

ANNUAL GENERAL MEETING 2017

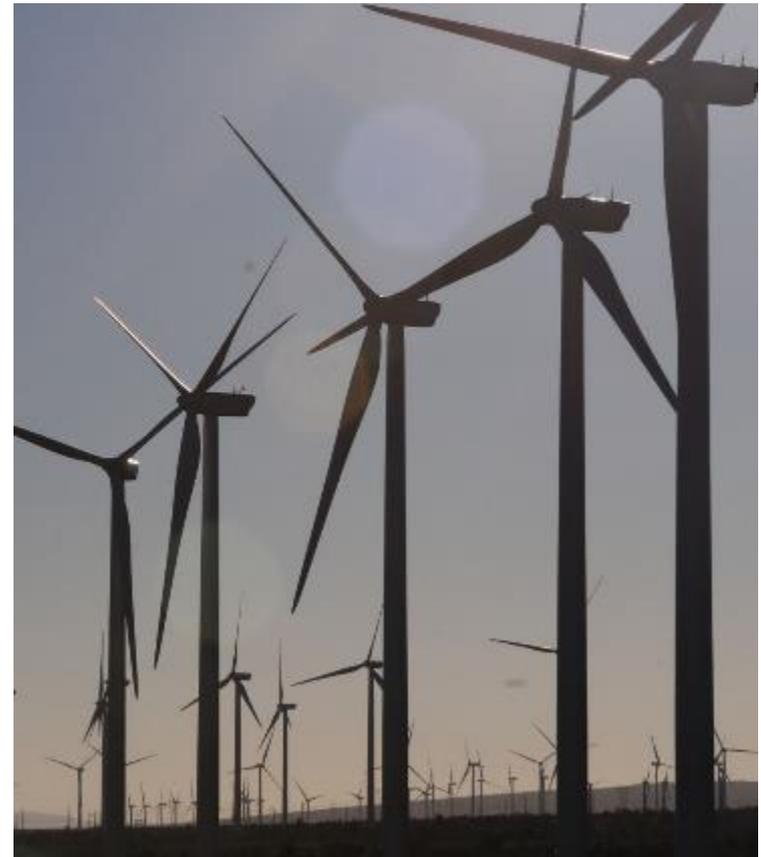


Review by Riku
Kytömäki, President
& CEO

4 April 2017

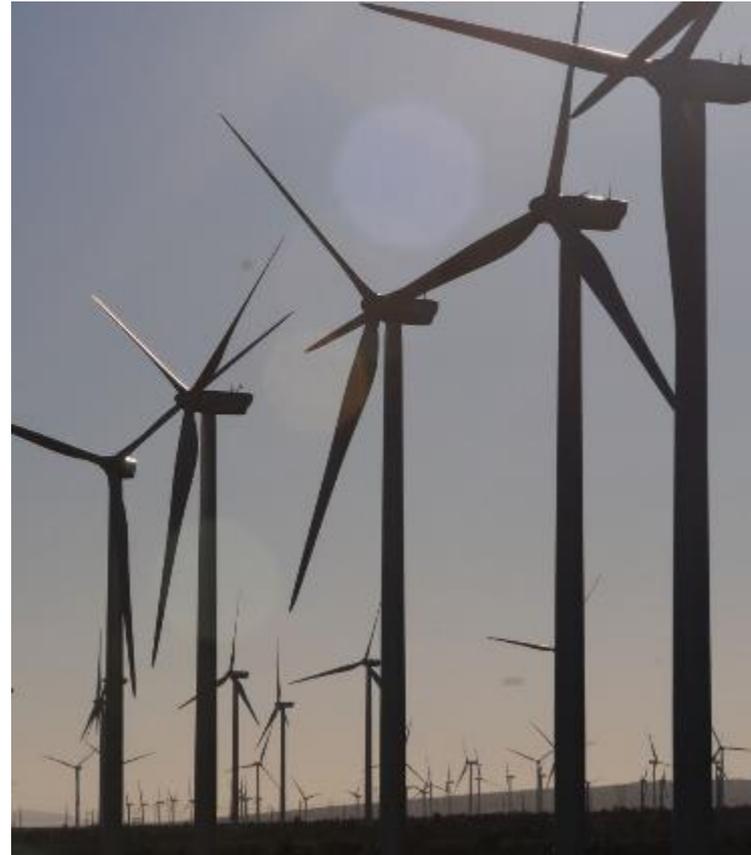
In 2016 business environment continued challenging...

