2	2,164
Profit/loss attributable to: Equity holders of the parent company	573	890	-35.6	2,290	3,502	-34.6	2,031
Comprehensive income attributable to:							

Equity holders of the parent company	411	867	-52.6	737	4,140	-82.2	2,164
Earnings per share, diluted and undiluted, EUR	0.05	0.07		0.19	0.29		0.17

CONDENSED CONSOLIDATED BALANCE SHEET

EUR thousand	30.9.2013	30.9.2012	Change	31.12.2012
ASSETS				
Non-current assets				
Goodwill	9,850	12,192	-2,342	10,898
Other intangible assets	950	1,720	-770	1,220
Tangible assets	10,670	11,669	-999	10,681
Deferred tax assets	846	108	738	752
Other non-current assets	65	65	0	64
Non-current assets total	22,381	25,754	-3,373	23,615
Current assets				
Inventories	8,320	10,445	-2,125	9,129
Trade and other receivables	10,342	12,725	-2,383	9,513
Cash at bank and in hand	7,625	7,533	92	9,245
Current assets total	26,288	30,703	-4,415	27,887
Total assets	48,669	56,457	-7,788	51,502
EQUITY AND LIABILITIES				
Shareholders' equity				
Share capital	2,141	2,141	0	2,141
Other reserves	72	45	27	45
Invested unrestricted equity fund	8,488	8,488	0	8,488
Translation differences	2,784	4,842	-2,058	4,337
Retained earnings	12,845	14,223	-1,378	14,396
Profit for the period	2,290	3,502	-1,212	2,031
Total equity attributable to equity holders of the parent company	28,621	33,241	-4,620	31,438
Total equity	28,621	33,241	-4,620	31,438
Non-current liabilities				
Interest-bearing liabilities	1,770	8,132	-6,362	8,168
Interest-free liabilities	409	413	-4	411
Deferred tax liabilities	374	414	-40	377
Current liabilities				
Interest-bearing liabilities	5,407	2,010	3,397	11
Trade and other non-current liabilities	12,088	12,247	-159	11,098

Total liabilities	20,048	23,217	-3,169	20,064
Total equity and liabilities	48,669	56,457	-7,788	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				638	3,502	4,140
Other items		15			-84	-69
Dividend					-5,948	-5,948
Balance at 30 September 2012	2,141	45	8,488	4,842	17,725	33,241
Balance at 1 January 2013	2,141	45	8,488	4,337	16,427	31,438
Comprehensive result				-1,553	2,290	737
Other items		27			-13	15
Dividend					-3,569	-3,569
Balance at 30 September 2013	2,141	72	8,488	2,784	15,135	28,621

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

EUR thousand	1.1. – 30.9. 2013	1.1. – 30.9. 2012	Change	1.1. – 31.12. 2012
Cash Flow from Operating Activities				
Profit for the period	2,290	3,502	-1,212	2,031
Adjustments	2,877	3,782	-905	7,170
Change in working capital	902	-1,508	2,410	1,223
Cash Flow Generated by Operations	6,069	5,776	293	10,424
Interest paid	-176	-186	10	-259
Interest received	16	68	-52	80
Other financial items	-150	-30	-120	-155
Income taxes paid	-886	-1,877	991	-1,897

Net Cash Flow from Operating Activities	4,873	3,751	1,122	8,193
Capital expenditure	-1,916	-2,118	202	-2,846
Proceeds from sale of fixed assets	0	16	-16	16
Cash Flow from Investing Activities	-1,916	-2,102	186	-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	4,000	2,000	2,000	0
Change in finance lease liabilities	-8	-8	0	-10
Dividends paid	-3,569	-5,948	2,379	-5,948
Net Cash Flow from Financing	-4,577	-3,956	-621	-5,958
Change in Liquid Funds	-1,620	-2,307	687	-595
Liquid funds in the beginning of period	9,245	9,840	-595	9,840
Change in liquid funds	-1,620	-2,307	687	-595
Liquid funds at the end of period	7,625	7,533	92	9,245

