

ANNUAL GENERAL MEETING 2019



Review by President and CEO, Riku Kytömäki
21 March 2019



Exel Composites overview

A globally leading composite technology company

that **designs, manufactures and markets** fiber reinforced plastics products and solutions for demanding applications in various segments and markets

Industrial, construction & infrastructure and other applications



Customers in over
50
countries

Manufacturing in
7
countries

96.6

(86.3)

Revenue

EUR million, 2018 (2017)

5.0

(6.3)

Adjusted operating profit

EUR million, 2018 (2017)

675

(568)

Employees

End of 2018 (2017)

Our values



Customer focused



Integrity



One Exel



Caring



Innovative



The image shows a blue-tinted industrial setting, possibly a factory or warehouse, with various structures and equipment. A large white play button is centered over the logo. The logo consists of the word 'exel' in a bold, lowercase, sans-serif font, followed by a stylized infinity symbol. Below 'exel' is the word 'COMPOSITES' in a smaller, uppercase, sans-serif font.

exel ∞
COMPOSITES

2018 ended on a strong note

- Significantly improved global market position thanks to the **DSC** acquisition
- Revenue growth was driven by **Construction & Infrastructure** customer segment and region **Rest of the World**
- **Wind energy** industry predominantly supporting growth
- Challenging competitive situation in the **telecommunications** industry
- Implementation of a Group-wide **cost reduction program**
- Adjusted operating profit impacted by lower telecommunications volumes and impaired profitability mainly related to sales mix in some Group manufacturing units as well as DSC's operational loss
- Group **order intake** and **revenue** grew significantly



Order intake exceeded EUR 100 million in 2018

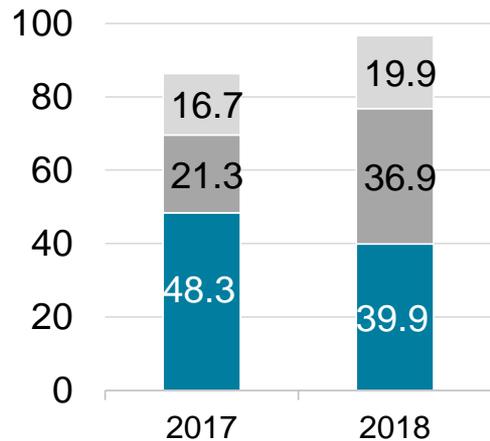
EUR thousand	1.1.-31.12. 2018	1.1.-31.12. 2017	Change, %
Order intake	100,757	86,531	16.4
Order backlog 1)	23,685	17,126	38.3
Revenue	96,608	86,255	12.0
Operating profit	2,217	6,081	-63.5
% of revenue	2.3	7.1	
Adjusted operating profit 2)	5,018	6,319	-20.6
% of revenue	5.2	7.3	
Profit for the period	386	4,212	-90.8
Net cash flow from operating activities	868	4,856	-82.1
Return on capital employed, %	4.4	14.8	
Net gearing, %	96.3	30.3	
Earnings per share	0.03	0.36	
Equity per share, EUR	2.18	2.43	-10.2
Employees on average	647	532	21.7
Employees at end of period	675	568	18.8

¹ As per the end of the period.

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 published on 21 July 2016.

