



Exel Composites – Reinforcing Your Business

Riku Kytömäki, President and CEO

24 July 2014



Exel Composites is world's leading composite profile manufacturer with over 50 years of growth and innovation history

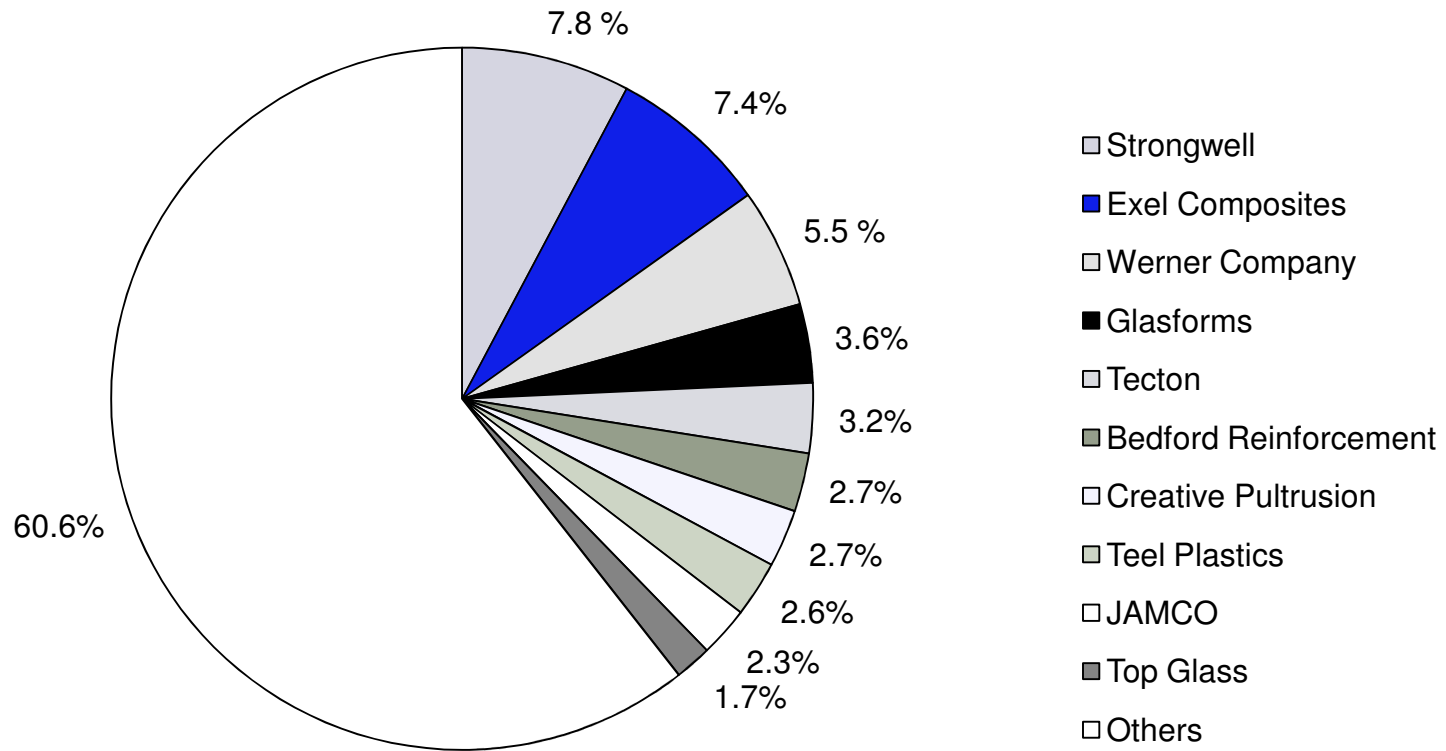
- ◆ World's leading composite profile manufacturer established in 1960
- ◆ Technology company which designs, manufactures and markets composite solutions for industrial applications
 - Annual sales MEUR 69 (2013)
 - Personnel: 423 (Q2 2014)
- ◆ Global footprint serving customers worldwide
 - Customers in more than 50 countries
 - Operations in 7 countries
- ◆ Core of the operations is based on proprietary, internally developed composite technology
- ◆ Personnel's expertise and high level of technology play a major role in Exel Composites' operations
- ◆ Listed in the Small Cap segment of the NASDAQ OMX Helsinki Ltd.

Exel Composites business is global with customers in more than 50 countries and operations in 7 countries



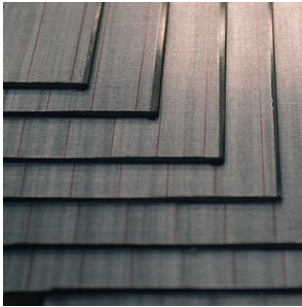
Exel Composites is the world's second largest pultrusion company

Global pultrusion market leaders in 2012



Source: Growth opportunities in the pultrusion market 2013 – 2018, Lucintel

Composite products' unique features and benefits can be utilized in various demanding applications



- ◆ Low weight
- ◆ High strength-to-weight ratio
- ◆ High fatigue tolerance
- ◆ Good corrosion and chemical resistance
- ◆ Tailored material properties
 - Fire retardation
 - Thermal insulation
 - Radio transparency
 - Electrical insulation / conduction
- ◆ Visual attractiveness and high-quality surface
- ◆ Long durability and service life

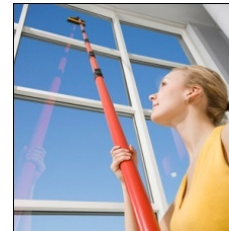
- ◆ **Composites offer versatile alternatives to optimize shape and technical properties to requirements**

Exel Composites offers products for wide range of applications. Exel Composites is the world's leading composite profiles manufacturer



TUBES

Exel is the world's largest manufacturer of thin-walled pull-wound tubes and hollow profiles



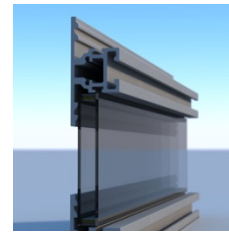
TOOLHANDLES AND TELESCOPES

Exel's series of toolhandles and telescopic poles offer the right products for demanding professional tools and materials for consumer toolhandles



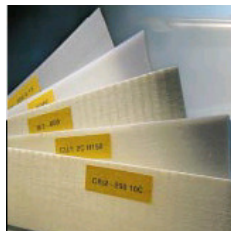
CUSTOM PROFILES

Exel is the leading manufacturer of demanding, customer-tailored profiles for industrial applications



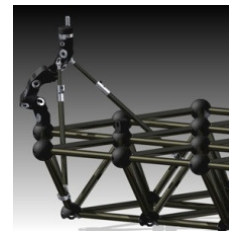
WINDOW AND DOOR PROFILES

Exel's insulating and thermally stable composite profiles with excellent mechanical properties meet the rising performance demands for windows and doors



LAMINATES

Exel produces a wide range of special fiber-reinforced laminates. Laminates are used in e.g. manufacturing, construction, sporting goods and transportation industries.



