Annual General Meeting

27 March 2013

Vesa Korpimies
President and CEO
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Year 2012 was challenging with net sales and operating profit decreasing from 2011

- Net sales decreased to MEUR 76.0 (85.1), down by -10.7%
- Operating profit excluding impairment was MEUR 5.9 (MEUR 11.1 including MEUR +0.5 non-recurring items) or 7.8 (13.0) % of net sales
- Write-down of MEUR 2.5 assets was recorded in the Australian and UK business units
- Operating profit including impairment was MEUR 3.4 (MEUR 11.1 including MEUR +0.5 non-recurring items) or 4.5 (13.0) % of net sales
Our operating cash flow continued to be positive at MEUR +8.2 (+9.6)

- In January - December 2012 cash flow from business operations was MEUR +8.2 (+9.6)
- Capital expenditure decreased to MEUR 2.8 (3.2)
- On 31 December 2012, the Group’s liquid assets stood at MEUR 9.2 (9.8)
EPS was EUR 0.17 (0.67) euro
Dividend proposal EUR 0.30 (0.50) per share

- Fully diluted earnings per share was EUR 0.17 (0.67)
- Total shareholder return was -16 (15) per cent in 2012
- Board of Directors’ dividend proposal is EUR 0.30 (0.50) per share, a payout ratio of 176%
Exel Composites’ financial position remained strong

Net gearing and equity ratio

-50 % 0 % 50 % 100 % 150 % 200 %

Q1/08 Q2/08 Q3/08 Q4/08 Q1/09 Q2/09 Q3/09 Q4/09 Q1/10 Q2/10 Q3/10 Q4/10 Q1/11 Q2/11 Q3/11 Q4/11 Q1/12 Q2/12 Q3/12 Q4/12

Net gearing

Equity ratio

178%
61%
25%
-3%
Main reasons for decline both in sales and profits were lower sales in several key markets and in the Australian unit

- Sales volumes decreased in telecommunication, building, construction & infrastructure, energy and machine industry markets
  - Weak market situation in Europe
  - Main customers’ destocking

- Australian unit’s net sales and operating profit decreased significantly
  - Development costs were incurred from a new solution for the water treatment market
  - Financial performance weakened in 2012 despite corrective actions
Sales growth was achieved in four market segments and a record number of new products were developed in 2012

- Sales growth was achieved in four market segments thanks to focus on sales and customer-driven product development
  - Transportation market segments
  - Cleaning & maintenance market segments
  - Windows & doors market segments
  - Electrical market segments

- Also, a record number of new products, over 100, were developed in 2012 to secure future sales
Exel Composites has a history of profitable growth. 2012 profitability was below historical average.

- Net sales cumulative average growth rate has been 14.8% in 1998-2012 including acquisitions.
- Average operating profit margin has been 12.6% in 1998-2012.
- Write-down of MEUR 2.5 assets was recorded in the Australian and UK business units.

Note: Until 2007 figures represent the Industry division and thereafter continuing operations.
Several actions were taken to improve Group sales and profitability during 2012

- Boost sales efforts to get new customers and develop new products
- Mitigate cost increases with price increases
- Savings actions via temporary lay-offs and permanent personnel reductions in all units
- Turnaround actions in Australia and UK to improve profitability
Our focus areas in 2013 aim at improving profitability

- Focused sales efforts
  - Develop product and customer portfolios
  - Prioritize selected segments

- Efficiency and yield improvement program

- Implement business plans and further corrective actions in Australia and UK to improve the profitability

- Equipment and process harmonization and co-operation between the units continue under ExelWay-project
Pultrusion market is fragmented with several hundred competitors globally

Exel Composites’ competitive situation is strong due to
  — Being one of the few large pultrusion companies
  — Having solid balance sheet, and
  — Having positive cash flow

Exel Composites aims at being #1 pultruder also in the future by
  — Continuous innovation in close co-operation with customers
  — Developing the balanced customer and product portfolios further
  — Investing in attractive market segments
  — Maintaining and recruiting knowledgeable management and personnel
  — Continuing the consolidation of the pultrusion industry
Markets grow with new applications

Innovation happens through combining customer’s and Exel Composites’ core know-how
Exel Composites’ strategy remains profitable growth

Exel Composites’ strategy consists of three key elements:

1. **Balanced Business Portfolio**
   - Continue organic growth and selected acquisitions
   - Build sustainable customer portfolio of OEM-customers
   - Focus on attractive segments with growth potential

2. **Operational Development**
   - Improve process efficiency and yield
   - Harmonize processes across units
   - Drive environmental standards

3. **Organizational Development**
   - Invest in technical sales and development
   - Boost innovation
   - Move towards a more integrated organization

**Status**

- **100+ new products**
- Several new customers and growth in several market segments
- No acquisitions were implemented

- Implementation of a project aiming at yield and efficiency improvement
- ExelWay-project to improve efficiency and drive harmonization
- ISO 14001 granted to units in Austria, Belgium and UK

- Strengthened Group management team
- Global functions development
Exel Composites’ vision

Exel Composites is a customer-driven, leading provider of advanced composite solutions; being dynamic and innovative we reinforce your business

- Customer satisfaction is the key element of our vision
- We focus on OEM-customers and deliver advanced and niche solutions
- We are professionals providing added value for our customers and good returns for our shareholders
- We encourage our customers’, employees’, suppliers’ and shareholders’ business
### Exel Composites Group’s financial targets over a business cycle are as follows:

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<thead>
<tr>
<th>GROWTH</th>
<th>OPERATING PROFIT</th>
<th>DIVIDEND POLICY</th>
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<td>The objective is that Exel Composites Group’s average organic growth annually exceeds market growth of the industry. Growth achieved through acquisitions is part of Exel Composites’ strategy.</td>
<td>Exel Composites’ target is the operating profit to exceed 10 per cent of net sales.</td>
<td>Exel Composites aims to distribute at least 40 per cent of net income in dividends, as permitted by the financial structure and growth opportunities.</td>
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Outlook for 2013

Major uncertainties relating to general growth prospects in the economy continue. Visibility is low and the market pressure is expected to continue in 2013. The Company will continue to work on sales development and on adjusting costs to market conditions. Additional contingency actions may be undertaken which may impact the short-term profits, but protect long-term cash flow and profitability.
More information is available on Exel Composites website

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

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