

# Financial Statements 2010

**Exel Composites Plc**  
**Vesa Korpimies, President and CEO**



# Outline

- Highlights 2010 and Q4 2010
- Financial statements 2010
- Investment case
- Market outlook

## Highlights 2010 – improvements despite Q1

- Net sales increased with 4.1 per cent to MEUR 72.9 (70.0)
- Operating profit increased to MEUR 9.4 (8.0)\*
- Operating profit margin improved to 12.9 (11.4) per cent\*\*
- Net gearing improved to -4.3 (23.7) per cent
- Fully diluted EPS increased to EUR 0.57 (0.56)
- Dividend proposal EUR 0.50 (0.25), incl. extra dividend EUR 0.25 (0.0)

*\*Operating profit from continuing operations MEUR +9.4 including MEUR +1.4 non-recurring items (MEUR +8.0 including net reversal of the restructuring provisions and other non-recurring items of MEUR +1.2)*

*\*\*Operating profit without non-recurring items was 11.0 (9.7) per cent of net sales*

## Highlights Q4 – strong year end

- Good demand continued in Q4
- Net sales increased with 19.0 per cent to MEUR 19.3 (16.2)
- Operating profit increased to MEUR 3.1 (2.4)\*

*\*Operating profit from continuing operations MEUR +3.1 including MEUR +0.9 non-recurring items (MEUR +2.4 including net reversal of the restructuring provisions of EUR +0.7 million)*

## Highlights – reinforced platform for growth

- We continued reinforcing our platform for growth in 2010
  - Taking action to strengthening our sales and technical sales team
  - Strengthen our balance sheet, net cash position at year end
  - Successful implementation of Group wide ERP system
  - Maintaining our focus on cost efficiency and improving productivity
- We are reasonably satisfied with the overall performance 2010. However, improvement areas exist. We have taken measures in our Chinese and British units to improve efficiency, we expect a positive outcome by the end of 2011
- We are well-positioned to continue capitalizing on growth opportunities

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# Overview 2010 – improvements despite Q1

<b>MEUR</b>	<b>2010</b>	<b>2009</b>	<b>Change</b>
Net sales	72.9	70.0	+4 %
Operating profit*	9.4	8.0	+18 %
Operating profit (%)**	12.9	11.4	
Net operative cash flow	+12.0	+14.2	
Return on capital employed (%)	21.8	20.9	
Net gearing (%)	-4.3	23.7	
EPS	0.57	0.56	+2 %

*\*Operating profit from continuing operations MEUR +9.4 including MEUR +1.4 non-recurring items (MEUR +8.0 including net reversal of the restructuring provisions and other non-recurring items of MEUR +1.2)*

*\*\*Operating profit without non-recurring items was 11.0 (9.7) per cent of net sales*

## Q4 2010 in brief – strong development

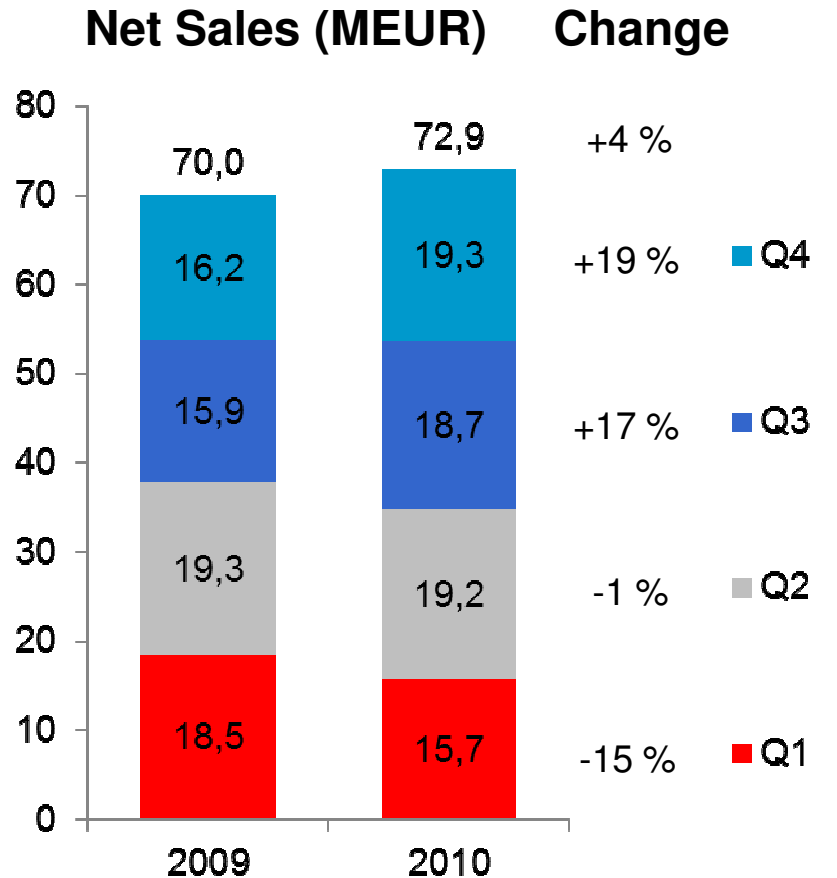
<b>MEUR</b>	<b>Q4 2010</b>	<b>Q4 2009</b>	<b>Change</b>
Net sales	19.3	16.2	+19 %
Operating profit*	3.1	2.4	+32 %
Operating profit (%)**	16.1	14.5	
Net operative cash flow	5.1	5.6	
Return on capital employed (%)	27.5	29.8	
Net gearing (%)	-4.3	23.7	
EPS	0.19	0.18	+6 %