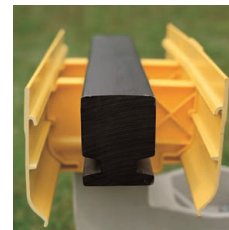
MACHINE INDUSTRY PRODUCTS

Exel offers state-of-the-art pultruded composite profiles for different segments of machine industry. Products are tailored for customers using different fibers and resins to adjust profile properties



AIRPORT PRODUCTS

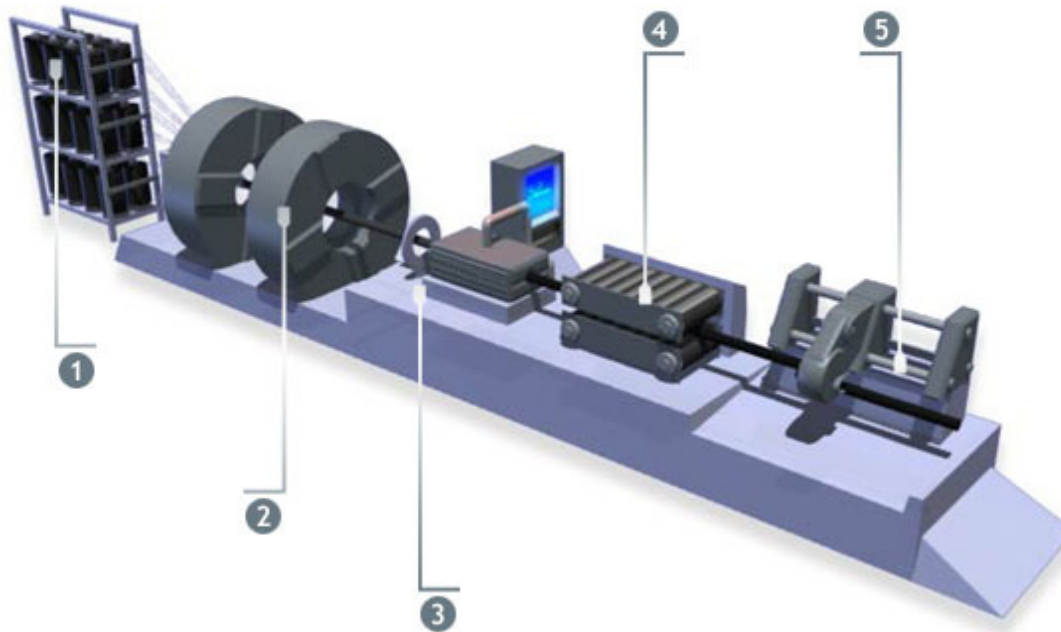
Exel supplies frangible structures to airports including approach lighting systems, weather measuring systems, anemometers, ILS-localizers and fencing



ELECTRICAL INDUSTRY PRODUCTS

Exel supplies a wide range of composites solutions for electrical industry. Material properties – like insulation – and production methods are selected based on customer requirements

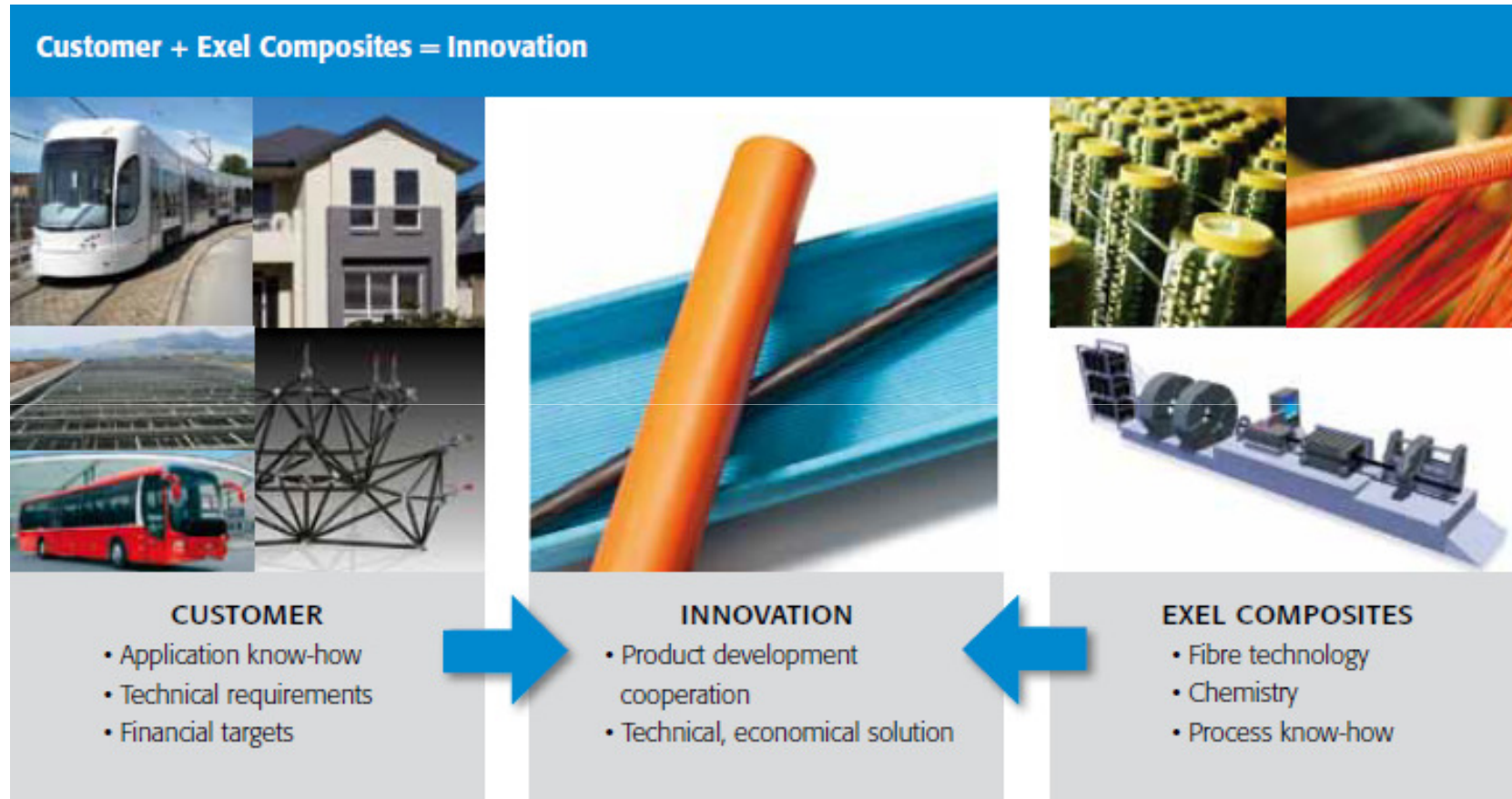
Exel Composites' core of the operations is based on proprietary, internally developed composite technology