QUARTERLY KEY FIGURES

EUR thousand	III/ 2013	II/ 2013	I/ 2013	IV/ 2012	III/ 2012	II/ 2012	I/ 2012
Net sales	17,075	17,548	16,897	18,634	17,054	19,791	20,519
Materials and services	-6,709	-6,455	-6,430	-7,670	-6,706	-7,491	-8,119
Employee benefit expenses	-4,983	-5,448	-5,309	-5,095	-4,422	-5,942	-5,618
Depreciation and impairment	-650	-684	-673	-3,304	-619	-723	-742
Operating expenses	-3,731	-3,510	-3,981	-4,345	-4,052	-4,209	-4,452
Other operating income	79	159	163	173	107	390	240
Operating profit	1,081	1,609	666	-1,608	1,362	1,816	1,828
Net financial items	-271	-48	24	-109	-206	-30	-83

Profit before taxes	810	1,562	691	-1,717	1,156	1,786	1,745
Income taxes	-237	-399	-136	246	-266	-485	-435
Profit/loss for the period	573	1,162	555	-1,471	890	1,302	1,310
Earnings per share, EUR	0.05	0.10	0.05	-0.12	0.07	0.11	0.11
Earnings per share, EUR, diluted	0.05	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	11,897
Average number of shares, diluted, 1,000 shares	11,897	11,897	11,897	11,897	11,897	11,897	11,897
Average number of personnel	427	427	436	431	433	435	428

COMMITMENTS AND CONTINGENCIES

EUR thousand	30.9.2013	30.9.2012
On own behalf		
Mortgages	2,733	2,733
Corporate mortgages	12,500	12,500
Lease liabilities		
- in next 12 months	878	789
- in next 1-5 years	1,587	2,972
Other commitments	6	6

DERIVATIVE FINANCIAL INSTRUMENTS

Nominal values EUR thousand	30.9.2013	30.9.2012
Interest rate derivatives		
Interest rate swaps	5,000	5,000

CONSOLIDATED KEY FIGURES

EUR thousand	1.1. – 30.9. 2013	1.1. – 30.9. 2012	Change, %	1.1.– 31.12. 2012
Net sales	51,520	57,364	-10.2	75,998
Operating profit	3,357	5,007	-33.0	3,399
% of net sales	6.5	8.7		4.5
Profit before tax	3,062	4,688	-34.7	2,971
% of net sales	5.9	8.2		3.9
Profit for the period	2,290	3,502	-34.6	2,031
% of net sales	4.4	6.1		2.7
Shareholders' equity	28,621	33,241	-13.9	31,438
Interest-bearing liabilities	7,177	10,142	-29.2	8,179
Cash and cash equivalents	7,625	7,533	1.2	9,245
Net interest-bearing liabilities	-448	2,609	117.2	-1,066
Capital employed	35,798	43,383	-17.5	39,617
Return on equity, %	10.2	13.7		6.1
Return on capital employed, %	11.9	15.6		8.4
Equity ratio, %	58.9	59.0		61.0
Net gearing, %	-1.6	7.8		-3.4
Capital expenditure	1,916	2,118	-9.5	2,846
% of net sales	3.7	3.7		3.7
Research and development costs	1,174	1,191	-1.4	1,606
% of net sales	2.3	2.1		2.1
Order stock	10,500	13,732	-23.0	10,677
Earnings per share, EUR	0.19	0.29	-34.5	0.17
Earnings per share, EUR, diluted	0.19	0.29	-34.5	0.17
Equity per share, EUR	2.41	2.79	-13.6	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	431	432	-0.2	431

PRESS CONFERENCE

Exel Composites will hold an analyst and press conference regarding the interim report today Thursday 31 October 2013 at 12.30 pm in the Roba 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, 31 October 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.