*\*Operating profit from continuing operations MEUR +3.1 including MEUR +0.9 non-recurring items (MEUR +2.4 including net reversal of the restructuring provisions of EUR +0.7 million)*

*\*\*Operating profit without non-recurring items was 11.7 (10.5) per cent of net sales*

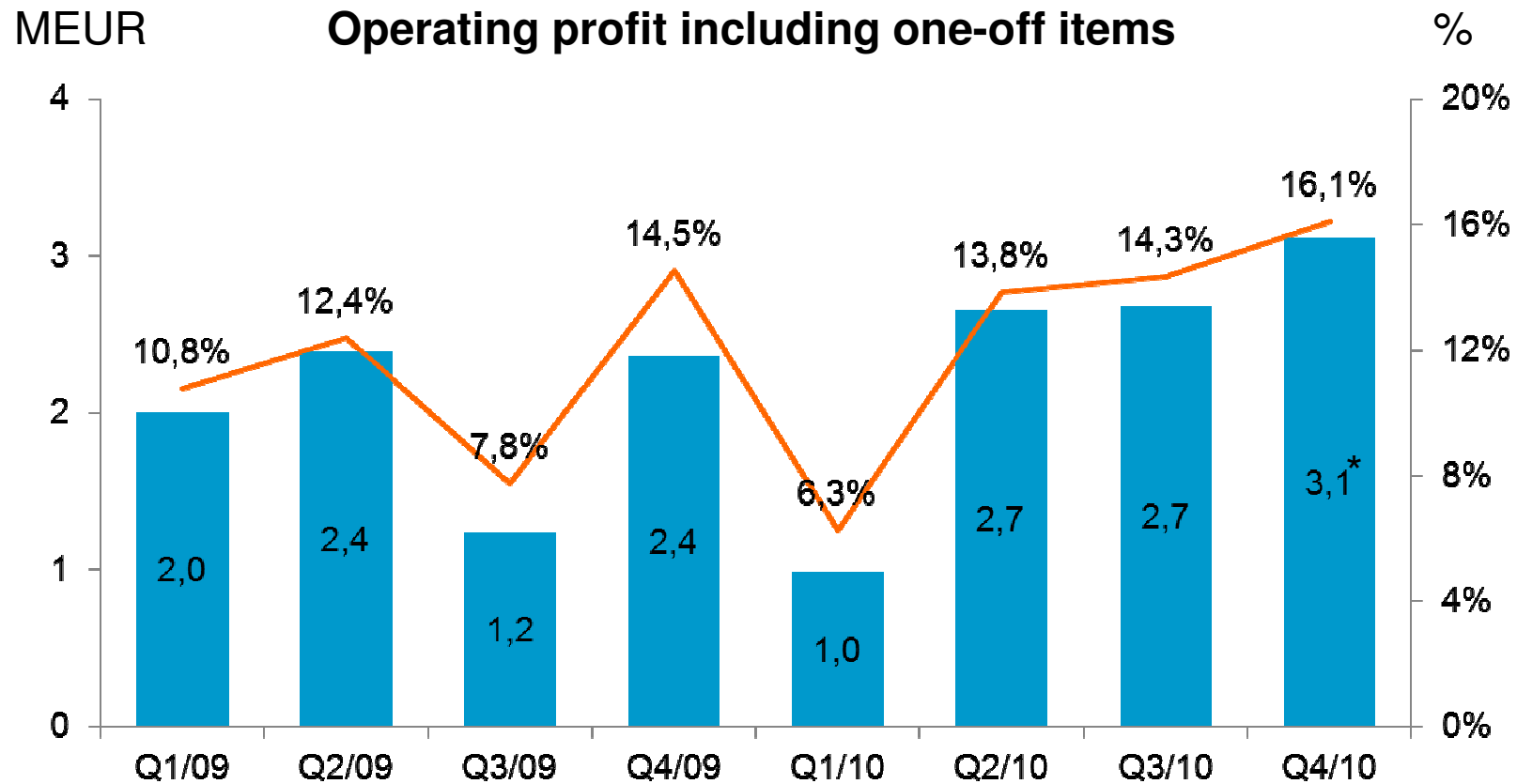


# Net sales picked up in Q3 and Q4



- Comments**
- Composite profile market very competitive
  - Overcapacity in the market
  - Strong demand in telecom and paper industry, electrical and machine industry and cleaning and maintenance markets
  - Building and construction continued to suffer from poor demand

