

*Private and Confidential*

# Interim Report 1 January – 30 September 2011

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**Exel Composites Plc**

**Vesa Korpimies, President and CEO**



## January - September 2011 in brief: Market conditions continued to improve

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- ◆ Net sales in January – September 2011 were MEUR 65.4 (53.5), up by 22.1% compared to January – September 2010
- ◆ Operating profit was MEUR 9.3 (6.3)
- ◆ Operating profit margin was 14.3 (11.8) %
- ◆ Net operative cash flow was MEUR +6.5 (+6.9)
- ◆ Fully diluted EPS improved to EUR 0.56 (0.38)

## July - September 2011 in brief: Growth continued but slower than in previous quarters

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- ◆ Net sales in Q3 2011 increased to MEUR 20.5 (18.7), up by 9.5% compared to Q3 2010
- ◆ Operating profit was MEUR 2.6 (2.7)
- ◆ Operating profit percentage was 12.5 (14.3) %
- ◆ Net operative cash flow was MEUR +2.5 (+2.8)
- ◆ Fully diluted EPS was EUR 0.15 (0.16)

## Strong market demand continued with 9.5% increase in net sales

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- ◆ Net sales in Q3 2011 were MEUR 20.5 (18.7), up 9.5% compared to Q3 2010
- ◆ Strong market demand continued in the telecommunications and machine industry
- ◆ Building and infrastructure sales were supported by a recovery in airport products as well as a positive trend in windows and doors
- ◆ Further support to quarterly sales was provided by the electrical industry following recovered demand most notably in the electrical machine industry and other electrical applications

## Operating profit stayed near last year level at MEUR 2.6

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- ◆ Operating profit in Q3 2011 was MEUR 2.6 (2.7)
- ◆ Cost increases led to decline in operating profit despite sales growth
  - Raw material costs had an adverse effect on the margins
  - Personnel costs increased as we continued to invest more resources in sales and customer-oriented product development
  - One-off items from Sports licensing income were MEUR 0.3 less in 2011
- ◆ Measures taken in the Chinese and British units to improve efficiency continued to show positive results. The turnaround projects will continue throughout 2011

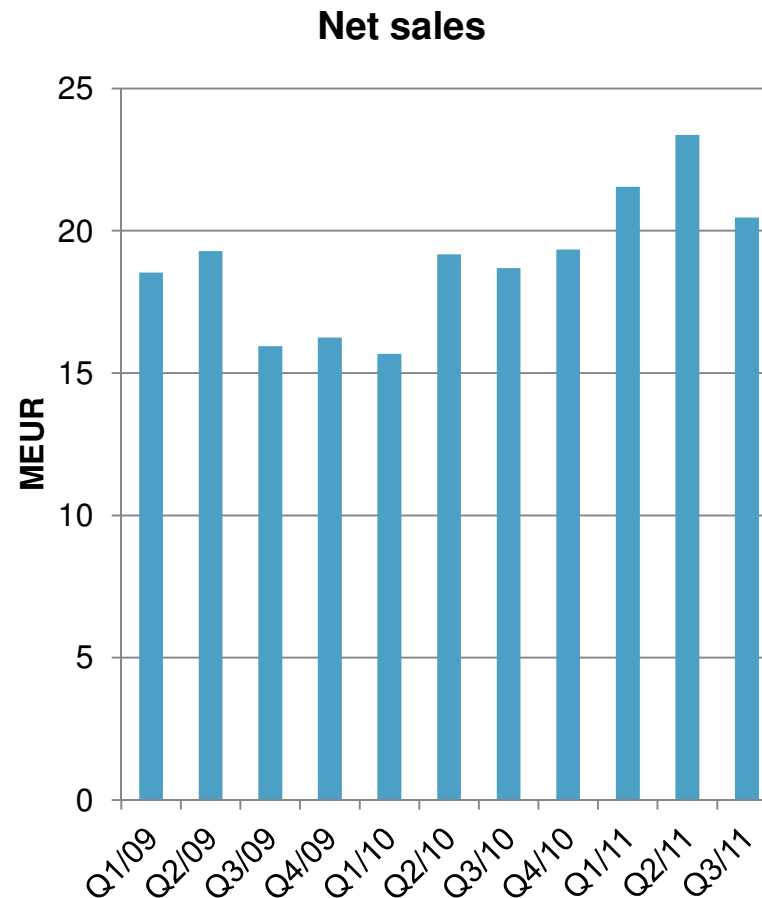
## Chinese unit achieved ISO 14001

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- ◆ Nanjing unit achieved ISO 14001 Environmental Management status in September 2011
- ◆ Finnish units were granted ISO 14001 environmental certificate earlier
- ◆ Our goal is to have all the units of the Group certified

