Annual General Meeting 2009

Exel Oyj
Vesa Korpimies, President and CEO
16 April 2009
Vesa Korpimies – CEO as of 10 April 2008

- Born 1962
- M.Sc. (Econ.)
- Joined the Company in 1987
- Executive Vice President since 2000
- Holdings: 70,300 Exel shares
- Finnish citizen
Introduction
Composites only constitute a small part of the material needs in the world.

The market share of composites is small compared to other materials such as steel, plastics or aluminium.

Source: E-Composites
Pultrusion as a production method constitutes 3% of different composites manufacturing processes.

Source: E-Composites
Exel Composites is a leading company in composite profile business with ca. 10% market share

- Pultrusion/Composite profile market ca. USD 1200 million (source: E-Composites)
- Annual average growth of the market 4-5%
- The industry is fragmented with 300-400 pultrusion companies in the world.
- The average size of companies is around EUR 5 to 7 million.
Exel Composites has been an active consolidator in the industry and is today the world’s first international pultrusion company.

**Acquisitions in the pultrusion business**

- **2001**: Acquisition of Menzolit-Fibron, Germany
- **2004**: Acquisition of Bekaert, Belgium
- **2005**: Acquisition of Faserprofil, Austria
- **2006**: Acquisition of Pacific Composites, Australia, UK, China
Composites technology has unique product features & benefits

- Light weight
- High strength and stiffness and weight/density ratio
- Good chemical resistance
- Corrosion free
- Excellent fatigue properties
- Thermal insulator

- High-speed textile machines, machine parts
- Bridge concrete reinforcements
- Waste water treatment
- Chemical industry, off shore applications
- Wind turbine blade reinforcements
- Refrigerated vehicles, windows and doors
Exel Composites focuses on advanced composite solutions

- Composite is a combination of two materials
  - Reinforcements (Carbon Fiber, Glass Fiber)
  - Resin systems (Epoxy, Vinylester)

- The core of the operations is based on own, internally developed composite technology

- Continuous manufacturing technologies enable economical production
  - Pultrusion
  - Pullwinding
  - Co-winding
  - Continuous lamination
Exel Composites has a strong market share in selected niche markets

- Over 1,000 glass and carbon fiber profile applications
- Transportation
- Building/infrastructure
- Energy industry
- Telecommunication
- Paper industry
Exel Composites has a strong market share in selected niche markets

- Electrical industry
- Cleaning and maintenance
- Sport and leisure industry
- Machine industry
- General industries
Financial review
2008 was a challenging financial year for Exel and a year of structural change

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
<th>Change</th>
<th>2008</th>
<th>2007</th>
<th>Change</th>
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</thead>
<tbody>
<tr>
<td>Net sales</td>
<td></td>
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<tr>
<td>Exel Composites</td>
<td>86.7</td>
<td>104.3</td>
<td>-16.9%</td>
<td>9.2</td>
<td>15.2</td>
<td>-39.1%</td>
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<tr>
<td>Exel Sports Brands</td>
<td>10.0</td>
<td>13.6</td>
<td>-26.6%</td>
<td>-9.0</td>
<td>-10.7</td>
<td>-15.7%</td>
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<tr>
<td>Total</td>
<td>94.9</td>
<td>113.5</td>
<td>-16.4%</td>
<td>-0.4</td>
<td>4.8</td>
<td>-108%</td>
</tr>
</tbody>
</table>

- Weaker market conditions and a change in the procurement model in the wind energy business had a negative impact on both sales and profitability

- Focus in year 2008 was to restructure the Group, to clean the balance sheet and amortize debt

- Outdoor business of Exel Sports Brands was divested in May 2008

- The restructuring of Exel Sports Brands led to non-recurring costs of EUR 7.1 (3.5) million
Comprehensive cost and capital reduction programs had a positive effect on cash flow.
Net debt was reduced by 26% to EUR 20.7 million, but gearing is still too high.