# Profitability improved in all quarters except Q1



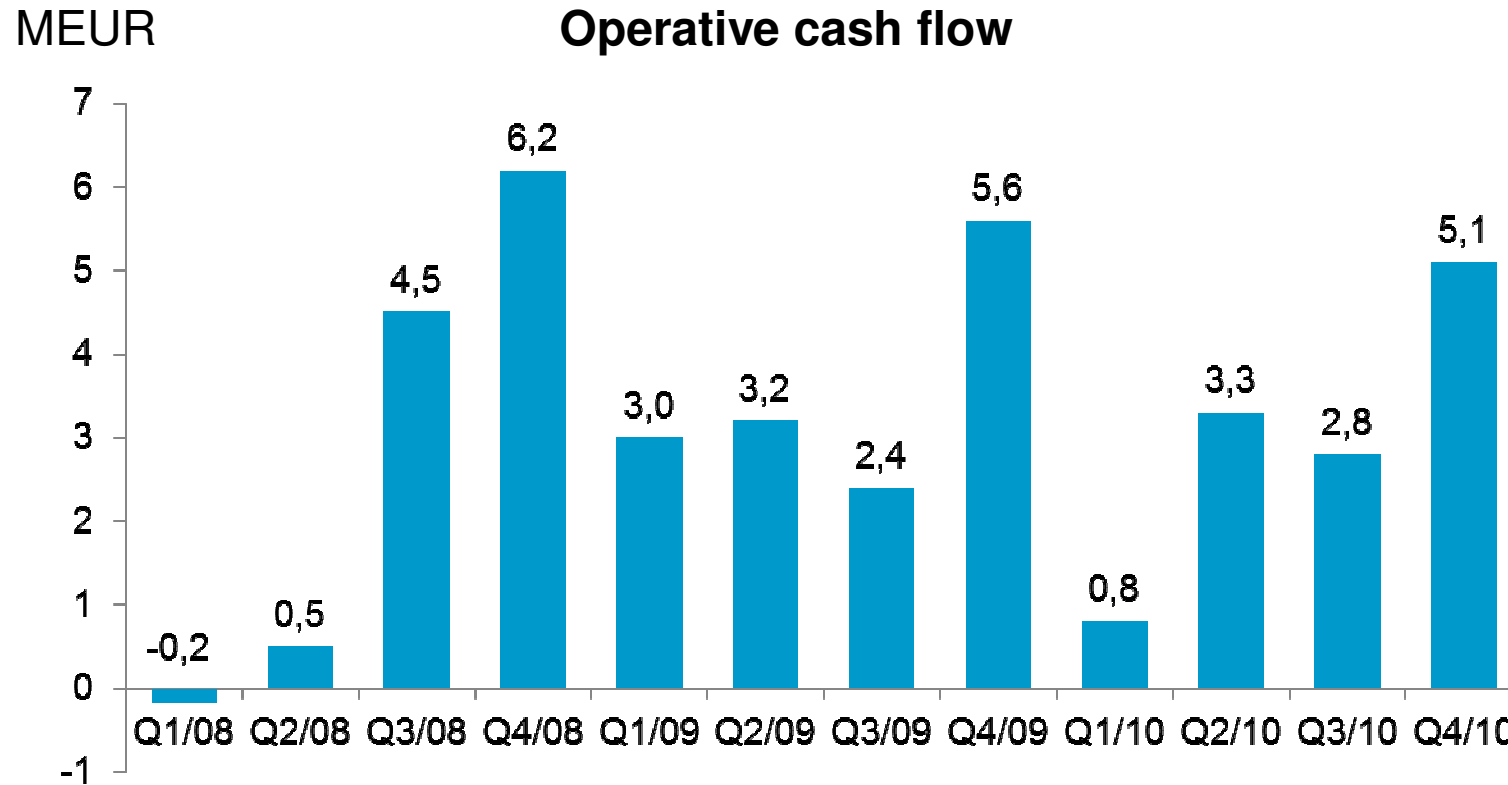
\*Operating profit from continuing operations MEUR +3.1 including MEUR +0.9 non-recurring items (MEUR +2.4 including net reversal of the restructuring provisions of EUR +0.7 million)

