Financial Statements 2012

Exel Composites Plc

Vesa Korpimies, President and CEO
2012 Financial key figures

<table>
<thead>
<tr>
<th>MEUR</th>
<th>2012</th>
<th>2011</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>76.0</td>
<td>85.1</td>
<td>-10.7%</td>
</tr>
<tr>
<td>Operating profit excluding impairment and non-recurring items</td>
<td>5.9</td>
<td>10.6</td>
<td>-46.5%</td>
</tr>
<tr>
<td>Operating profit (%)</td>
<td>7.8</td>
<td>13.0</td>
<td></td>
</tr>
<tr>
<td>Operating profit including impairment and non-recurring items</td>
<td>3.4</td>
<td>11.1</td>
<td>-69.3%</td>
</tr>
<tr>
<td>Net operative cash flow</td>
<td>+8.2</td>
<td>+9.6</td>
<td></td>
</tr>
<tr>
<td>Return on capital employed (%)</td>
<td>8.4</td>
<td>26.1</td>
<td></td>
</tr>
<tr>
<td>Net gearing (%)</td>
<td>-3.4</td>
<td>-5.0</td>
<td></td>
</tr>
<tr>
<td>EPS</td>
<td>0.17</td>
<td>0.67</td>
<td></td>
</tr>
</tbody>
</table>
## Q4 2012 Financial key figures

<table>
<thead>
<tr>
<th></th>
<th>MEUR</th>
<th>Q4 2012</th>
<th>Q4 2011</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>18.6</td>
<td>19.8</td>
<td></td>
<td>-5.7%</td>
</tr>
<tr>
<td>Operating profit</td>
<td>0.9</td>
<td>1.6</td>
<td></td>
<td>-44.0%</td>
</tr>
<tr>
<td>(% of Net sales)</td>
<td>5.0</td>
<td>7.9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating profit including impairment and non-recurring items</td>
<td>-1.6</td>
<td>1.8</td>
<td></td>
<td>-191.7%</td>
</tr>
<tr>
<td>Net operative cash flow</td>
<td>+4.4</td>
<td>+3.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return on capital employed (%)</td>
<td>-15.4</td>
<td>17.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net gearing (%)</td>
<td>-3.4</td>
<td>-5.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EPS (EUR)</td>
<td>-0.12</td>
<td>0.11</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The European economic situation impacted the results negatively

- The European economic situation has impacted the results negatively
  - The weak market situation has affected the sales of our main customers, which has resulted in declining sales for Exel Composites

- Market demand continued to decrease in the building, construction and infrastructure market segment, telecommunication products, energy sector and machine industry compared to Q4 2011

- Sales declined due to main customers’ destocking

- Market demand increased in the transportation and cleaning and maintenance market segment compared to Q4 2011

- We have continued to invest in sales and customer-driven product development to generate new sales

- Even though this has not compensated the loss of sales from existing main customers, it is expected to strengthen future top line
Impairment of MEUR 2.5 recorded in Australia and UK

- The financial performance of the Australian and UK business units weakened during Q4 2012 in spite of corrective actions undertaken.

- As a result, a write-down of MEUR 2.5 was recorded in the results of the fourth quarter 2012 in the Australian and UK business units.

- Impairment was recorded as MEUR 1.0 in goodwill and MEUR 1.5 in other non-current assets.

- Business plans and further corrective actions have been developed to improve the profitability in both units.

- The impairment did not have an effect on the cash flow.

- As a result of the impairment the annual depreciations will be reduced in following years.
A record number of new products were developed in 2012

- Focus on sales and customer-driven product development continued
  - This led to increased sales in the transportation, cleaning and maintenance, windows & doors as well as in electrical market segments

- A record number of new products, over 100, were developed in 2012

- Turnaround actions in the Chinese unit to improve efficiency continued to show positive results

- ExelWay-project continued throughout 2012. It targets improving co-operation and harmonizing processes between the units
  - New processes and practices are being implemented
  - Group-wide practices are driven by our global ERP and CRM systems
We invested in operations and quality

- Exel Composites’ units in Austria, Belgium and the UK achieved ISO 14001 Environmental Management Status
- Finnish and Chinese units have achieved the status earlier
- The target is to have all the units of the Group certified
- ExelWay-project continued throughout 2012. It targets improving co-operation and harmonizing processes between the units
  - New processes and practices are being implemented
  - Group-wide practices are driven by our global ERP and CRM systems
Sales declined especially in Q2 and Q3 2012, but sales decline slowed down in Q4 2012 compared to 2011.