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

Principle drawing of Exel Composites pullwinding process

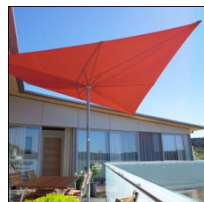
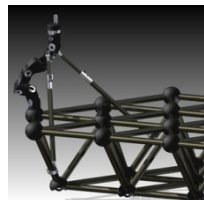
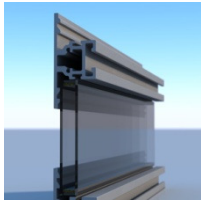
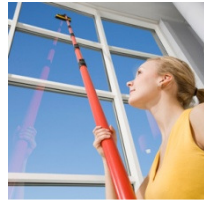
Innovations are created through combining customer's and Exel Composites' core know-how



Exel Composites' advanced solutions are utilized in several applications and market segments

Different raw materials combined with technology and composites know-how are creating a platform for multi-application business

Examples of typical applications within following main industry segments:



- Transportation Industry
- Building, Construction & Infrastructure
- Energy Industry
- Telecommunication
- Paper Industry
- Electrical Industry
- Cleaning & Maintenance
- Sports & Leisure
- Machine Industry
- General Industries

Exel Composites' products can be found in various applications, for example transportation segment is a large user of composites

- ◆ Transportation segment is a large user of composites
 - High surface quality for increasingly light weight trams and busses
 - High specification stiffeners for automotive applications
- ◆ Exel Composites is uniquely positioned to take advantage of shift to composites within pultrusion industry
 - Technical capabilities
 - Existing customer base





Q2 2014

Exel Composites Plc

Riku Kytömäki, President and CEO

24 July 2014



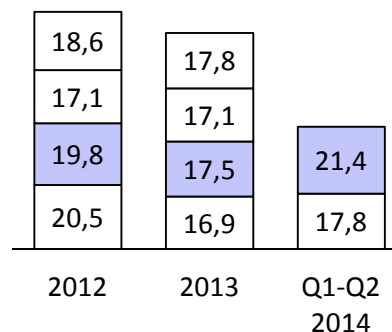
Q2 Highlights – Market demand has shown signs of resuming growth

- ◆ Market demand has shown signs of resuming growth leading to higher sales and order backlog
 - Net sales increased by 22.1%
 - Order intake increased by 12.5% to 21.4 (19.0) MEUR
 - Order backlog improved to 14.1 MEUR (13.1 MEUR)
 - Order backlog was approximately on the same level as in Q1 2014 (MEUR 14.3)

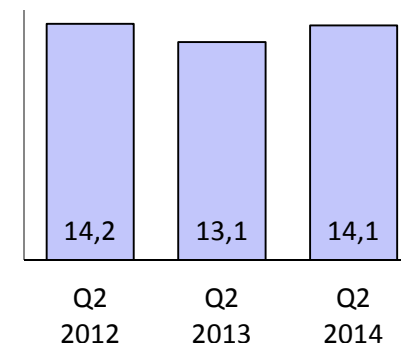
- ◆ Operating profit almost doubled to MEUR 3.1 due to increased sales, continued efficiency improvement and better cost control
 - Operating profit increased by 89.7%

- ◆ Net cash flow from operating activities was positive at +2.4 MEUR (+1.9 MEUR) due to improved operating profit. However, working capital increased in the review period due to higher receivables based on increased sales.

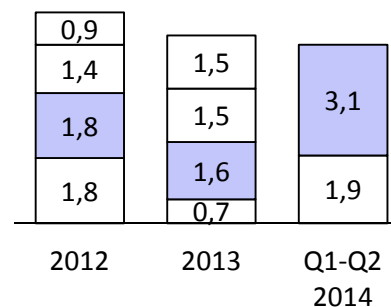
Net sales, MEUR



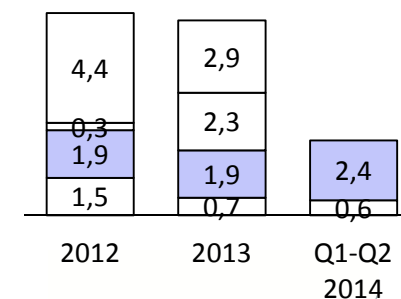
Order backlog, MEUR



Operating profit, MEUR



Net cash flow, MEUR



Key figures Q2 2014 – Net sales increased by 22.1%, operating profit almost doubled to MEUR 3.1 and EPS increased by 90.0%

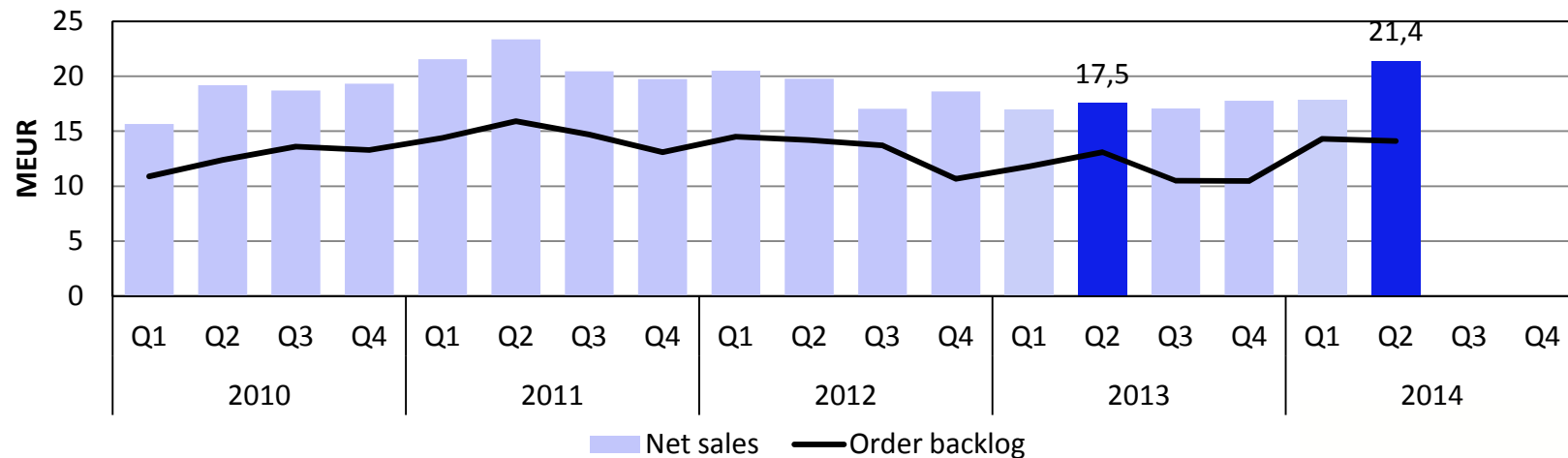
MEUR	Q2 2014	Q2 2013	Change-%
Net sales	21.4	17.5	22.1%
Operating profit	3.1	1.6	89.7%
Operating profit, %	14.3	9.2	
Net cash flow from operating activities	2.4	1.9	26.3%
Order backlog	14.1	13.1	7.6%
Order intake	21.4	19.0	12.5%
Return on capital employed, %	32.2	17.8	
Net gearing, %	5.7	4.6	
EPS, EUR	0.19	0.10	90.0%