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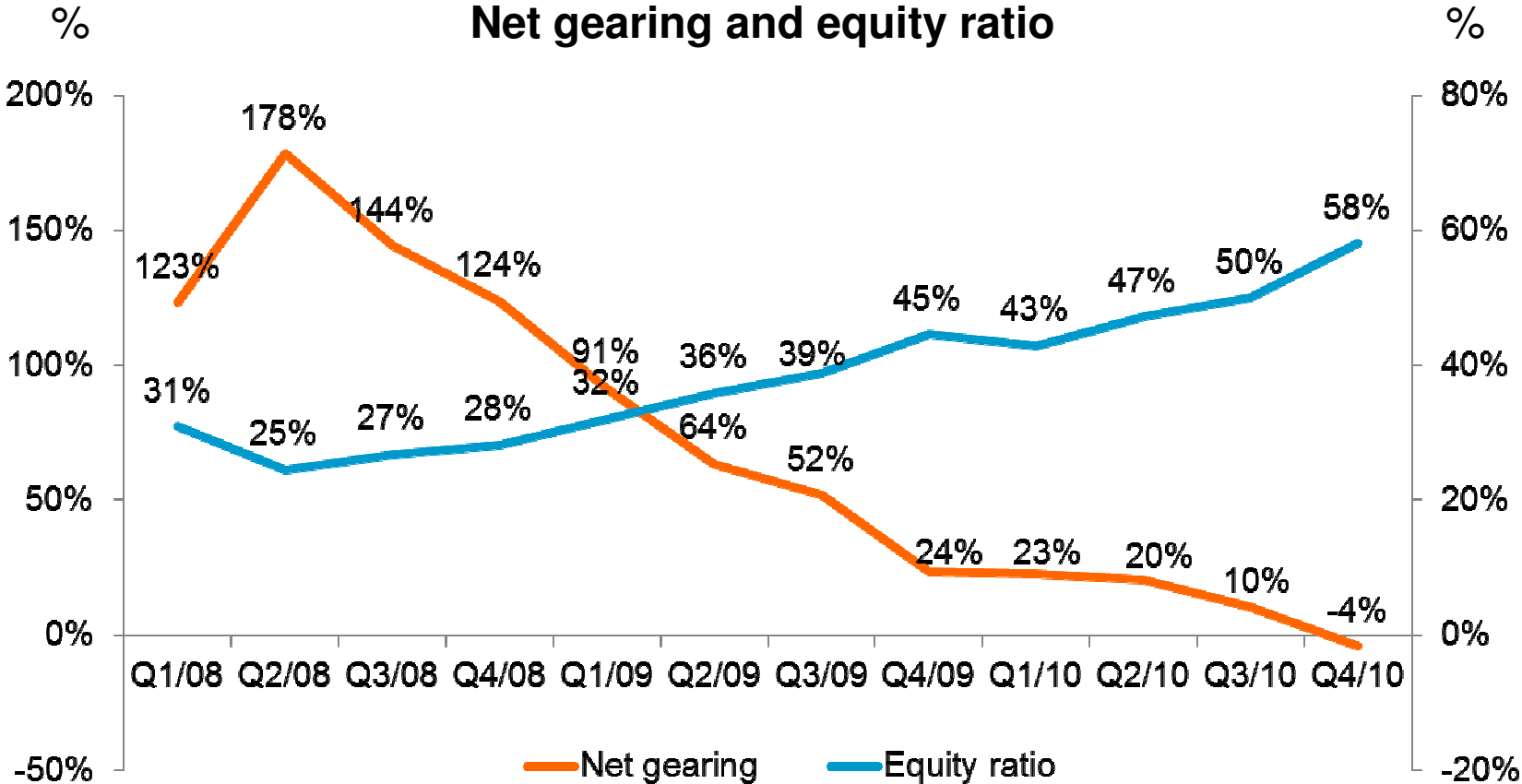
We have had profitability issues in our British and Chinese units – measures have been taken

- We are reasonably satisfied with the overall performance of Exel Composites 2010
- However, we experienced decreasing profitability in our British and Chinese units during the year
- We have taken measures to improve efficiency in UK and China

# Positive cash flow throughout the year



# We continued to strengthen our financial position



## Fully diluted EPS improved to EUR 0.57 (0.56)

- Earnings per share for Exel Group improved to EUR 0.57 (0.56)
  - EPS for continuing operations EPS 0.57 (0.50)
  - EPS for discontinued operations EUR 0.00 (0.06)

## Several risk elements exist

- **Weakening demand:** General economic development, government regulations and a possible new financial crisis in the Euro area could have a negative effect on demand
- **Raw material price increases:** Raw material prices and other cost increases may pressure profitability. The EC's anti-dumping tariffs imposed on Chinese glass fiber could have also have a negative effect
- **Internal efficiency:** We have taken measures in the Chinese and British units to improve efficiency, in case we are unsuccessful, this may have an effect on the result of the company
- **Financing:** The availability and cost of financing may continue to have an effect on the demand and increase the risk of credit loss