- Generally lower demand and toughened competition in key markets such as telecommunications
- Less favorable sales mix
- New customer acquisition not enough to compensate declined volumes from some key customers, even though 'Other Applications'-customer industry grew by 6%



...at the same time we have put lots of effort in optimizing the operations and executing our strategy

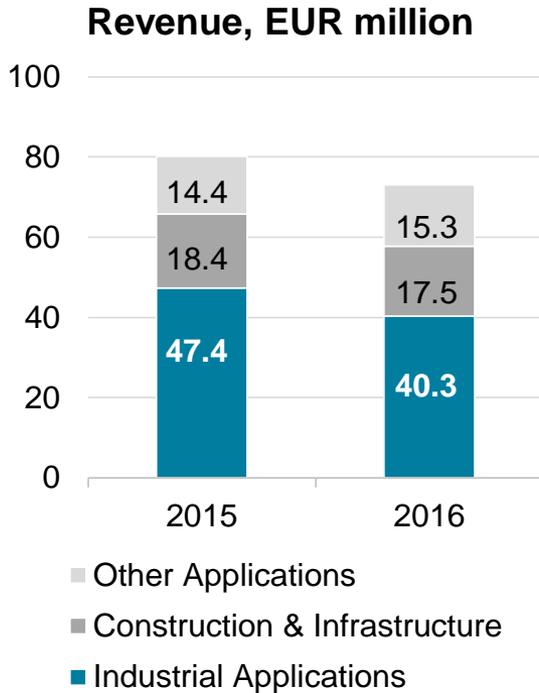
- Cost savings measures successfully implemented, fixed cost structure has been brought to a lower level
- Efficient capacity utilization and global manufacturing footprint optimization:
 - Pooling volumes, focus on production yield improvements
 - Significant down-sizing of Australian unit
 - Acquisition of Chinese composites production company currently being finalized
 - Nanjing expansion project cancelled



In end of Q3 2016 we announced the acquisition of a composites production company in China

- Exel Composites Plc has signed an agreement to acquire the assets of a Chinese composites production business (the “Business”) with manufacturing in one production unit.
- The Business uses mainly pultrusion technology to produce composites products that are mostly complementary to Exel Composites’ existing product offering.
- In 2015 the Business had about 90 employees and generated revenue of about EUR 6 million with a normalized EBIT margin of approximately 20%.
- The profitability of Exel Composites’ Chinese business unit is expected to improve through synergies with the acquired Business.
- The acquisition is currently being finalized.

Lower demand impacted key industries such as telecommunications...