Key figures January – June 2014

MEUR	H1 2014	H1 2013	Change-%
Net sales	39.2	34.4	13.9%
Operating profit	4.9	2.3	117.2%
Operating profit, %	12.6	6.6	
Net cash flow from operating activities	3.1	2.6	19.2%
Order backlog	14.3	13.1	21.3%
Order intake	43.1	37.4	15.5%
Return on capital employed, %	26.8	12.0	
Net gearing, %	5.7	4.6	
EPS, EUR	0.28	0.14	100.0%

Order intake increased by 12.5% and order backlog to MEUR 14.1 (13.1) in Q2 2014

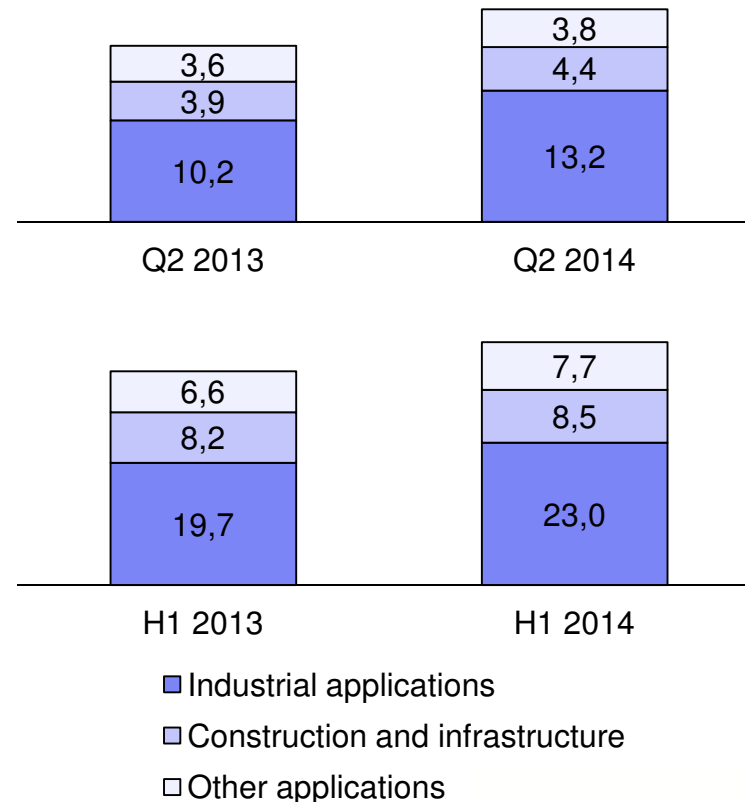
- ◆ Net sales increased to MEUR 21.4 (17.5)
 - Demand increased in telecommunication, transportation and building, construction and infrastructure markets
 - Demand decreased in sports & leisure markets
- ◆ Order intake increased by 12.5% to MEUR 21.4 (19.0)
- ◆ Order backlog increased to MEUR 14.1 (13.1). The order backlog was approximately on the same level as in Q1 2014 (MEUR 14.3)



Sales growth comes from Industrial and Other applications in Q2 2014

- ◆ Sales of Industrial applications increased to MEUR 13.2 from MEUR 10.2 in Q2 2013
- ◆ Sales of Industrial applications increased especially to the telecommunication and transportation industries
- ◆ Sales of Construction and Infrastructure applications increased by 4.4% in Q2 2014
- ◆ Sales of Other applications increased by 5.6% in Q2 2014

Net sales by customer industry, MEUR



Numbers may not add up due to rounding

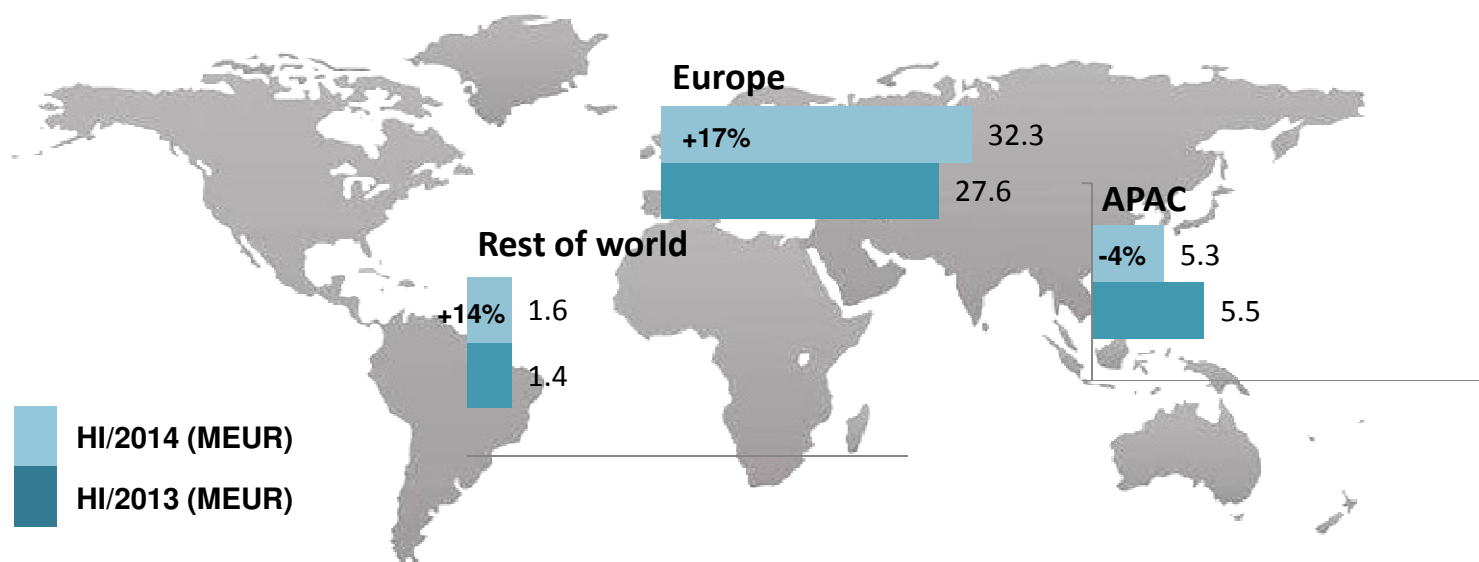
Note: Customer industries include the following markets:

Construction and infrastructure = Building, Construction & Infrastructure, Energy industry