## We have taken measures to reduce the impact of the anti-dumping tariff on Chinese glass fiber

- The European Commission imposed an anti-dumping tariff of 43.6 per cent on imported Chinese glass fiber in September 2010
- Exel Composites' actions to reduce the impact of the tariff
  - Increasing product prices
  - Employing alternative sourcing opportunities
  - Improving efficiency in Exel's Nanjing unit in China



## We have also reinforced our organization

- Number of Exel Group employees 408 (419) on 31 December 2010
  - Restructuring actions in the British and Chinese units
  
- We have reinforced our organization
  - New sales & technical sales resources
  - New MD Australia

# Outline

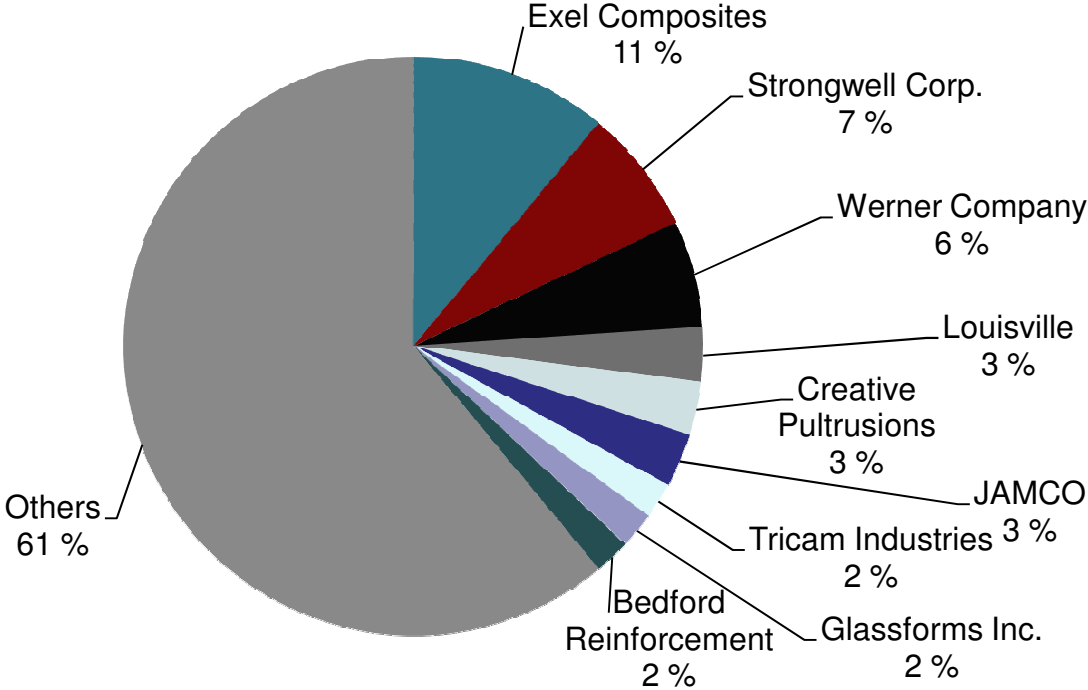
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# Exel Composites “50 years of innovation”

- Established 1960 – from electronic detonator caps to global #1 composite profile solution provider
- Early innovative milestones include
  - XC ski poles started in 1973, breakthrough in Innsbruck 1976
  - First advanced Carbon Fibre profile for textile machines 1978
- Focus on continuous production methods, pultrusion and pullwinding, late 1980's
- IPO 1998 at the Helsinki Stock exchange followed by an era of acquisitions in 2001-2006
- New Exel Composites emerged in 2009, today we are the leading and most international company in the fragmented pultrusion industry

