

EXEL COMPOSITES PLC'S INTERIM REPORT FOR JANUARY 1 – SEPTEMBER 30, 2012

JULY – SEPTEMBER 2012 HIGHLIGHTS

- Net sales decreased to EUR 17.1 (20.5) million in the third quarter of 2012, down by 16.7 per cent on the previous year
- Operating profit was EUR 1.4 (2.6 including +0.1 non-recurring items) million in the third quarter of 2012, or 8.0 (12.5) per cent of net sales
- Net operative cash flow was positive at EUR +0.3 (+2.5) million
- Fully diluted earnings per share were EUR 0.07 (0.15)

JANUARY – SEPTEMBER 2012 HIGHLIGHTS

- Net sales decreased to EUR 57.4 (65.4) million in the first nine months of 2012, down by 12.3 per cent on the corresponding period in 2011
- Operating profit was EUR 5.0 (9.3 including +0.3 non-recurring items) million, or 8.7 (14.3) per cent of net sales
- Net operative cash flow was positive at EUR +3.8 (+6.5) million
- Fully diluted earnings per share were EUR 0.29 (0.56)

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 Group's net sales decreased to EUR 17.1 (20.5) million on the third quarter of 2012 representing a 16.7 per cent decrease on the corresponding period in 2011. Market demand continued to decrease in the building, construction and infrastructure market, telecommunication products, energy sector and machine industry compared to the same period last year. Market demand increased in the transportation and cleaning and maintenance segments compared to the third quarter of 2011.

The European economic situation has impacted the results negatively. The weak market situation has affected the sales of our main customers, which has resulted in declining sales for Exel Composites. We have continued to invest more resources in sales and customer-driven product development to generate new sales. Even though this has not yet compensated the loss of sales from existing main customers, it is expected to strengthen future top line. Exel Composites' market share is estimated to have remained stable.

The Group's operating profit for the third quarter of 2012 decreased to EUR 1.4 (2.6) million. We were not able to adjust the cost base fully to the decreased sales volumes. The Australian unit's operating profit decreased significantly; the main reasons were lower sales and development costs for a new solution for the water treatment market. We have started corrective actions to improve profitability in Australia. The operating cash flow continued to be positive. Our financial position is strong and net gearing was 7.8 per cent.

Cost-savings campaigns commenced in the second quarter of 2012 continued in all the units of the Group. We will continue measures to mitigate the effects of the rising costs, and to pass them to the market by increasing product prices. Operations will be adjusted to demand. Temporary and permanent lay-offs of employees have been commenced.

Visibility remains low and we remain cautious. However, the financial situation of Exel Composites is strong and we will continue our strategy of profitable growth and to invest in the development of new products with customers, to expand our customer base by reinforcing sales and to maintain good cost control. We are prepared to reinforce actions to cope with continuing slow demand and uncertainty.”

#### CONSOLIDATED KEY FIGURES, EUR million (unaudited)

	1.7. – 30.9. 2012	1.7. – 30.9. 2011	Change %	1.1. – 30.9. 2012	1.1. – 30.9. 2011	Change	1.1. – 31.12. 2011
Net sales	17.1	20.5	-16.7	57.4	65.4	-12.3	85.1
Operating profit	1.4	2.6	-46.8	5.0	9.3	-46.3	11.1
% of net sales	8.0	12.5		8.7	14.3		13.0
Profit for the period	0.9	1.8	-49.7	3.5	6.7	-47.3	7.9
Shareholders' equity	33.2	32.5	2.1	33.2	32.5	2.1	35.1
Net interest-bearing liabilities	2.6	0.2	-1,185.2	2.6	0.2	-1,185.2	-1.7
Capital employed	43.4	41.3	5.0	43.4	41.3	5.0	43.2
Return on equity, %	10.8	22.4		13.7	27.4		23.5
Return on capital employed, %	12.7	25.0		15.6	29.8		26.1
Equity ratio, %	59.0	56.5		59.0	56.5		61.6
Net gearing, %	7.8	0.6		7.8	0.6		-5.0
Earnings per share, EUR	0.07	0.15		0.29	0.56		0.67
Earnings per share, diluted, EUR	0.07	0.15		0.29	0.56		0.67
Equity per share, EUR	2.79	2.74		2.79	2.74		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

1 July – 30 September 2012

The Group's net sales decreased to EUR 17.1 (20.5) million in the third quarter of 2012 representing a 16.7 per cent decrease on the corresponding period in 2011. Market demand continued to decrease in the building, construction and infrastructure market, telecommunication products, energy sector and machine industry compared to the same period last year. Market demand increased in the transportation and cleaning and maintenance segments compared to the third quarter of 2011.