Industrial applications = Telecommunication, Paper, Electrical, Machine, and Transportation industries

Other applications = Cleaning & Maintenance, Sports & Leisure Industry, General Industries

European market growth drove increase in net sales, partly offset by the decline in APAC region



Europe

Recovery in demand for telecommunication, transportation and building, construction and infrastructure industries











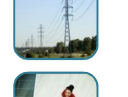

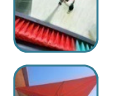



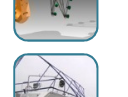

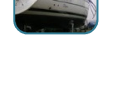

APAC

The increase was mainly related to telecommunication industry

Rest of world

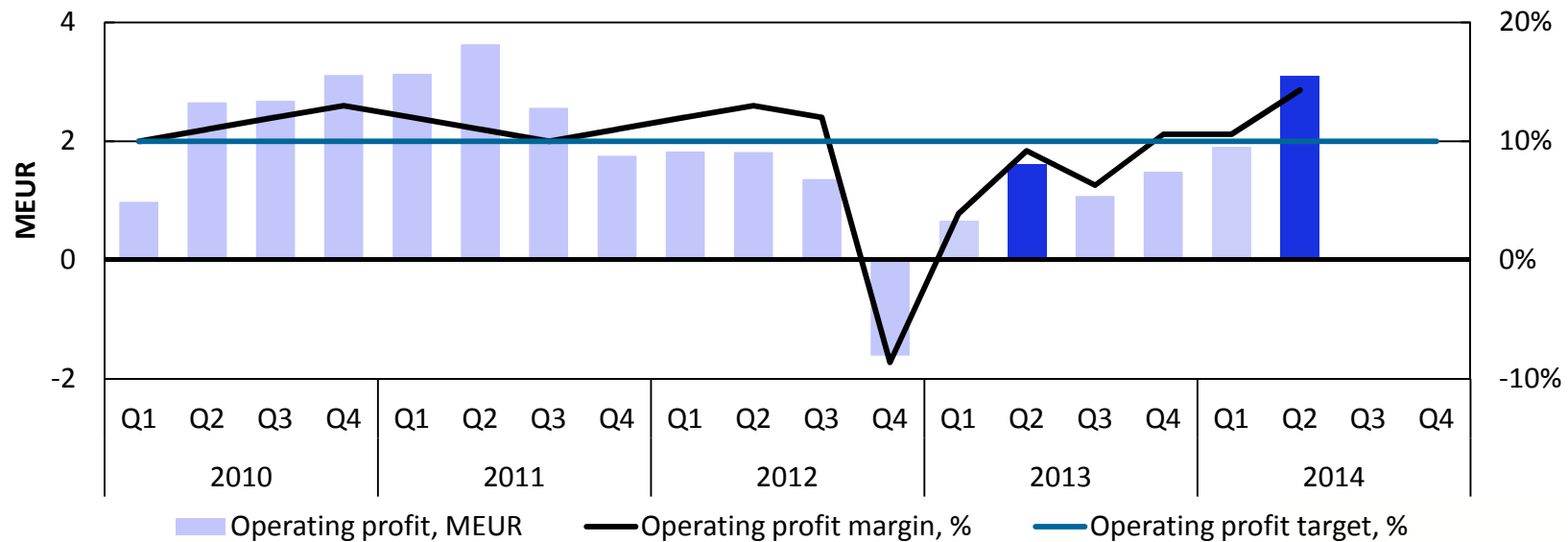
Growth in transportation industry applications

Demand in some markets is picking up in challenging market environment

	Market	Demand	
	Transportation industry		Increased demand with new applications
	Building, Construction & Infrastructure		Recovery in demand
	Energy industry		
	Telecommunication industry		Mid-term growth potential
	Paper industry		
	Electrical industry		Increase in network investments
	Cleaning & Maintenance		
	Sports & Leisure		Decrease in private consumption
	Machine industry		Lightness and stiffness are becoming increasingly important
	General industry		New materials are taking bigger role in many different application

Operating profit nearly doubled to MEUR 3.1 (1.6). Operating profit margin improved to 14.3%

- ◆ Q2 2014 operating profit improved to MEUR 3.1 (1.6)
- ◆ Operating profit margin was 14.3% (9.2%) of net sales
- ◆ Improvement was mainly due to increased sales, efficiency improvement and better cost control



In Q2 2014 operating profit continued to develop positively due to increased sales, continued efficiency improvement and better cost control

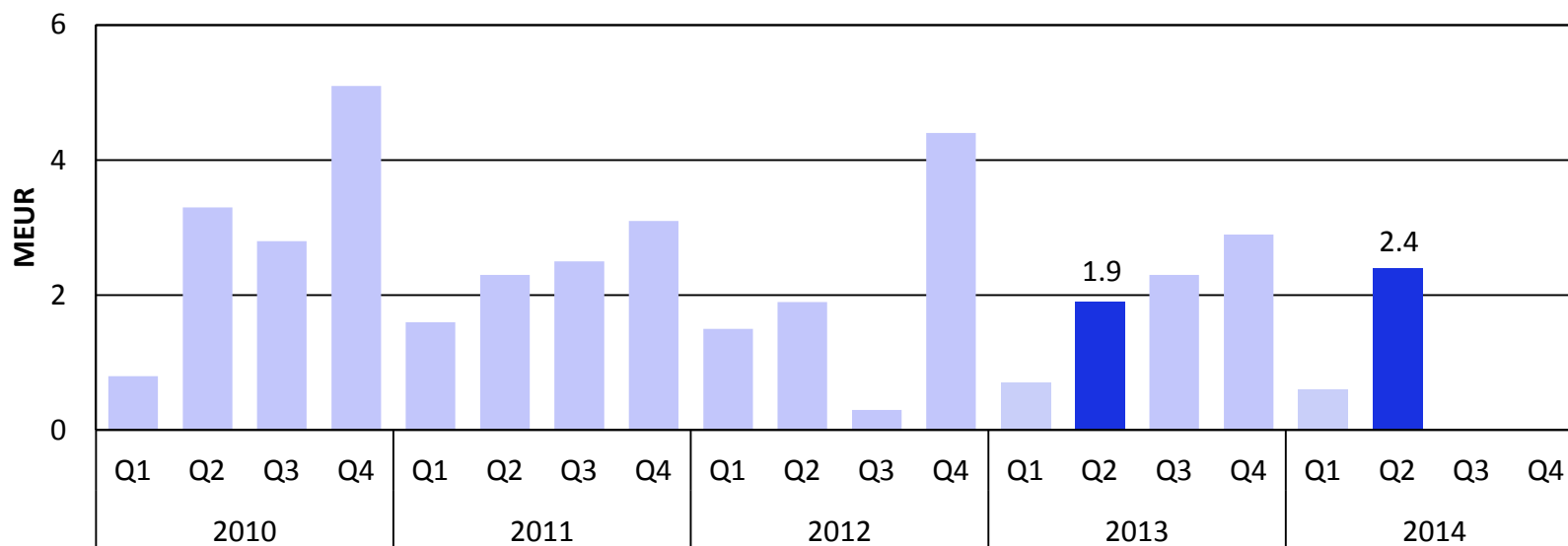
MEUR	Q2 2014		Q2 2013		Change-%
	MEUR	%	MEUR	%	
Net sales	21.4	100	17.5	100	22.1%
Materials and services	-8.3	38.7	-6.5	36.8	-28.4%
Employee expenses	-5.6	26.3	-5.4	31.1	-3.4%
Depreciation and impairment	-0.7	3.1	-0.7	4.0	4.4%
Other operating expenses	-4.0	18.4	-3.5	20.0	-12.5%
Other operating income	0.2	1.0	0.2	1.0	1.3%
Operating profit	3.1	14.3	1.6	9.2	+89.7%