# We are the global #1 composite profile provider

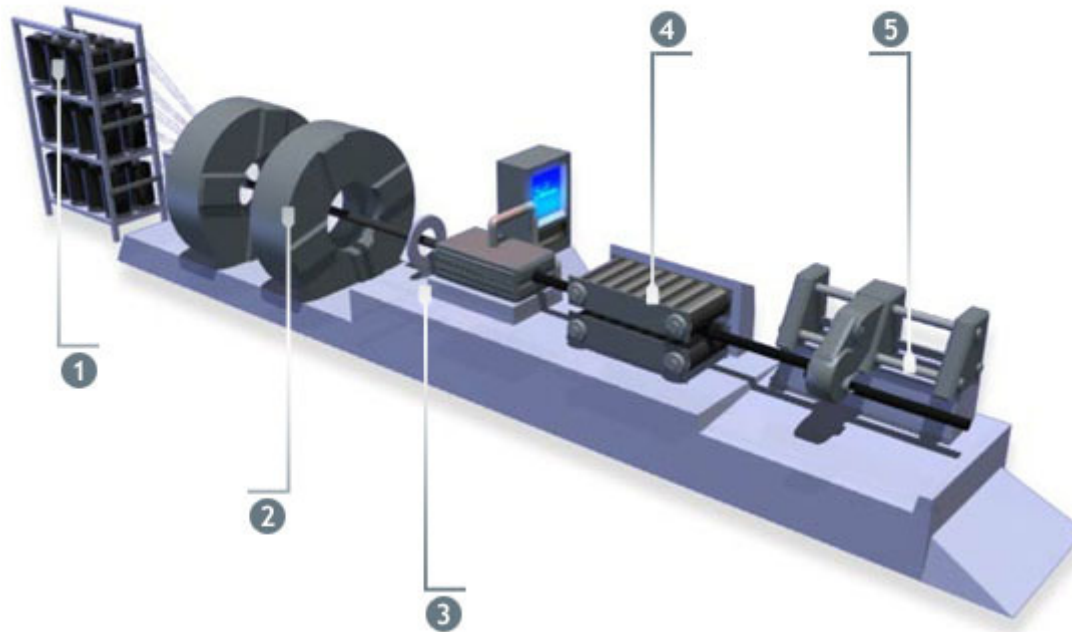
**Market share 2008 (MUSD)**



Source: Lucintel; Growth Opportunities in the Pultrusion Market 2009-2014: Global Market Outlook



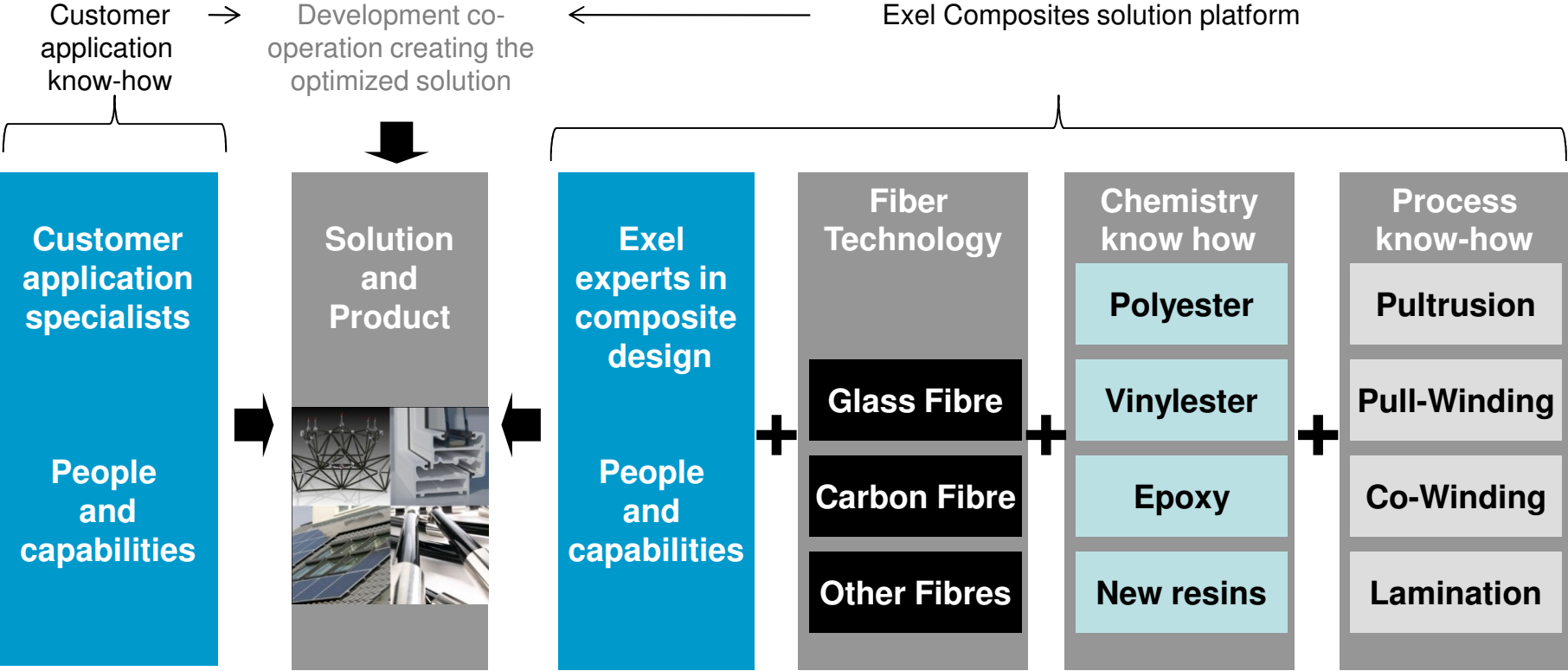
# Our core technology: continuous processes