Industrial Applications



Telecommuni-
cation



Paper
Industry



Electrical
Industry



Machine
Industry



Transportation
Industry

Construction & Infrastructure



BCI



Energy
Industry



Cleaning &
Maintenance



Sports &
Leisure

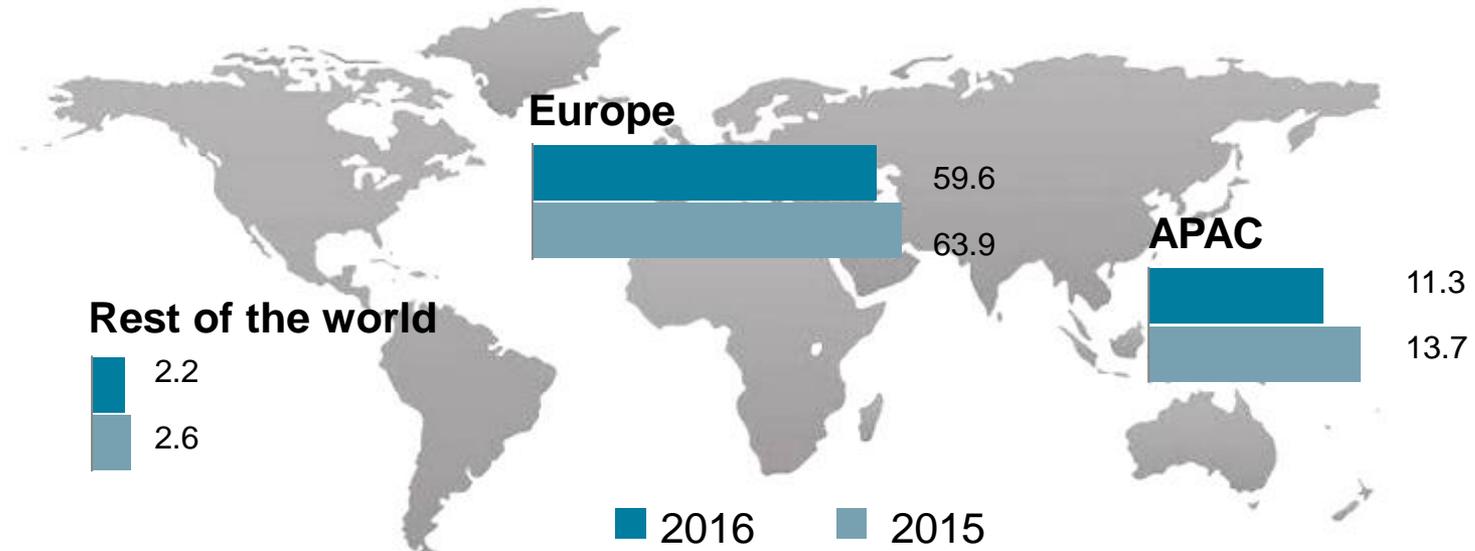


Other
Industries

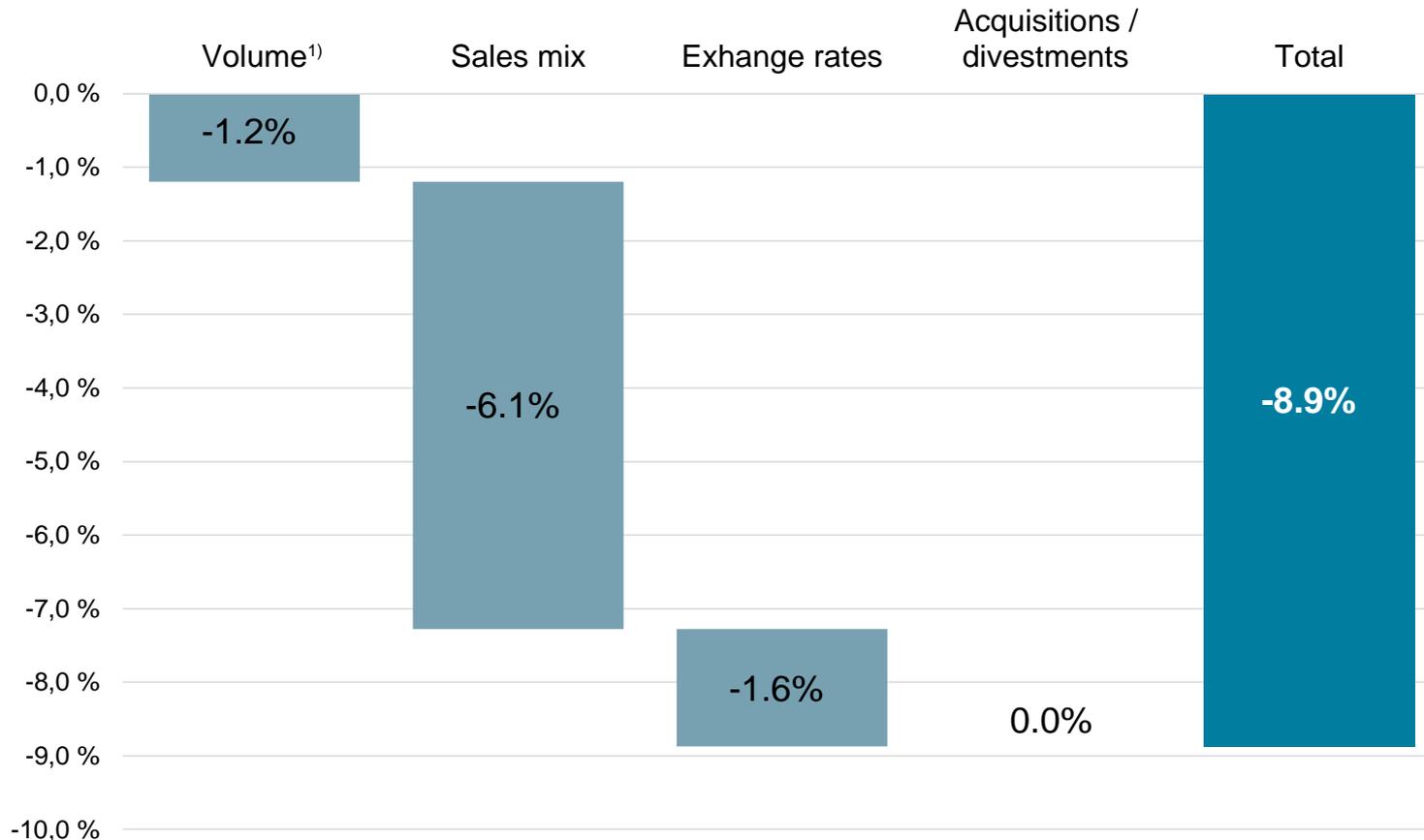
Other Applications

... and the declining volumes of some key customers was affecting both in Europe and Asia...

Revenue, EUR million



...combined with less favorable sales mix and reduced revenue 2016 vs 2015...



¹⁾ Volume impact calculated as difference in kilograms of delivered products times prior year average sales price/kg.