In H1 2014 cost development was favorable compared to the sales

MEUR	H1 2014 MEUR	%	H1 2013 MEUR	%	Change- %
Net sales	39.2	100	34.4	100	13.9%
Materials and services	-14.3	36.4	-12.9	37.4	-10.7%
Employee expenses	-11.0	28.1	-10.8	31.2	-2.5%
Depreciation and impairment	-1.3	3.4	-1.4	3.9	2.9%
Other operating expenses	-8.0	20.5	-7.5	21.7	-7.3%
Other operating income	0.4	0.9	0.3	0.9	12.1%
Operating profit	4.9	12.6	2.3	6.6	+117.2%

Net cash flow increased to MEUR +2.4 (+1.9) due to improved operating profit

- ◆ In Q2 2014 net cash flow from operating activities was positive at MEUR +2.4 (+1.9) due to improved operating profit
- ◆ Capital expenditure was MEUR 0.5 (0.7)



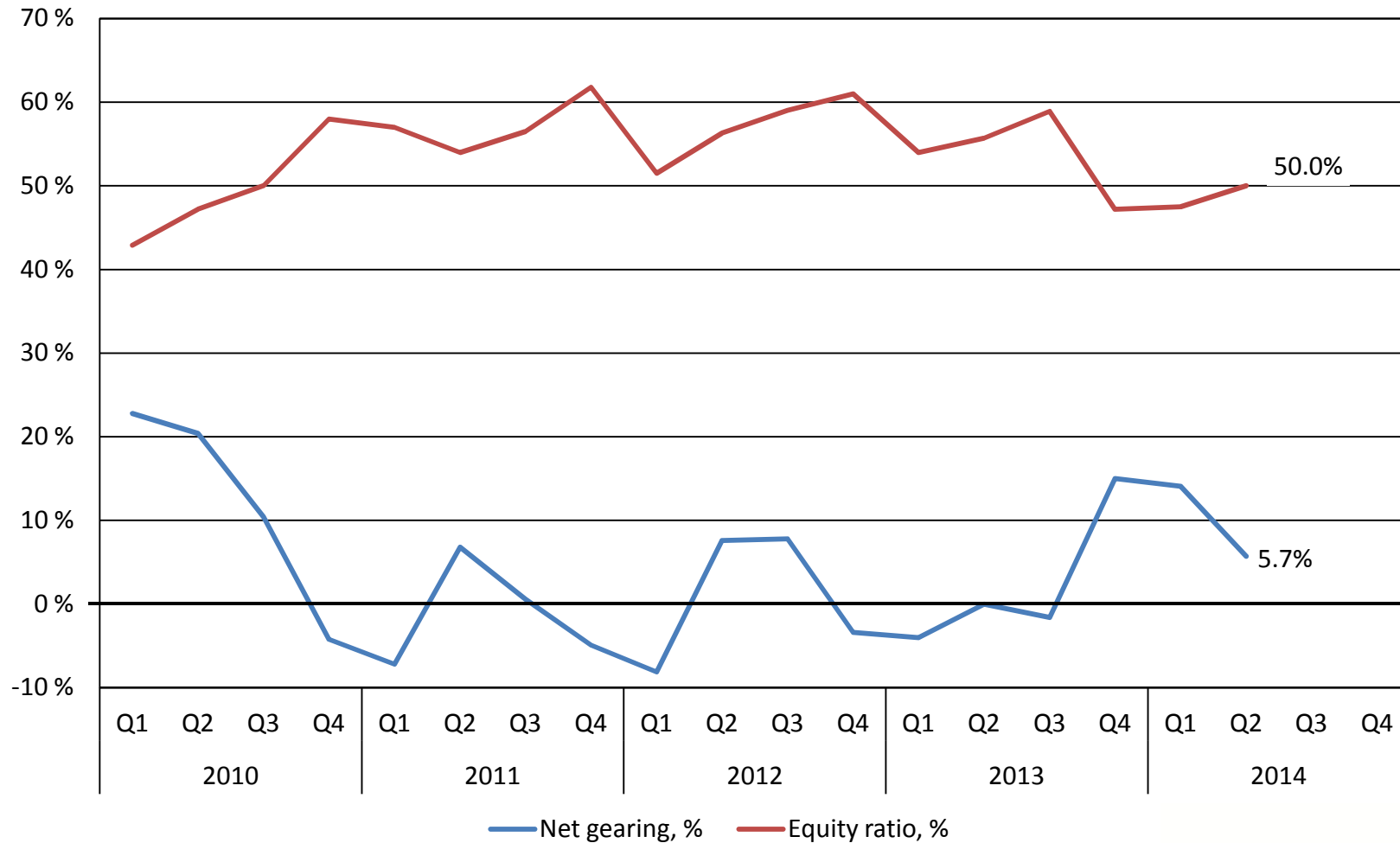
Quarter on quarter comparison of cash flow items

MEUR	Q2 2014	Q2 2013	Change
Profit for the period	2.2	1.1	1.1
Adjustments	1.6	0.9	0.7
Change in working capital	-0.8	0.1	-0.9
Cash flow from operations	3.0	2.2	0.8
Interests and taxes paid/received	-0.6	-0.4	-0.2
Net cash flow from operating activities	2.4	1.9	0.6
Capital Expenditure	-0.5	-0.7	0.2
Change in financing	-1.6	0.8	-2.4
Dividends paid	0.0	-3.6	3.6
Change in liquid funds	0.3	-1.6	1.9
Liquid funds at 30 June 2014	9.9	6.9	3.0