The European economic situation has impacted the results negatively. The weak market situation has affected the sales of our main customers, which has resulted in declining sales for Exel Composites. We have continued to invest more resources in sales and customer-driven product development to generate new sales. Even though this has not yet compensated the loss of sales from existing main customers, it is expected to strengthen future top line. Exel Composites' market share is estimated to have remained stable.

The Group's operating profit for the third quarter of 2012 decreased to EUR 1.4 (2.6 including +0.1 non-recurring items) million. Operating profit for the third quarter was improved by EUR 0.6 million by cost provision release. We were not able to adjust the cost base fully to the decreased sales volumes. The Australian unit's operating profit decreased significantly; the main reasons were lower sales and development costs for a new solution for the water treatment market. We have started corrective actions to improve profitability in Australia. The operating cash flow continued to be positive. Our financial position is strong and net gearing was 7.8 per cent.

Cost-saving campaigns commenced in the second quarter of 2012 continued in all the units of the Group. We will continue measures to mitigate the effects of the rising costs, and to pass them to the market by increasing product prices. Operations will be adjusted to demand. Temporary and permanent lay-offs of employees have been commenced.

1 January – 30 September 2012

The weak demand that started during the third quarter of 2011 continued during the first nine months of 2012. The Group's net sales in January – September 2012 decreased by 12.3 per cent to EUR 57.4 (65.4) million compared to the corresponding period in 2011.

Exel Composites' operating profit in January – September 2012 decreased by 46.3 per cent to EUR 5.0 (9.3) million compared to the corresponding period last year. Operating profit as a percentage of net sales was 8.7 (14.3) per cent. The declined operating profit is mainly due to decreased sales volumes and investments made in organizational development.

The Group's net financial expenses in January - September 2012 were EUR -0.3 (-0.3) million. The Group's profit before taxes was EUR 4.7 (9.1) million and profit after taxes EUR 3.5 (6.7) million.

Earnings per share were EUR 0.29 (0.56). Return on capital employed was 15.6 (29.8) per cent. Return on equity was 13.7 (27.4) per cent.

#### BALANCE SHEET AND FINANCIAL POSITION

Cash flow from business operations was positive at EUR 3.8 (6.5) million. Cash flow before financing, but after capital expenditure, amounted to EUR 1.6 (4.4) 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 7.5 (8.6) million.

The Group's consolidated total assets at the end of the period under review were EUR 56.5 (57.6) million.

Interest-bearing liabilities amounted to EUR 10.1 (8.8) million. Net interest-bearing liabilities were EUR 2.6 (0.2) million.

Equity at the end of the period under review was EUR 33.2 (32.5) million and equity ratio 59.0 (56.5) per cent. The net gearing ratio was 7.8 (0.6) per cent.

#### CAPITAL EXPENDITURE AND DEPRECIATION

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

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

#### PERSONNEL

The number of Exel Composites Group employees on 30 September 2012 was 430 (431), of whom 197 (200) worked in Finland and 233 (231) in other countries. The average number of personnel during the reporting period was 432 (427).

Temporary lay-offs and permanent personnel reductions have taken place in several units in 2012. Co-determination negotiations concerning the salaried employees working in the Finnish units of the Exel Composites Group were concluded in July 2012. In addition to permanent personnel reductions, the salaried employees of the Finnish units will be laid off temporarily for a maximum of 90 days between autumn 2012 and spring 2013. Despite the challenging economic situation Exel Composites continues to invest in the technical sales organization to secure future growth.

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 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 30 September 2012, the market capitalization totaled EUR 77.1 (89.2) million. During the reporting period 674,931 (1,099,591) shares were traded, accounting for 5.7 (9.2) per cent of the average number of shares outstanding.

The highest share quotation was EUR 8.79 (9.40) and the lowest EUR 6.00 (6.75). The share price closed at EUR 6.48 (7.50). The average share price during the period under review was EUR 7.45 (8.18).

#### 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 2,710 (2,573) shareholders on 30 September 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.

#### 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. 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.

#### 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	1.7. – 30.9. 2012	1.7. – 30.9. 2011	Change, %	1.1. – 30.9. 2012	1.1. – 30.9. 2011	Change, %	1.1. – 31.12. 2011
Net sales	17,054	20,463	-16.7	57,364	65,378	-12.3	85,136
Materials and services	-6,706	-8,156	17.8	-22,316	-25,829	13.6	-33,358
Employee benefit expenses	-4,422	-4,820	8.3	-15,982	-15,714	-1.7	-21,133
Depreciation and impairment	-619	-683	9.4	-2,083	-2,030	-2.6	-2,702
Other operating expenses	-4,052	-4,356	7.0	-12,712	-13,041	2.5	-17,709
Other operating income	107	113	-5.3	736	565	30.3	849
Operating profit	1,362	2,560	-46.8	5,007	9,328	-46.3	11,082
Net financial items	-206	-126	-63.5	-319	-253	-26.1	-284
Profit before tax	1,156	2,434	-52.5	4,688	9,075	-48.3	10,798
Income taxes	-266	-664	59.9	-1,186	-2,393	50.4	-2,852
Profit/loss for the period	890	1,770	-49.7	3,502	6,682	-47.6	7,946
Other comprehensiv							

e income:

Exchange differences on translating foreign operations	-23	-47	51.5	638	-742	186.0	893
Other comprehensive income, net of tax	-23	-47	51.5	638	-742	186.0	893
Total comprehensive income	867	1,724	-49.7	4,140	5,940	-30.3	8,839
Profit/loss attributable to:							
Equity holders of the parent company	890	1,770		3,502	6,682		7,946
Comprehensive income attributable to:							
Equity holders of the parent company	867	1,724		4,140	5,940		8,839
Earnings per share, diluted and undiluted, EUR	0.07	0.15		0.29	0.56		0.67

#### CONDENSED CONSOLIDATED BALANCE SHEET

EUR thousand	30.9.2012	30.9.2011	Change	31.12.2011
<b>ASSETS</b>				
Non-current assets				
Goodwill	12,192	11,142	1,050	11,939
Other intangible assets	1,720	1,921	-201	1,961
Tangible assets	11,669	10,870	799	11,612
Deferred tax assets	108	557	-449	148
Other non-current assets	65	63	2	64
Non-current assets total	25,754	24,554	1,201	25,723
Current assets				
Inventories	10,445	10,868	-423	10,499
Trade and other receivables	12,725	13,632	-907	10,985
Cash at bank and in hand	7,533	8,555	-1,022	9,840

Current assets total	30,703	33,056	-2,353	31,323
Total assets	56,457	57,610	-1,153	57,047
<b>EQUITY AND LIABILITIES</b>				
Shareholders' equity				
Share capital	2,141	2,141	0	2,141
Other reserves	45	30	15	30
Invested unrestricted equity fund	8,488	8,488	0	8,488
Translation differences	4,842	2,569	2,273	4,204
Retained earnings	14,223	12,633	1,590	12,309
Profit for the period	3,502	6,682	-3,180	7,946
Total equity attributable to equity holders of the parent company	33,241	32,544	697	35,118
Total equity	33,241	32,544	697	35,118
Non-current liabilities				
Interest-bearing liabilities	8,132	8,048	84	8,088
Interest-free liabilities	413	356	57	392
Deferred tax liabilities	414	555	-141	539
Current liabilities				
Interest-bearing liabilities	2,010	710	1,300	10
Trade and other non-current liabilities	12,247	15,396	-3,149	12,900
Total liabilities	23,217	25,066	-1,849	21,928
Total equity and liabilities	56,457	57,610	-1,153	57,047

#### 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 2011	2,141	37	8,488	3,311	18,529	32,507
Comprehensive result	0	0	0	-742	6,682	5,940
Other items	0	-7	0	0	53	45
Dividend				0	-5,948	-5,948
Balance at 30 September 2011	2,141	30	8,488	2,569	19,315	32,544
Balance at 1 January 2012	2,141	30	8,488	4,204	20,255	35,118
Comprehensive						

result	0	0	0	638	3,502	4,140
Other items	0	15	0	0	-84	-69
Dividend				0	-5,948	-5,948
Balance at 30 September 2012	2,141	45	8,488	4,842	17,725	33,241

#### CONDENSED CONSOLIDATED CASH FLOW STATEMENT

EUR thousand	1.1. – 30.9. 2012	1.1. – 30.9. 2011	Change	1.1. – 31.12. 2011
<b>Cash Flow from Operating Activities</b>				
Profit for the period	3,502	6,682	-3,180	7,946
Adjustments	3,782	4,591	-809	6,308
Change in working capital	-1,508	-2,618	1,110	-2,216
<b>Cash Flow Generated by Operations</b>	<b>5,776</b>	<b>8,655</b>	<b>-2,879</b>	<b>12,038</b>
Interest paid	-186	-245	59	-349
Interest received	68	62	6	129
Other financial items	-30	-90	60	-191
Income taxes paid	-1,877	-1,895	18	-2,067
<b>Net Cash Flow from Operating Activities</b>	<b>3,751</b>	<b>6,487</b>	<b>-2,736</b>	<b>9,560</b>
<b>Cash flow from Investing Activities</b>				
Capital expenditure	-2,118	-2,123	-5	-3,208
Proceeds from sale of fixed assets	16	0	16	0
<b>Cash Flow from Investing Activities</b>	<b>-2,338</b>	<b>-2,123</b>	<b>-215</b>	<b>-3,208</b>
<b>Cash Flow from Financing</b>				
Proceeds from long-term borrowings	0	0	0	0
Instalments of long-term borrowings	0	-2,160	2,160	-2,160
Change in short-term loans	2,000	700	1,300	0
Instalments of finance lease liabilities	-8	-7	-1	-10
Dividends paid	-5,948	-5,948	0	-5,948
<b>Net Cash Flow from Financing</b>	<b>-3,956</b>	<b>-7,415</b>	<b>3,459</b>	<b>-8,118</b>
<b>Change in Liquid Funds</b>	<b>-2,307</b>	<b>-3,051</b>	<b>744</b>	<b>-1,766</b>
Liquid funds in the beginning of period	9,840	11,606	-1,766	11,606
Change in liquid funds	-2,307	-3,051	744	-1,766
Liquid funds at the end of period	7,533	8,555	-1,022	9,840