Wind energy industry now represents Exel's largest customer

Revenue by customer segment, EUR million



- Other Applications
- Construction & Infrastructure
- Industrial Applications

Industrial Applications



Telecommunication



Paper Industry



Electrical Industry



Machine Industry



Transportation Industry

Construction & Infrastructure



Building, Construction & Infrastructure



Energy Industry



Cleaning & Maintenance



Sports & Leisure

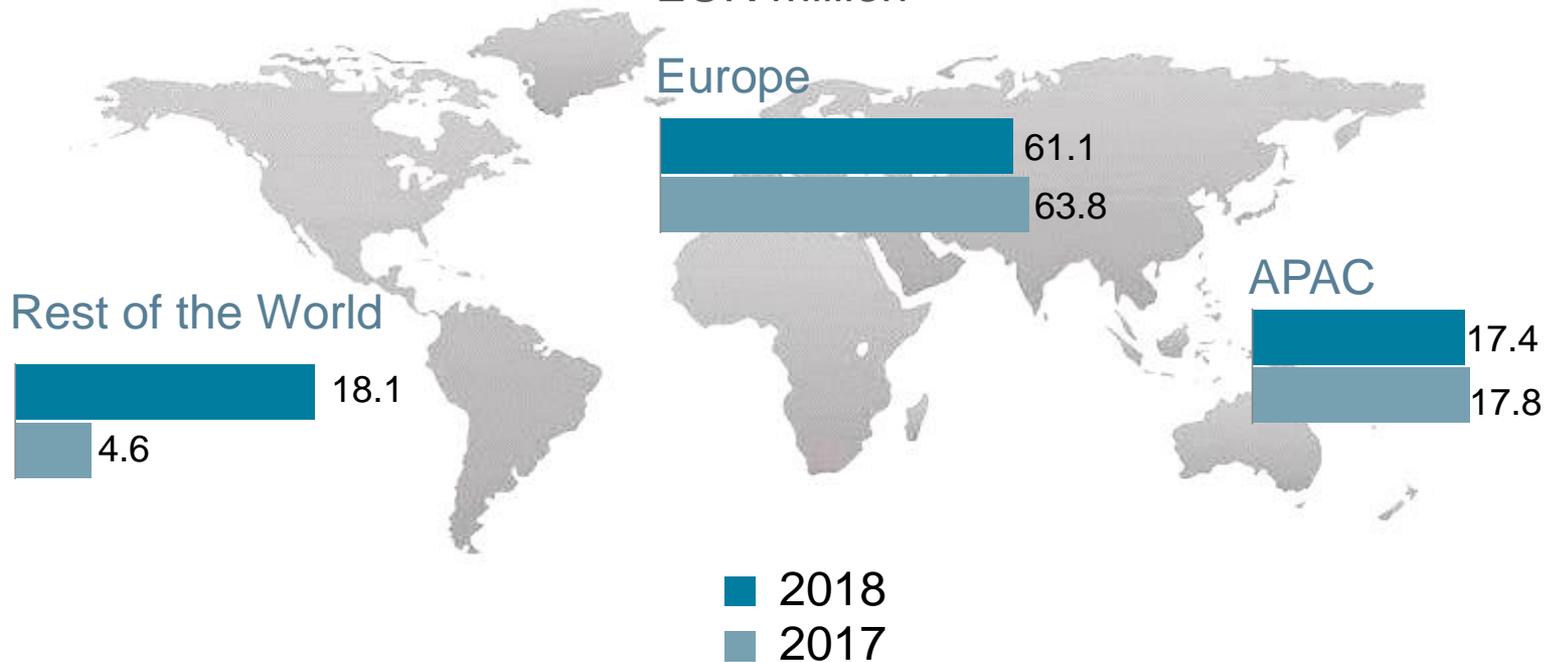


Other Industries

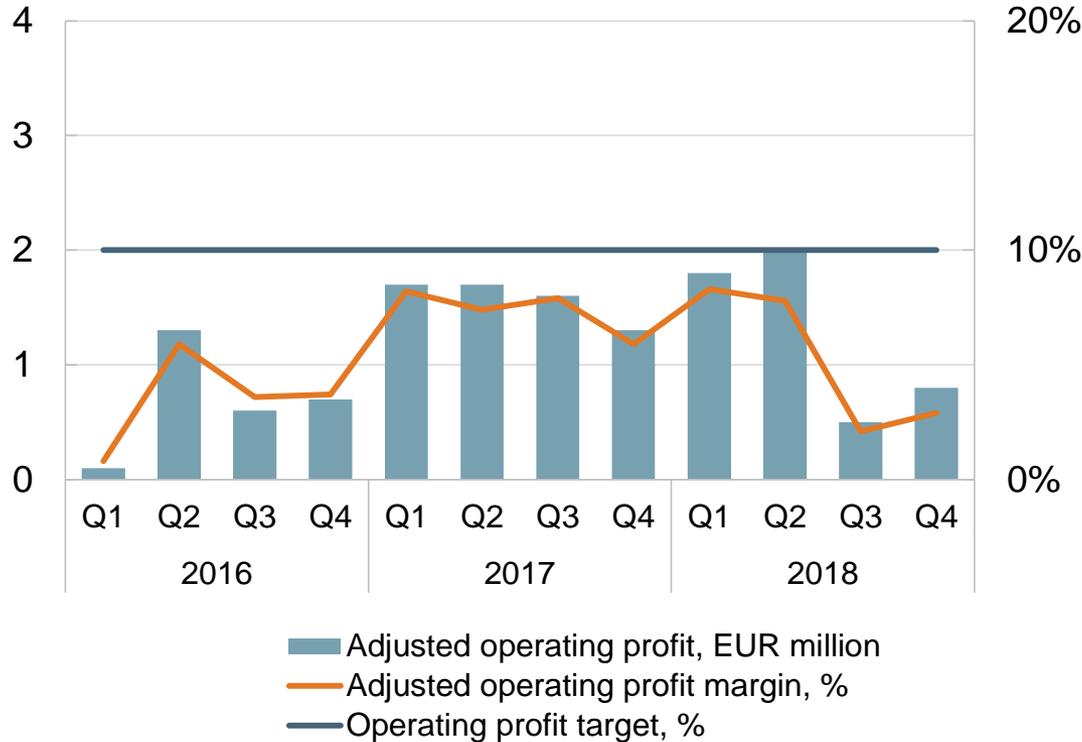
Other Applications

Revenue in the region Rest of the World grew significantly

Revenue by market area,
EUR million



Group-wide cost reduction program initiated to improve profitability



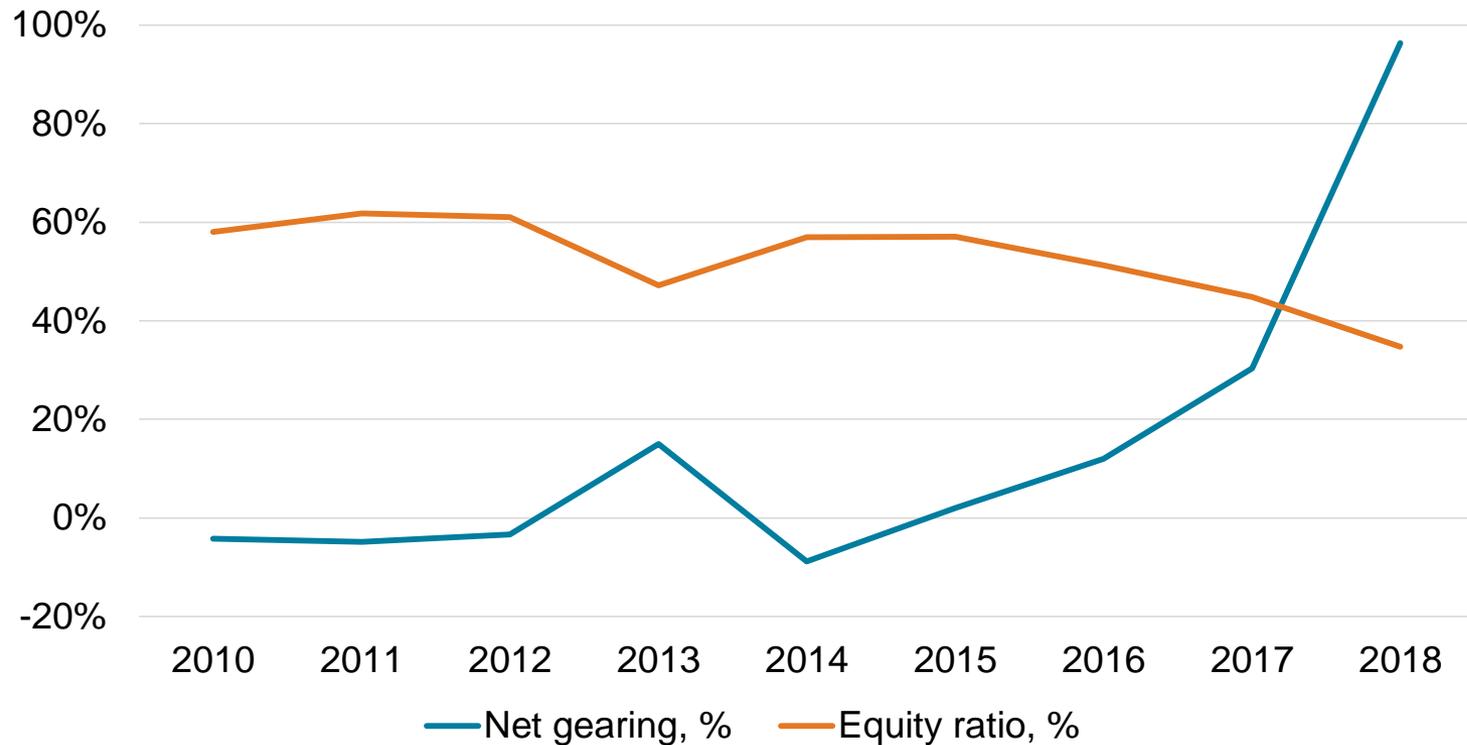
* DSC's operating profit was EUR -1.1 million in Q3/2018 and EUR -0.1 million in Q4/2018.