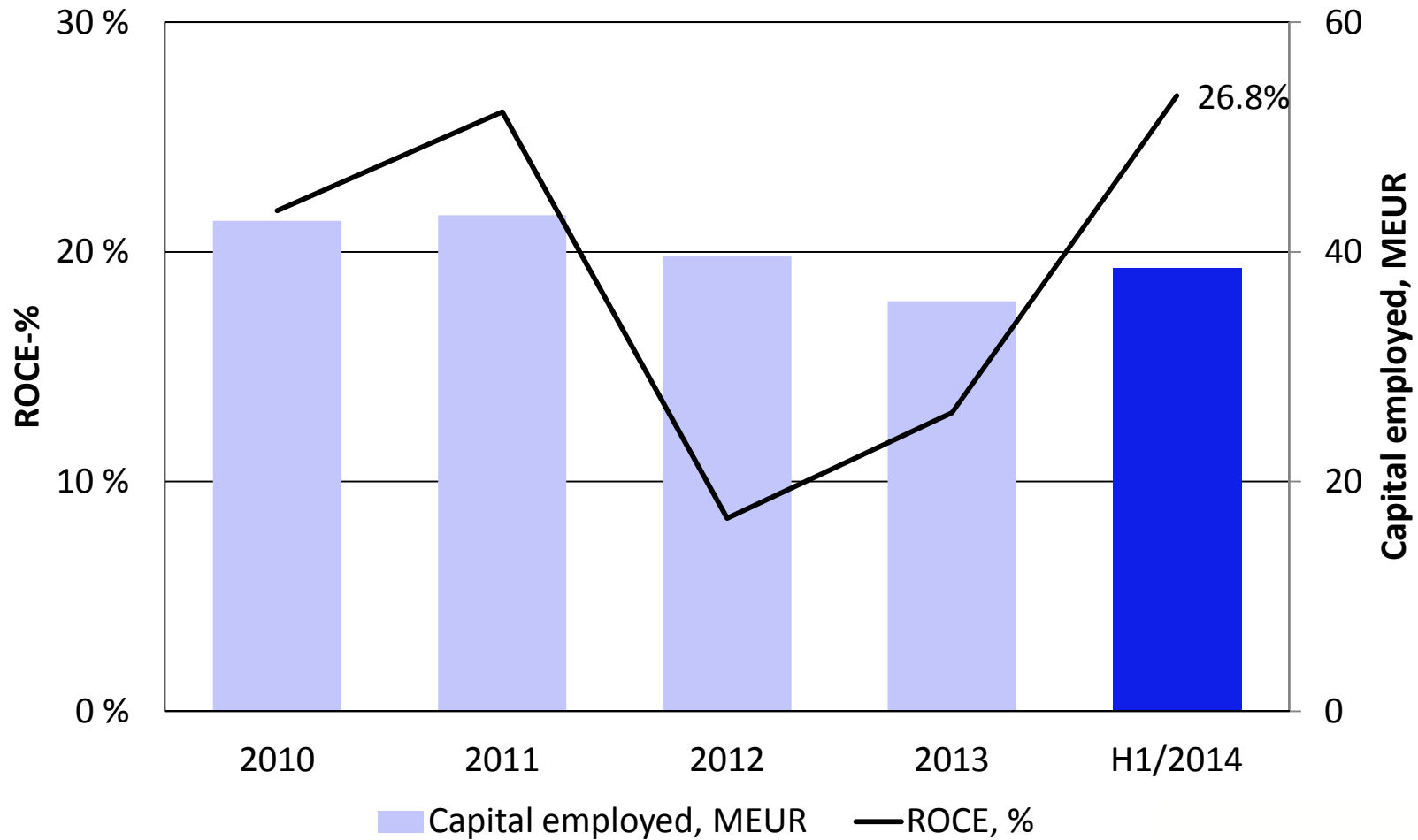
H1 2014 Comparison of cash flow items

MEUR	H1 2014	H1 2013	Change
Profit for the period	3.3	1.7	1.6
Adjustments	3.3	1.8	1.5
Change in working capital	-2.3	-0.3	-2.0
Cash flow from operations	4.4	3.2	1.1
Interests and taxes paid/received	-1.2	-0.6	-0.5
Net cash flow from operating activities	3.1	2.6	0.5
Capital Expenditure	-1.2	-1.3	0.1
Change in financing	-1.4	-0.0	-1.4
Dividends paid	0.0	-3.6	3.6
Change in liquid funds	0.5	-2.4	2.9
Liquid funds at 30 June 2014	9.9	6.9	3.0

Strong balance sheet to allow for potential investments and acquisitions. Net gearing reduced down to 5.7%

