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Xaar plc

INTERIM MANAGEMENT STATEMENT

Xaar plc ("Xaar" or "the Group"), the inkjet printing technology group headquartered in Cambridge, is providing an Interim Management Statement covering trading from 1 January 2013.

Trading for the period was strong, with sales in the first three months of 2013 growing significantly over the first quarter of 2012. Sales also grew strongly versus the fourth quarter of 2012, which is in contrast to historic seasonal patterns with sales in the first quarter normally lower than the preceding quarter because of the impact of Chinese New Year. As a result of this higher level of sales, product gross margins also improved and were ahead of those achieved in the second half of 2012.

The strong revenue growth was achieved primarily through sales of products into both the industrial and packaging markets, supported by modest growth in the graphic arts market.

Operating margins in the first quarter benefited from the growth in sales but are expected to soften later in the year as costs increase due to the impact of the planned additional manufacturing capacity investment and increased R&D spending.

The Group's balance sheet remains strong with net cash at 31 March 2013 of £41.7 million (31 December 2012: £28.9 million). The high level of cash generation in the first quarter was in part due to the phasing of 2013 capital expenditure towards the second half of the year and a reduction in net working capital.

The Board remains confident that strong growth in revenue and profit will be achieved in 2013 versus 2012. The trading performance in the first quarter, combined with the strength of the forecast for the remainder of 2013, have increased the Board's expectations for the year.

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