**Net gearing ratio 2008**
123.9% (118.4%)

**Equity ratio 2008**
28.2% (31.3%)
Exel Composites’ net sales decreased, however, strong sales in telecommunication and airport masts

- Net sales in 2008 decreased by 16.9% over the previous year to EUR 86.7 (104.3) million

- Main reasons:
  - Procurement model change in the wind energy segment
  - Divestment of Plastics business in Germany in May 2007
  - Internal sales to Exel Sports Brands declined during the year
  - Weaker market conditions in transportation and building and construction segments

- Different segments in very different phases:
  - building and construction segments down
  - strong sales in telecommunication segment and airport masts
Exel Composites’ operating profit was affected by lower sales and increased raw material costs

- Operating profit in 2008 totaled EUR 9.2 (15.2) million including EUR -1.1 (-0.7) million non-recurring items
  - Non-recurring items related to Exel Composites’ sub-contracting business to Exel Sports Brands and the wind energy business

- Major reasons behind the decrease were:
  - Lower sales
  - Increased energy and raw material costs
Structural measures taken to find long-term solution for Exel Sports Brands – Outdoor divested in 2008

• Despite strong measures, profitability in Exel Sports Brands has not been enough to restore profits to previously good levels

• In May 2008, Outdoor business was divested

• Net sales in 2008 decreased by 26.6% to EUR 10.0 (13.6) million from the corresponding period previous year due to the divestment of the Outdoor business

• Operating loss EUR -9.0 (-10.7) million including EUR -7.1 (-3.5) million of non-recurring items
Exel Sports Brands divestment completed in 2009 – long-term license agreements for Exel

- The business transfers of Exel Sports Brands secures the continued presence and distribution of Exel sporting goods products in a model that strengthens Exel’s profitability

- Long-term licensing agreements with
  - ESB Sports Oy in May 2008 regarding
    - Outdoor business: Nordic Walking, Nordic Blading and XC skiing poles
  - Cape Nordic Oy in March 2009 regarding
    - Floorball products
Focus now for the first time only on the core business, B-to-B

Exel Composites

We have:

- Excellent technical know-how
- Multinational expertise to serve large international customers
- A profit focused organization
- High-quality products and services
- Wide variety of products for many market segments
- Continuously advancing our core competences to "cutting edge" of pultrusion

Exel’s target is to:

- Strengthen its position in chosen markets
- Continue the consolidation of the pultrusion business
- Operate more globally and to utilize its market presence in Asia, especially in the Chinese market
- Continuously advancing its core competences to "cutting edge" of pultrusion
Exel Composites’ net sales almost tenfolded in 1998-2008

Exel Composites’ net sales 1998-2008
and Exel’s Industry Division’s growth has been profitable

Exel Composites operating profit 1998-2008
Vision

• Exel is a leading supplier of advanced composite profiles to the selected niche market segments

• Exel’s objective is to generate good returns for the company’s shareholders

• Exel’s specialized total service, high quality products and long-term partnerships earn company the trust and confidence of its customers

• In doing this Exel offers its employees an exciting and rewarding place of employment
Strategy

• Exel Composites continues its strategy of profitable growth and pursuing international leadership in the pultrusion industry

• Focus on establishing leading positions in selected market segments characterized by attractive growth and profitability attributes

• Concentration on designing, manufacturing and marketing demanding, customer-tailored composite profiles products for industrial OEM customers

• Focus on proprietary, continuous production technologies
  – Pultrusion
  – Pullwinding
  – Continuous lamination
Exel Group’s financial targets and dividend policy

• **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 40 per cent of net income in dividends, as permitted by the financial structure and growth opportunities.

• Targets should be reached over a business cycle.
Many growing markets – Opportunities for Exel Composites

• Traditional materials are constantly being replaced by Composites
• Growth opportunities for Composites in many segments, e.g.
  – Water Treatment
  – Energy Industry
  – Machine Industry
  – Window and Door Profiles
Short-term priorities are to strengthen financial position and to increase sales focus

- Managing the cash flow, streamlining the OWC and amortizing debt
- Moving forward in operational efficiency
- Driving down raw material prices
  - Reducing set up times
  - Increasing yield

Due to the market uncertainty and poor visibility Exel will not give any profit guidance