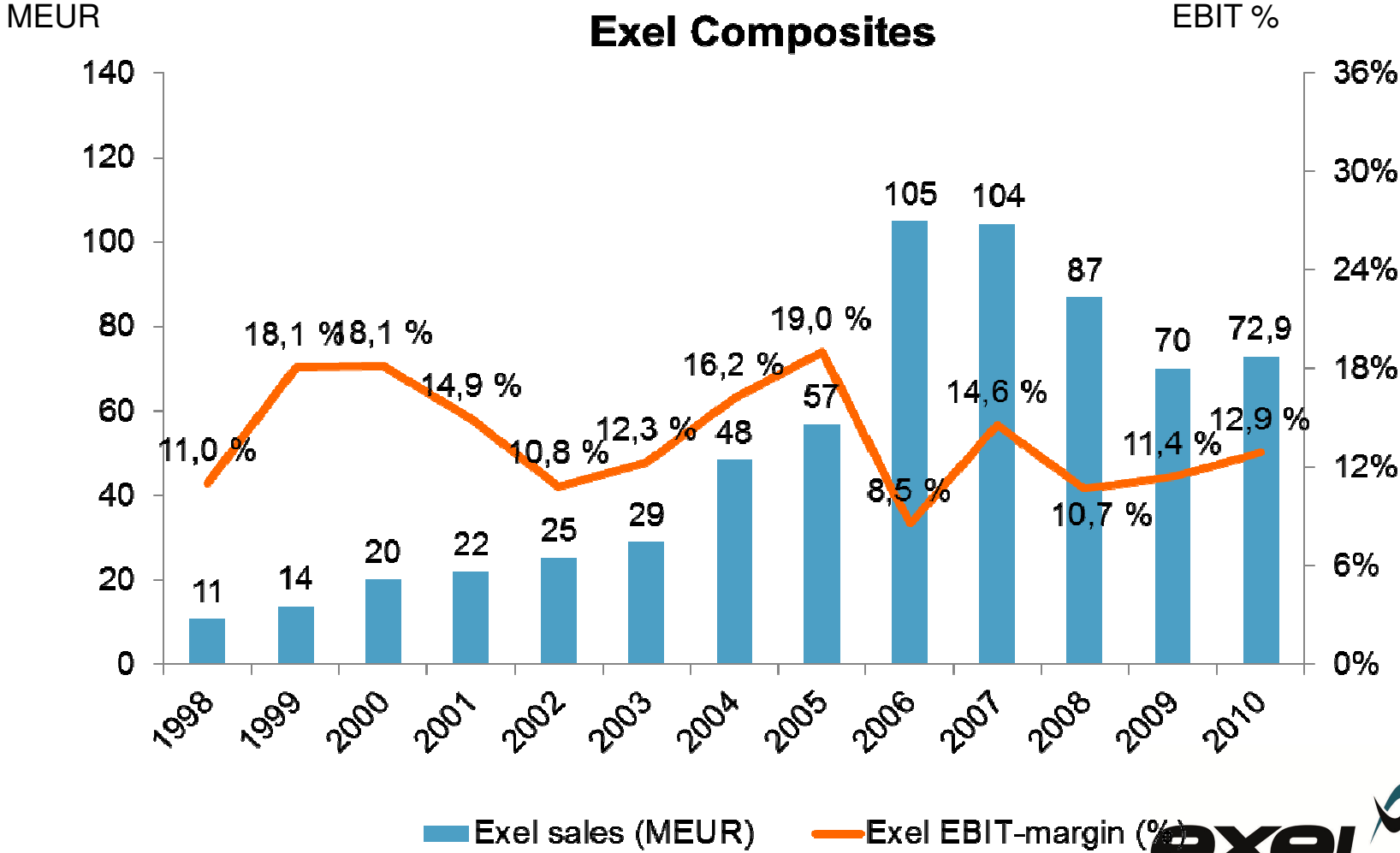
1. Reinforcements
2. Cross-winding units
3. Resin Injection Mould
4. Pulling Device
5. Cutting Device

Principle drawing of Exel Composites pullwinding process

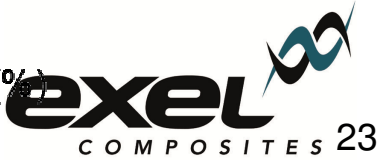
# We have a unique platform to drive growth in a multi-application business



# Exel Composites has a history of profitable growth



Until 2007 figures represent the Industry division and thereafter continuing operations