#### QUARTERLY KEY FIGURES

EUR thousand	III/ 2012	II/ 2012	I/ 2012	IV/ 2011	III/ 2011	II/ 2011	I/ 2011
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Net sales	17,054	19,791	20,519	19,758	20,463	23,367	21,548
Materials and services	-6,706	-7,491	-8,119	-7,529	-8,156	-9,295	-8,378
Employee benefit expenses	-4,422	-5,942	-5,618	-5,419	-4,820	-5,672	-5,221
Depreciation and impairment	-619	-723	-742	-672	-683	-663	-684
Operating expenses	-4,052	-4,209	-4,452	-4,668	-4,356	-4,424	-4,262
Other operating income	107	390	240	284	113	317	135
Operating profit	1,362	1,816	1,828	1,754	2,560	3,630	3,137
Net financial items	-206	-30	-83	-31	-126	-104	-23
Profit before taxes	1,156	1,786	1,745	1,723	2,434	3,527	3,115
Income taxes	-266	-485	-435	-459	-664	-948	-782
Profit/loss for the period from continuing operations	890	1,302	1,310	1,264	1,770	2,579	2,333
Profit/loss for the period	890	1,302	1,310	1,264	1,770	2,579	2,333
Earnings per share, EUR	0.07	0.11	0.11	0.11	0.15	0.22	0.20
Earnings per share, EUR, diluted	0.07	0.11	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	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	433	435	428	433	433	432	416

#### COMMITMENTS AND CONTINGENCIES

EUR thousand	30.9.2012	30.9.2011
On own behalf		
Mortgages	2,733	2,783
Corporate mortgages	12,500	12,500

#### Lease liabilities

- in next 12 months	789	784
- in next 1-5 years	2,972	2,347

Other commitments	6	24
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#### DERIVATIVE FINANCIAL INSTRUMENTS

Nominal values EUR thousand	30.9.2012	30.9.2011
Interest rate derivatives		
Interest rate swaps	5,000	10,000

#### CONSOLIDATED KEY FIGURES

EUR thousand	1.1. – 30.9. 2012	1.1. – 30.9. 2011	Change %	1.1. – 31.12. 2011
Net sales	57,364	65,378	-12.3	85,136
Operating profit	5,007	9,328	-46.3	11,082
% of net sales	8.7	14.3		13.0
Profit before tax	4,688	9,075	-48.3	10,798
% of net sales	8.2	13.9		12.7
Profit for the period	3,502	6,682	-47.6	7,946
% of net sales	6.1	10.2		9.3
Shareholders' equity	33,241	32,544	2.1	35,118
Interest-bearing liabilities	10,142	8,759	15.8	8,098
Cash and cash equivalents	7,533	8,555	-11.9	9,840
Net interest-bearing liabilities	2,609	203	-1,185.2	-1,742
Capital employed	43,383	41,302	5.0	43,216
Return on equity, %	13.7	27.4		23.5
Return on capital employed, %	15.6	29.8		26.1
Equity ratio, %	59.0	56.5		61.6
Net gearing, %	7.8	0.6		-5.0
Capital expenditure	2,118	2,123	-0.2	3,208
% of sales	3.7	3.2		3.8
Research and development costs	1,191	1,188	0.3	1,639
% of net sales	2.1	1.8		1.9
Order stock	13,732	14,727	-6.8	13,114
Earnings per share, EUR	0.29	0.56	-48.4	0.67
Earnings per share, EUR, diluted	0.29	0.56	-48.4	0.67
Equity per share, EUR	2.79	2.74	1.8	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	432	427	1.2	428

## PRESS CONFERENCE

Exel Composites will hold an analyst and press conference regarding the interim report today Friday 26 October 2012 at 12.30 p.m. in the Pavilion Cabinet of the Scandic Hotel Simonkenttää 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, 26 October 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.