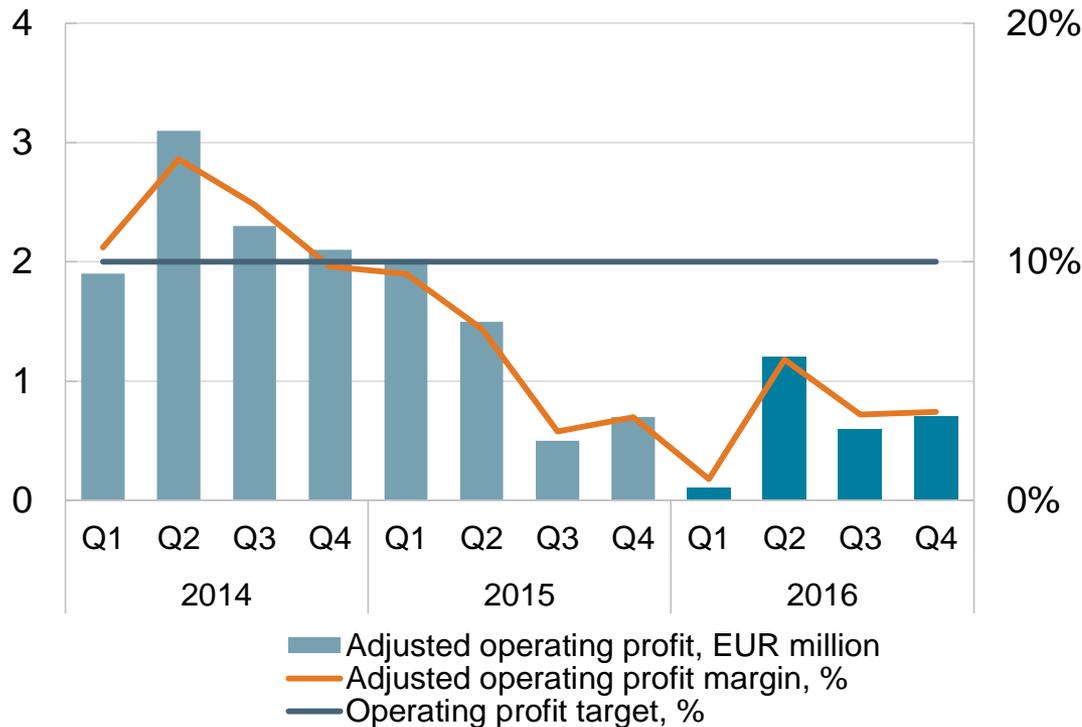
...profitability was impacted despite firm cost out measures

EUR thousand	1.1.-31.12. 2016	1.1.-31.12. 2015	Change %
Order intake	74,778	83,374	-10.3
Order backlog ¹⁾	16,702	15,348	8.8
Revenue	73,079	80,196	-8.9
Operating profit	649	4,414	-85.3
% of revenue	0.9	5.5	
Adjusted operating profit ²⁾	2,621	4,770	-45.1
% of revenue	3.6	5.9	
Profit for the period	198	2,844	-93.0
Net cash flow	3,129	3,385	-7.6
Return on capital employed, %	1.7	12.0	
Net gearing, %	12.2	2.0	
Earnings per share, EUR	0.02	0.24	
Equity per share, EUR	2.27	2.58	-12.0
Employees on average	479	498	-3.8
Employees at end of period	455	494	-7.9

¹⁾ As per 31 December 2016.