## Net sales up by 22.1% to MEUR 65.4 (53.5)

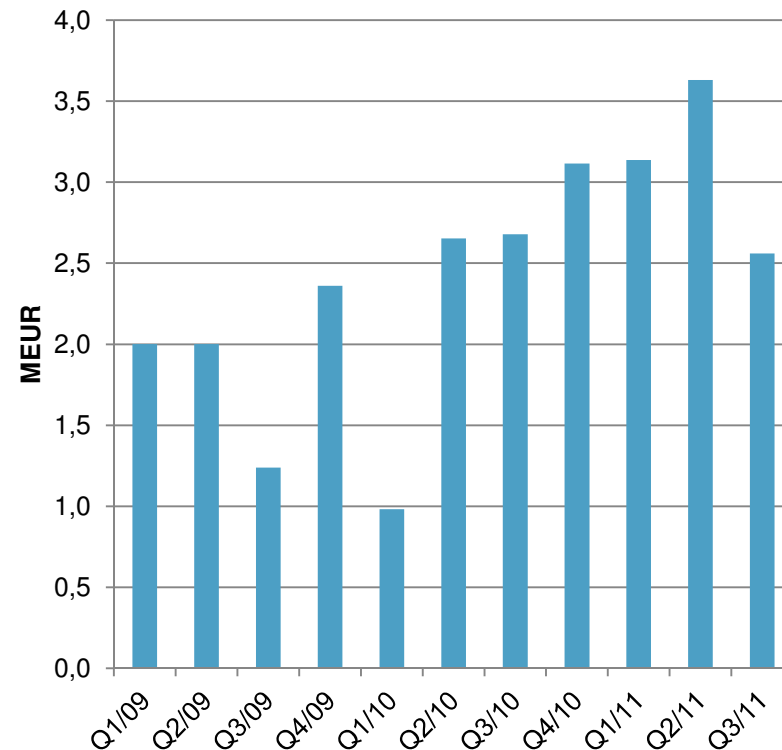
- ◆ Net sales improved by 22.1% to MEUR 65.4 (53.5)
- ◆ Market conditions continued to improve
- ◆ Demand has increased especially in the machine industry, telecommunication and electrical market segments
- ◆ Number of new molds reached record numbers in 2011



## Operating profit increased to MEUR 9.3 (6.3), up by 47.7%

- ◆ Operating profit increased to MEUR 9.3 (6.3), up by 47.7%
- ◆ Operating profit as a percentage of net sales was 14.3 (11.8) %
- ◆ Year 2010 was exceptional as other operating expenses included one-off restructuring costs of Floorball business amounting to MEUR 1.1 and other operating income included one-off licensing income of MEUR 1.6. In January-September 2011 other operating income included MEUR 0.3 of one-off items.

Operating profit





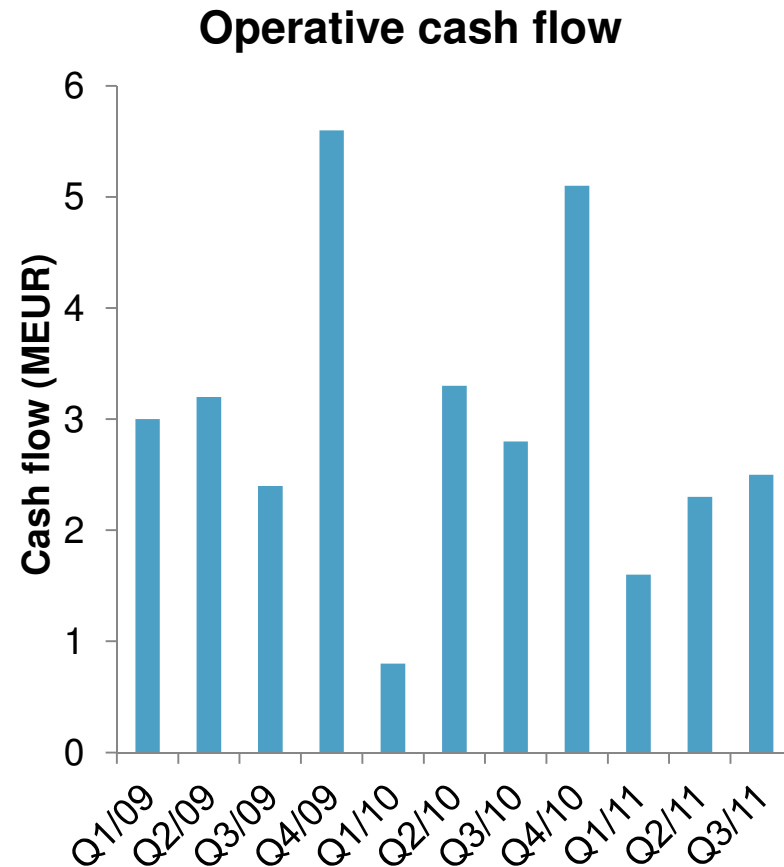
## Anti-dumping cases on imported Chinese glass fiber continue to affect Exel's business