- Market demand increased in the transportation and cleaning and maintenance market segments.
- Market demand decreased especially in telecommunication products and in the building, construction and infrastructure market segment.
- The decrease in sales was partly due to certain main customers’ destocking.
Operating profit excluding impairment MEUR 5.9 (11.1), down by 46.5%  

- Impairment of MEUR 2.5 of goodwill and other non-current assets was recorded in Q4 2021  

- Operating profit in Q4 excluding impairment was MEUR 0.9 or 5.0 (8.9) % of net sales  

- Operating loss for Q4 including impairment was MEUR -1.6 (MEUR 1.8 including MEUR +0.2 non-recurring items), or -8.6 (8.9) % of net sales  

- Operating profit for 2012 excluding impairment was MEUR 5.9 (MEUR 11.1 including MEUR +0.5 non-recurring items), or 7.8 (13.0) % of net sales  

- Operating profit for 2012 including impairment was MEUR 3.4 (MEUR 11.1 including MEUR +0.5 non-recurring items), or 4.5 (13.0) % of net sales  

- The declined profit is mainly due to decreased sales volumes and investments made in organizational development
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)
- In October-December 2012 cash flow from business operations was MEUR +4.4 (+3.1)
- 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)
Earnings per share were EUR 0.17 (0.67)

- Earnings per share were EUR 0.17 (0.67)
- Total shareholder value was -16 (15) per cent in 2012
- Board proposal for dividend EUR 0.30 (0.50) per share
Financial position remained strong

Net gearing and equity ratio

January – December 2012
Near-term business risks

- The most significant near-term business risks are related to the general economic development, government regulations and continued financial crisis in the Euro area as well as to market demand in certain market segments.

- Success of corrective actions in the Australian and UK business units can have an impact on the profitability.

- Raw material prices, energy cost and other cost increases may continue to put pressure on profitability.

- 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.
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.
Focus on business agility

◆ We will continue our strategy of profitable growth and to invest in the development of new products, to expand our customer base by reinforcing sales and to maintain good cost control

◆ We are prepared to reinforce actions to cope with continuing slow demand and uncertainty

◆ Business plans and further corrective actions have been developed to improve the profitability in the Australian and UK units
## Major Shareholders on 31 January 2013

<table>
<thead>
<tr>
<th>Number of shares</th>
<th>Percentage of share capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nordstjernan AB</td>
<td>3,496,506</td>
</tr>
<tr>
<td>Ilmarinen Mutual Pension Insurance Company</td>
<td>689,400</td>
</tr>
<tr>
<td>OP-Finland Small Firms Fund</td>
<td>589,950</td>
</tr>
<tr>
<td>Ulkomaarkkinat Oy</td>
<td>480,000</td>
</tr>
<tr>
<td>Fondita Nordic Micro Cap Inv. Fund</td>
<td>450,000</td>
</tr>
<tr>
<td>Veikko Laine Oy</td>
<td>395,796</td>
</tr>
<tr>
<td>Alfred Berg Finland Investment Fund</td>
<td>391,439</td>
</tr>
<tr>
<td>Suutarinen Matti</td>
<td>291,400</td>
</tr>
<tr>
<td>Danske Fund Finnish Small Cap</td>
<td>281,567</td>
</tr>
<tr>
<td>Aktia Capital Investment Fund</td>
<td>250,000</td>
</tr>
<tr>
<td>Nordea Bank Finland Plc (nominee reg.)</td>
<td>221,566</td>
</tr>
</tbody>
</table>

Exel Composites had a total of 2,746 (2,649) shareholders on 31 December 2013.
7.9 (11.6) % of shares outstanding were traded in 2012

The highest share quotation was EUR 8.79 (9.40) and the lowest EUR 5.55 (6.75)

The share price closed at EUR 5.90 (7.65) and the market capitalization on 31 December 2012 was EUR 70.2 (91.0) million

Source: Kauppalehti
Our strategy targets to continue profitable growth globally – Organic growth faster than market and selected acquisitions

We continue to develop capabilities especially in sales and customer-driven product development and to build harmonized business platform

We closely monitor business activity to be able to react quickly to possible changes in general economy

Exel Composites is the global #1 composite profile provider

Exel Composites is the world’s largest international pultrusion company, with manufacturing sites in seven countries:

- Australia, Austria,
- Belgium, China,
- Finland, Germany
- and the United Kingdom.