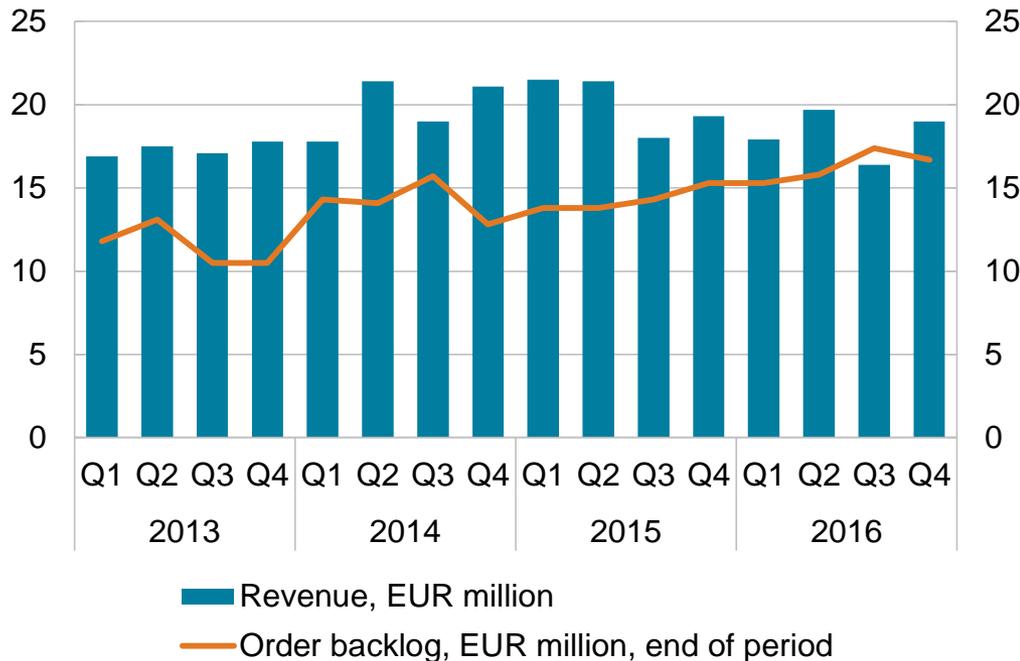
²⁾ Excluding material items affecting comparability, such as restructuring costs, impairment losses and reversals, and costs related to planned or realized business acquisitions or disposals. For more information, please refer to the paragraph "Change in Exel Composites' financial reporting terminology" of the Half-year Financial Report January – June 2016 published on 21 July 2016.

Adjusted operating profit in Q3 and Q4 2016 was already at the same level or higher than 2015