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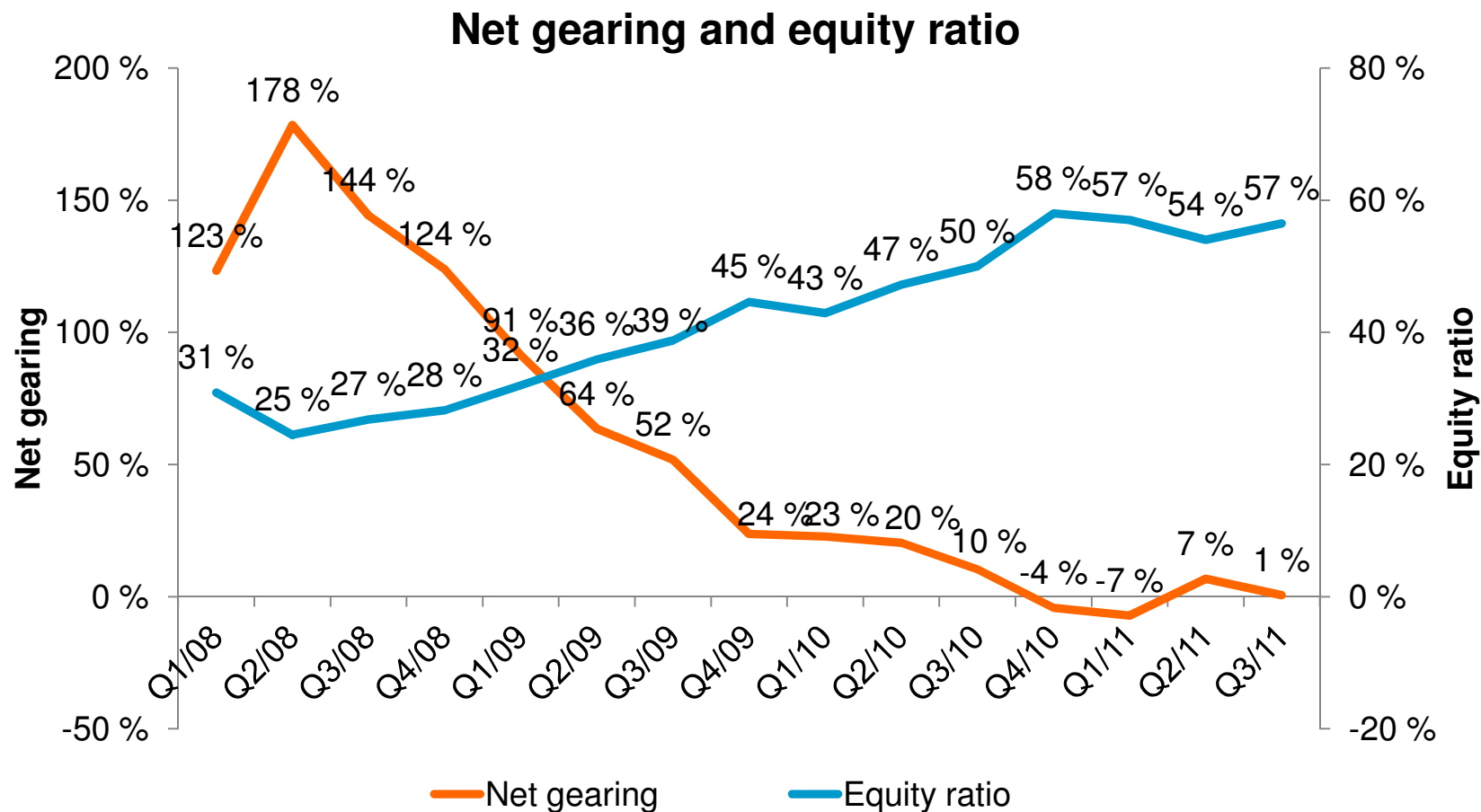
- ◆ In March 2011, the European Commission's anti-dumping tariff of 13.8% was imposed on imported Chinese glass fiber
  
- ◆ In August 2011, the European Commission raised a new anti-dumping investigation on imported Chinese glass fiber raw materials
  
- ◆ Measures taken to reduce the impact of the anti-dumping tariff:
  - Increased product prices
  - Employing alternative sourcing opportunities
  - Increased production in the Chinese unit