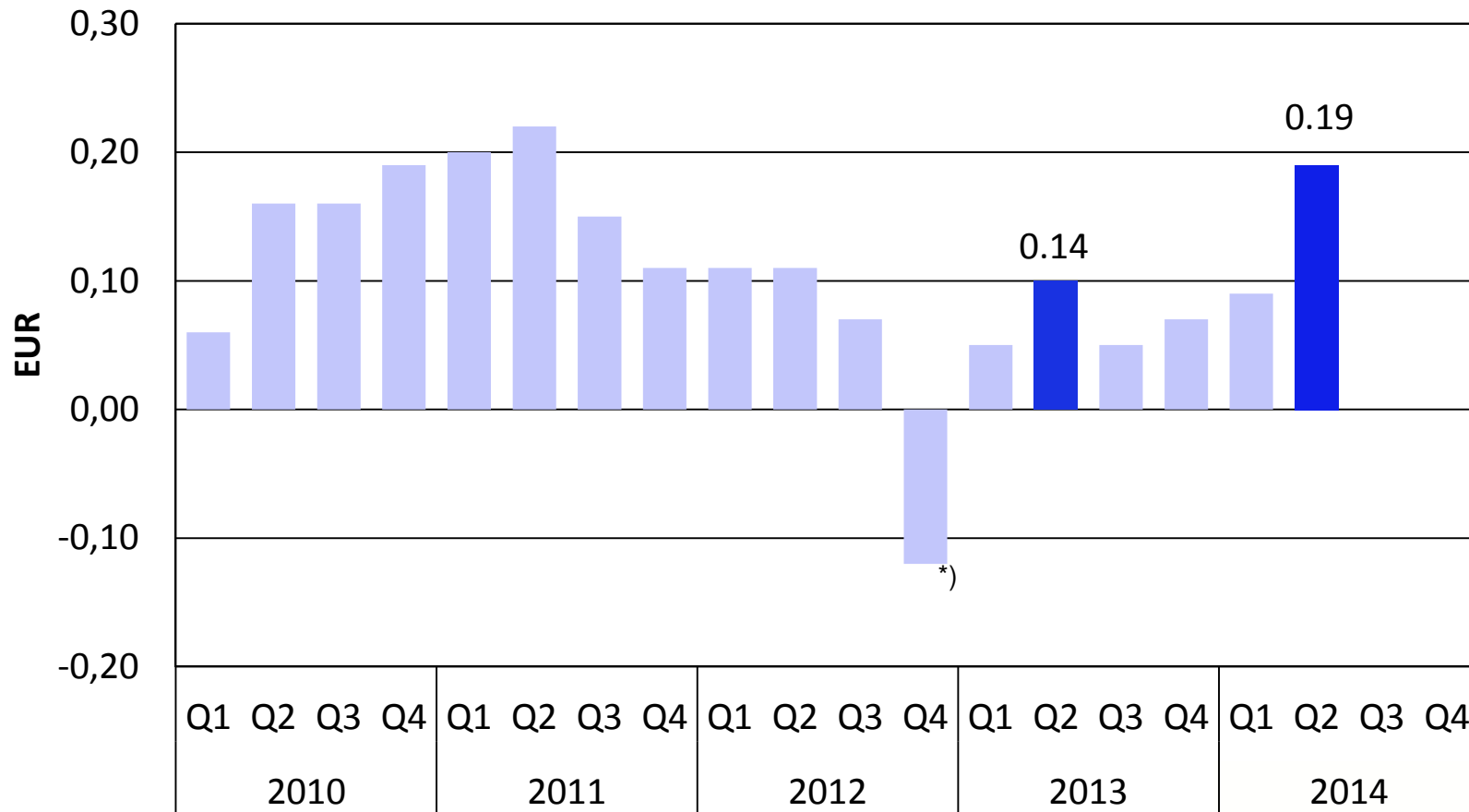


**ROCE improved to 26.8%, due to increased operating profit. Q2
2014 ROCE was 32.2%**



Earnings per share increased to EUR 0.19 per share

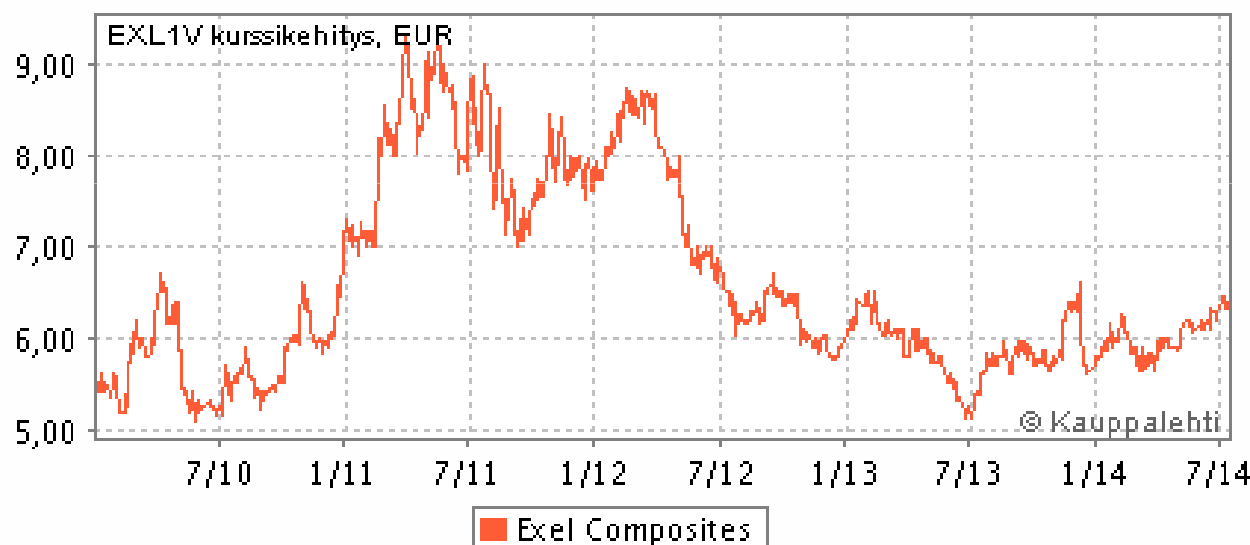
Quarterly EPS



* Q4 2012 EPS was negative due to impairment of MEUR 2.5

Share price development – In H1 the highest share quotation was EUR 6.35 (6.50) and the lowest EUR 5.56 (5.10)

Exel Composites share price development
January 2010 – July 2014



38.5 (5.2) % of shares outstanding were traded in Jan – June 2014

In Q2 the highest share quotation was EUR 6.35 (6.50) and the lowest EUR 5.56 (5.10)

Market capitalization on 30 June 2014 was EUR 75.5 (62.5) million

Price/earnings

31.12.2013:	22.2
31.12.2012:	34.6
31.12.2011:	11.5
31.12.2010:	12.4

Major Shareholders on 30 June 2014

	Number of shares	Percentage of share capital
Skandinaviska Enskilda Banken AB (nominee reg.)	2,475,098	20.80
Nordea Bank Finland Plc (nominee reg.)	678,588	5.70
Nordea Fennia Fund	608,094	5.11
OP-Finland Small Firms Fund	589,551	4.96
Danske Fund Finnish Small Cap	531,567	4.47
Fondita Nordic Micro Cap	450,000	3.78
Försäkringsaktiebolaget Pensions-Alandia	408,000	3.43
Alfred Berg Finland Investment Fund	364,814	3.07
Svenska Handelsbanken AB (publ), Branch Operation in Finland (nominee reg.)	356,149	2.99
OP-Delta Fund	300,000	2.52

Exel Composites had a total of 2,676 shareholders on 30 June 2014

Exel Composites is revisiting the strategy. New strategy will target boosting profitable growth in the future

- ◆ Exel Composites is revisiting the strategy
 - New strategy will target boosting profitable growth in the future
 - Strategy is expected to be disclosed in H2 2014
- ◆ Strategic improvement projects are being continued
 - In 2014 focus is on improving production speed and yield
 - Advanced laminates production is in the ramp up phase at Mäntyharju unit
- ◆ Special attention will be given to occupational health and safety issues
 - Nanjing unit achieved the Health and Safety standard ISO 18001 in 2013
 - Target is to roll out this certification over all sites



Risks and uncertainties

- ◆ The most significant near-term business risks are related to the general economic development, government regulations and financial crisis in the Euro area as well as to market demand
- ◆ Continuing low demand in the Australian market may require further corrective actions which can have an impact on the profitability
- ◆ The possible uncertainties in the Russian market may have limited impact on Exel Composites
- ◆ Raw material prices, energy cost and other cost increases may continue to put pressure on profitability
- ◆ The possible new European Community's anti-dumping tariffs on Chinese glass fiber may have a negative effect on the result in terms of increased raw material 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

Near-term outlook – the company is well-positioned when the markets recover

- ◆ The market has stabilized but remains challenging
- ◆ Uncertainties relating to general growth prospects in the economy continue
- ◆ Some positive signs can be seen especially in the laminate and demanding carbon tubes markets
- ◆ The Company invests in growth by reinforcing the organization, especially in sales and operations development
- ◆ The Company will monitor the general market development and react with additional measures if needed
- ◆ The Company is well-positioned to grow profitably when the markets recover

More information is available on Exel Composites website

- ◆ Exel Composites website: www.exelcomposites.com
- ◆ For further information contact

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- ◆ **Q3 2014 results will be published on 4 November 2014**