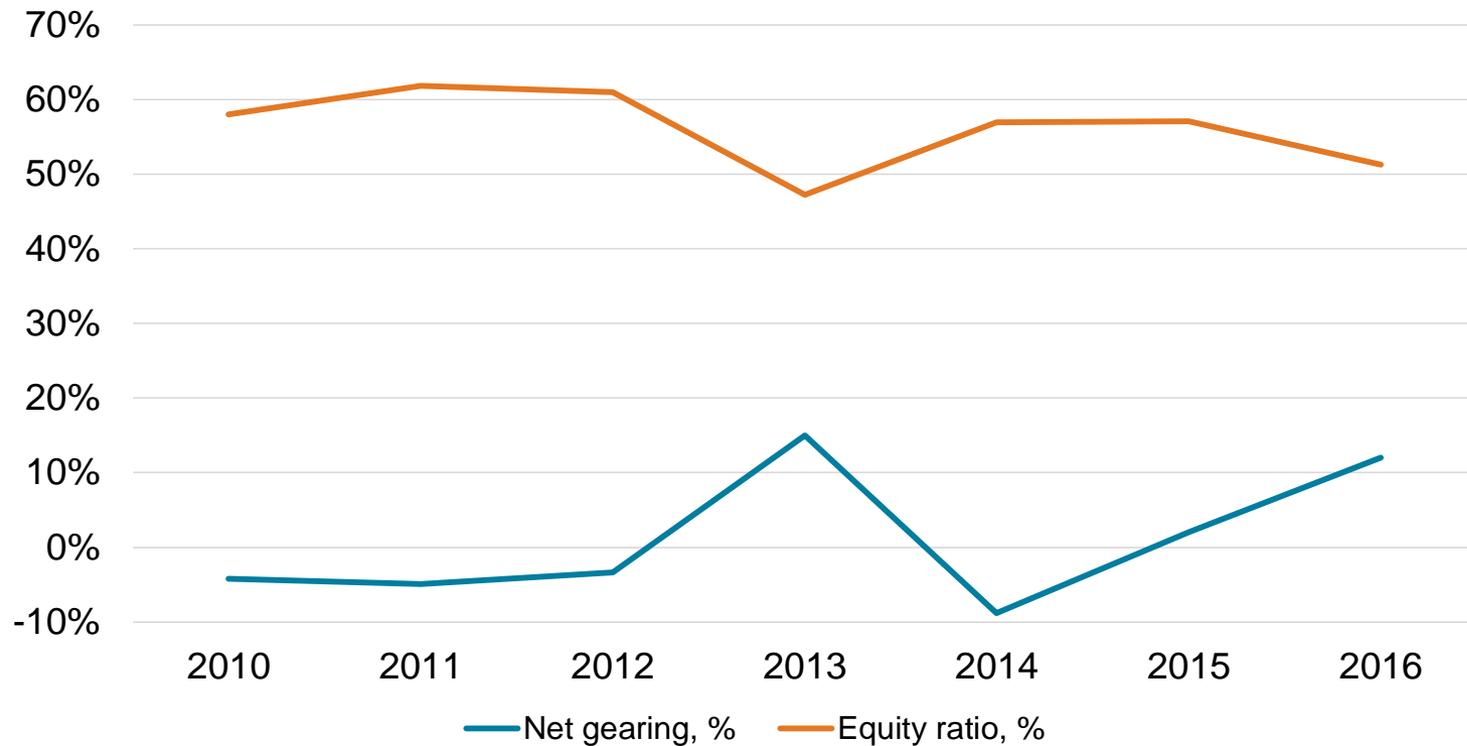
In 2016 we have continued focused sales efforts; order-backlog increased towards end of the year 2016

We have continued focused sales efforts specifically on customer industries where we see growth opportunities in the medium and longer term. New customers were developed, among other, in energy, transportation and construction industries, where we expect volume to grow during coming years.



Proposal to the AGM: Dividend of EUR 0.10 per share

The Board considers the proposed dividend well-balanced given the prospects, the capital requirements and the risks.



Market environment expected to continue challenging in 2017, albeit more signs of recovery

- Recent increases in oil and metal prices are expected to improve overall market demand.
- Volume growth expected in energy, transportation and construction industries in the coming years.
- Global megatrends drive demand growth in the long term, especially in Asia and China.
- Attractive long-term market fundamentals prevail.