## Positive cash flow continued

- ◆ In January - September 2011 cash flow from business operations was MEUR 6.5 (6.9)
- ◆ In July - September 2011 cash flow from business operations was MEUR 2.5 (2.8)
- ◆ Capital expenditure increased to MEUR 2.1 (1.0)
- ◆ On 30 September 2011, the Group's liquid assets stood at MEUR 8.6 (10.4)



## Financial position remained strong, net interest-bearing loans were reduced to MEUR 0.2 (3.1)



## Risk elements

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- ◆ The most significant near-term business risks are related to the general economic development, government regulations and a possible new financial crisis in the Euro area as well as to market demand in certain market segments
- ◆ Raw material prices, energy costs and other cost increases may continue to increase and put pressure on profitability. In case the European Commission decides on new anti-dumping tariffs to be imposed on Chinese glass fiber, it may have a negative effect on the profitability if the rising costs of glass fiber can only be transferred partially to product prices
- ◆ If the measures taken in the Chinese and British units to improve efficiency prove to be unsuccessful, this may have an effect on the result of the company
- ◆ 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 loss

## Outlook for 2011

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- ◆ Demand in the pultrusion industry has improved gradually in 2011, though there are recent signs of a business slowdown
- ◆ We believe that Exel Composites is well positioned to take advantage of the growth opportunities in the future
- ◆ 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 strong first nine months of 2011, but maintains its cautions stance for the rest of the year 2011, since market uncertainties persist

## Major Shareholders on 4 October 2011

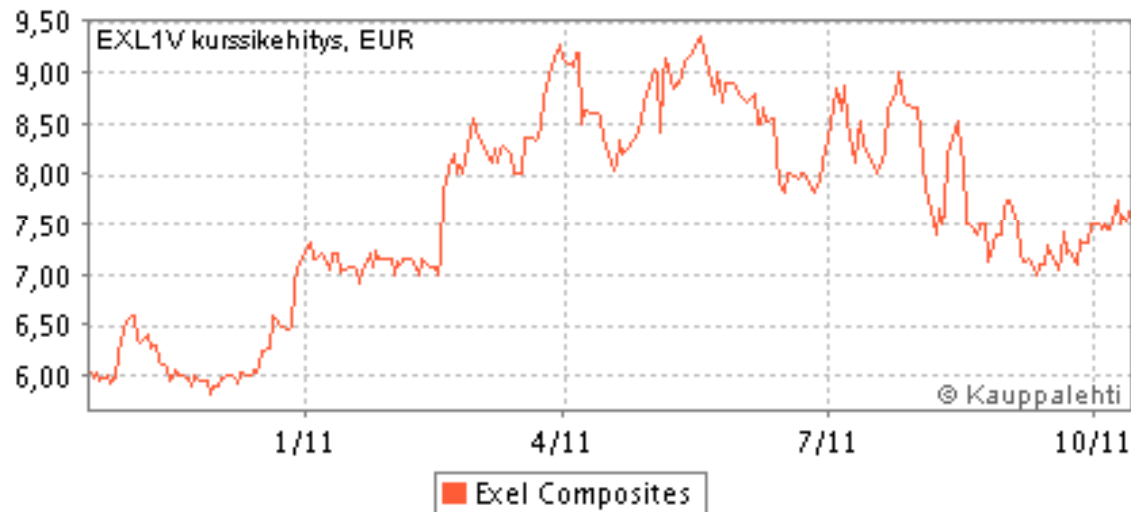
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	<b>Number of shares</b>	<b>Percentage of share capital</b>
Nordstjernan AB	3,496,506	29.39
Ilmarinen Mutual Pension Insurance Company	689,400	5.79
OP-Suomi Small Cap Inv. Fund	481,085	4.03
Ulkomarkkinat Oy	480,000	4.03
Fondita Nordic Micro Cap Inv. Fund	450,000	3.78
Veikko Laine Oy	395,796	3.32
Alfred Berg Finland Investment Fund	351,840	2.95
Evli Suomi Osake Investment Fund	307,140	2.58
Suutarinen Matti	294,400	2.47
Aktia Capital Investment Fund	250,000	2.10
Nordea Bank Finland Plc (nominee reg.)	238,166	2.00

Exel Composites had a total of 2,573 (2,186) shareholders on 30 September 2011.

# Share price development

**Exel Composites share price development  
1/2011 - 10/2011**



9.2 (15.4) % of shares outstanding were traded in Jan. – Sept. 2011

The highest share quotation was EUR 9.40 (6.79) and the lowest EUR 6.75 (5.00)

The share price closed at EUR 7.50 (5.51) and the market capitalization on 30 Sept. 2011 was EUR 89.2 (65.5) million

Source: Kauppalehti

# Exel Composites' units

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