# We will continue our profitable growth strategy

- We are well-positioned to capitalize on the growth opportunities on the gradually recovering markets
- We are constantly looking for bolt-on acquisitions to strengthen our business portfolio and market position
- We will also continue to invest in the sales teams as well as to develop applications together with customers
- As an international company we support our Western customers also in China and in Asia
- We are convinced satisfied customers are the best way of ensuring continued profitable growth, as well as safeguarding shareholder interests



# Exel Group's financial targets

Exel's long-term targets over a business cycle are:

- **Growth:** the objective is that Exel Group's average organic growth annually exceeds market growth of the industry. Growth achieved through acquisitions is part of Exel's strategy
- **Operating profit:** Exel's target is the operating profit to exceed 10 per cent of net sales
- **Dividend policy:** Exel aims to distribute at least 40 per cent of net income in dividends, as permitted by the financial structure and growth opportunities

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# Outlook for 2011

- Demand amongst the pultrusion industry clientele has improved gradually in 2010. The first signs of recovery were visible in the 2nd quarter of 2010, and market conditions improved further in the 3rd and 4th quarter
- We believe that Exel Composites is well positioned to take advantage of the growth opportunities as the markets gradually recover
- As a result of improved profitability, good cash flow generation and reduced debt level we believe in Exel Composites' long-term performance
- Exel Composites recorded a strong year end, but maintains its cautious stance in 2011, since market uncertainties persist

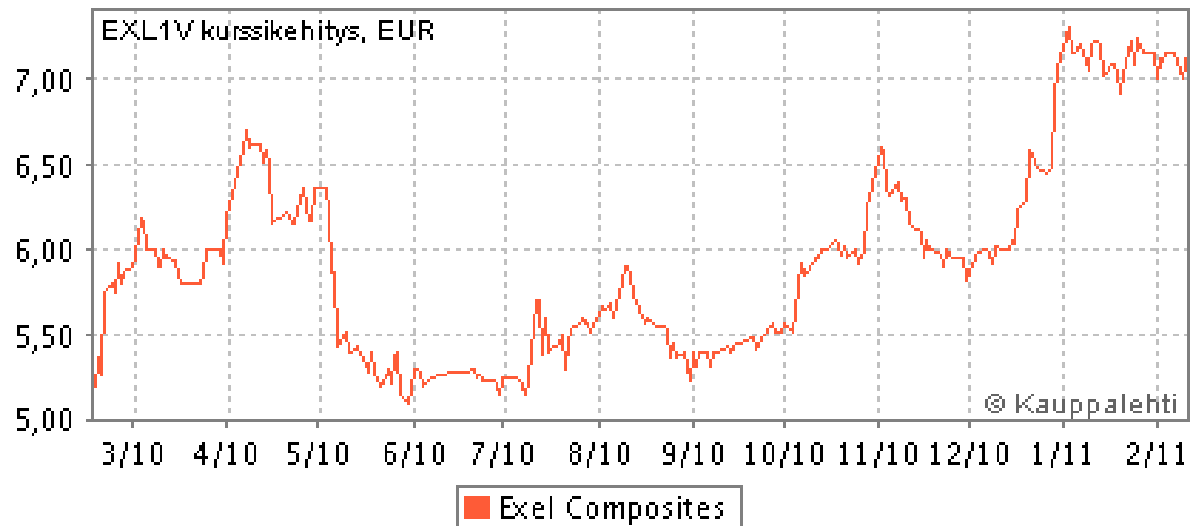
# Major Shareholders (1 February 2011)

	<b>Number of shares</b>	<b>Percentage of share capital</b>
Nordstjernan AB	3,496,506	29.39
Ilmarinen Mutual Pension Insurance Company	689,400	5.79
Veikko Laine Oy	618,896	5.20
Ulkomarkkinat Oy	480,000	4.03
OP-Suomi Small Cap Inv. Fund	451,085	3.79
Fondita Nordic Micro Cap Inv. Fund	450,000	3.78
Evli Suomi Osake Investment Fund	318,314	2.67
Alfred Berg Finland Investment Fund	308,484	2.59
Suutarinen Matti	294,400	2.47
Aktia Capital Investment Fund	250,000	2.10
SEB Gyllenberg Small Firm Inv. Fund	235,765	1.98

Exel Composites had a total of 2,363 (1,785) shareholders on 31 December 2010.

# Exel Composites share development

**Exel Composites share price development  
1/2010 - 2/2011**



19.3 (29.6) percent of shares outstanding were traded in 2010

The highest share quotation was EUR 7.25 (6.20) and the lowest EUR 5.00 (2.37)

The share price closed at EUR 7.06 (5.39) and the market capitalization at the end of the financial year was EUR 84.0 (64.1) million

Source: Kauppalehti

# Forward-looking statements

Certain statements in this presentation, 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.



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