LIFE CYCLE
COST
THINKING

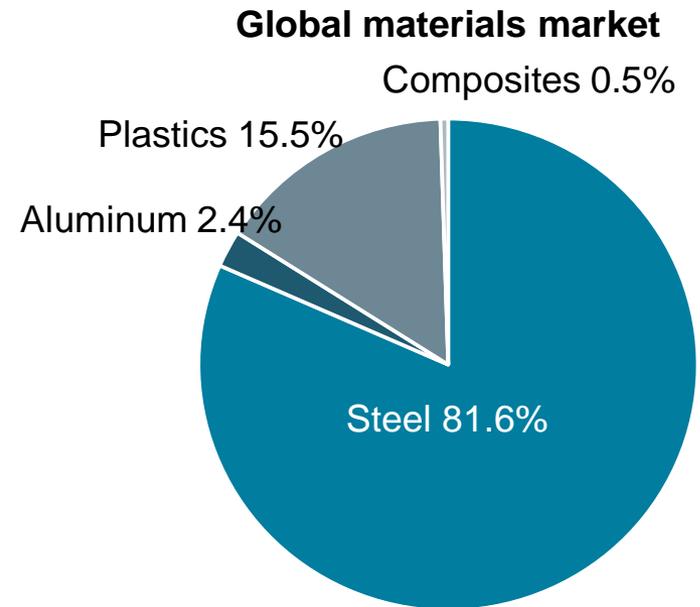
SUSTAIN-
ABILITY

DEMO-
GRAPHIC
CHANGE

URBANIZA-
TION AND
HEALTHY
LIVING

Composites market demand expected to grow both in volume and value

- Material market is dominated by steel and plastics
- Composite market represents 0.5% of total materials market
- Pultrusion market was estimated to be 1.56 BUSD in 2016
- Composite demand is expected to grow +4.6% per annum in value during 2016-2021, growth is driven by:
 - Increasing energy efficiency requirements
 - Escalating need for anti-corrosive applications
 - Greater focus on life cycle costs of end products than those manufactured from other materials, such as steel



Source: Lucintel April 2016

Sustainability is one of the megatrends driving the composites industry growth



Low weight – lower energy consumption

- Composites are much lighter than metals and this results in savings through lower installation costs, easier handling and lower fuel consumption.

Durable solution

- No frequent maintenance nor replacement is needed. Together with composites' long life span, composites are a preferred choice for lasting performance.

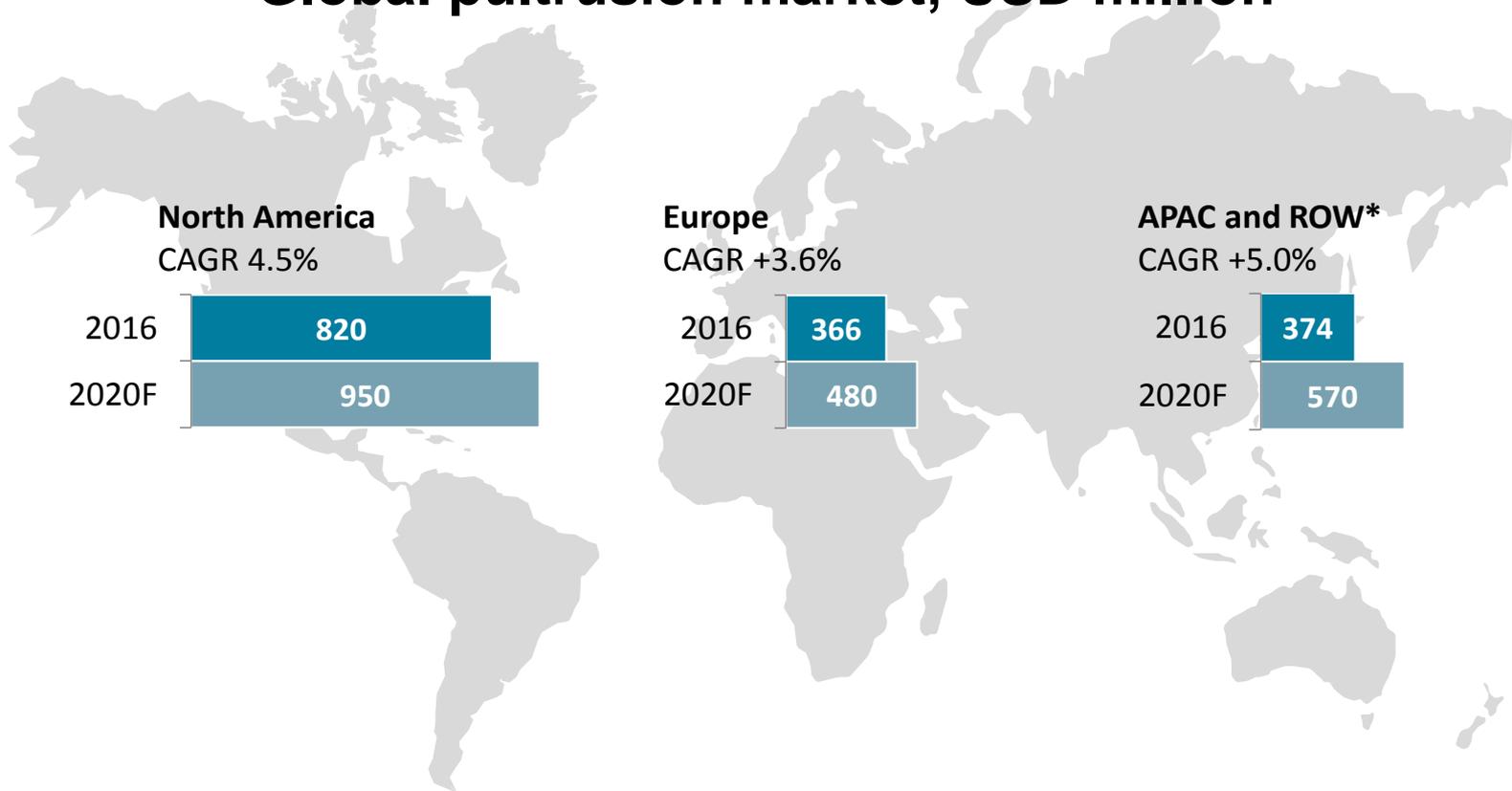
Composites are recyclable

- The recycling of glass-fiber composites regrind through co-processing in cement kilns is proving highly cost effective, is generating valuable materials, and is helping to improve the ecological footprint of cement manufacturing.



Largest markets are North America, North Asia and Europe

Global pultrusion market, USD million



Source: Lucintel April 2016 + Exel's own estimate

* Exel Composites considers Lucintel's APAC market estimate too low

Industrial investments are gradually expected to pick up in Europe in 2017



- Industrial investments are gradually expected to pick up in Europe
- The markets benefiting from energy efficiency, especially the transportation industry, continue to grow – also automotive industry putting lot of effort in developing composite solutions for especially electrical vehicles
- More composites will penetrate in construction industry due to increasing focus in life cycle cost
 - Eurocode for composites in construction is in preparation phase and in effect by 2020
- The renewable energy markets, especially wind turbines, show signs for recovery, increasing the demand of pultruded composite parts

Urbanization is driving growth in Asia, North-American market is Oil & Gas and infrastructure driven



- In North America the low oil price has still kept investments in chemical, oil and gas segments low, however, this can change due to new course in federal politics and funding policies
- Investments in infrastructure, including renewal of electric transmission lines, expected to increase in North America and this will naturally bring growth for composites as well
- In Asia demand is still good in many market segments providing good possibilities for composites' market penetration and growth in traditional composite segments like building and infrastructure

Strategy implementation continued in 2016 and Exel is well positioned for profitable growth

EXELENCE
FOR THE WIN

STRATEGY BASED ON FIVE PILLARS

In 2016:

- Acquisition of a Chinese composites production company
- Expanded product development resources

Accelerate growth in China

Protect and grow our stronghold customers
Providing competitive edge and best customer service

Create true global footprint

In 2016:

- Acquisition in China
- Underperforming Australian unit down-sizing

In 2016:

- Advanced continuous lamination and pullwinding technologies
- Added more CNC machining capabilities
- New solutions fire retardancy developed
- Application of epoxies and polyurethanes to new products

New composite technologies

Penetrate new applications

In 2016:

- Aligned our organization with the market demand
- Acquired new customers e.g. in energy, transportation and construction
- Took targeted steps to capture mid-segment business



We have updated the outlook for full year 2017 – revenue and adjusted operating profit estimated to grow

- Exel Composites estimates that **revenue** with current company structure (i.e. without the Chinese company acquisition) will **increase** from previous year level and **adjusted operating profit will be higher** than previous year level. In 2016, Exel Composites' revenue was EUR 73.1 million and adjusted operating profit was EUR 2.6 million.



More information at www.exelcomposites.com

Financial calendar 2017

- Business Review January - March: 4 May 2017
- Half Year Financial Report January - June: 20 July 2017
- Business Review January - September: 25 October 2017

Your IR contacts

Riku Kytömäki
President and CEO
+358 50 511 8288
riku.kytomaki@exelcomposites.com

Mikko Kettunen
CFO
+358 50 3477 462
mikko.kettunen@exelcomposites.com

Noora Koikkalainen
IR Manager
+358 50 562 6552
noora.koikkalainen@exelcomposites.com

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