Implementation of cost reduction program continues into 2019

- Initiated in 2018 to improve Group profitability.
- Consists, among other things, of:
 - Optimization of manufacturing footprint in Europe
 - The manufacturing unit in Germany to be closed by end of April 2019
 - Co-determination negotiations conducted in the Finnish manufacturing units
 - Improve the profitability and cost efficiency in the DSC business
 - Turnaround continues according to plan
 - Drive further synergy savings between the company's two manufacturing units in China
- The annual savings target of the Group-wide cost savings program is EUR 3 million, expected to be fully effective in 2020.

Proposal to the AGM: Dividend of EUR 0.18 per share

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



Global megatrends drive increasing demand in the long-term

- Construction, transportation and energy are seen as high growth industries over the next few years.
- Sustainability is becoming increasingly important.

Urbanization

- Urbanization drives investment in urban infrastructure
- Clean water, clear air and safe environment required
- Communication and electrical infrastructure grows and develops



Sustainability

- Composites help reduce environmental impact of end product
- Increased business benefits for Exel from green initiatives, sustainability, and circular economy
- Market and legal requirements regarding e.g. recycling and energy efficiency.



Demographic change

- Growing middle-class in developing nations
- Increased expectations for mobility and quality of life
- Increased capabilities to purchase and invest



Life-cycle cost thinking

- Energy efficiency and technical benefits become important
- Low maintenance costs and durability favor composites
- Cost of alternative materials has increased

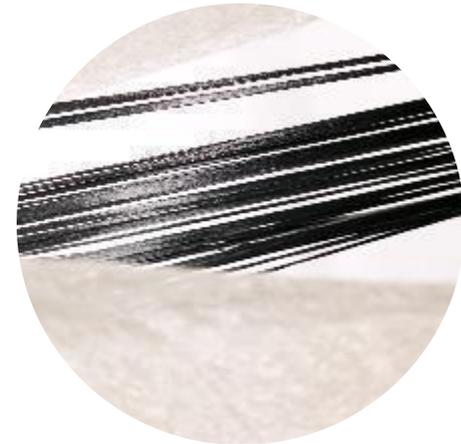


Composites market demand expected to grow

- Material market is dominated by steel and plastics
 - Composite market represents less than one percent.
- Largest markets are North America, North Asia and Europe
 - Fastest growing regions are Asia and North America
- The annual growth rate for global composites market vary, according to industrial segment, market definition and source, between approximately 2%-5% for 2015-2018
- In the long-term, composites market demand expected to grow both in volume and value
 - Megatrends support composites demand in general
 - Asian market represents almost 50% of forecasted growth
 - Transportation, including aerospace, is the largest market in terms of value, while energy industry shows the strongest growth when considering composites in general.

Exel Composites vision

Exel Composites is an agile, innovative global composite company with world class operations providing superior customer experience



We shall differentiate us based on:

Superior customer experience

- Quick response time, reliability, optimized offering
- Industry-specific value propositions, products and packages
- Global coverage in multiple sales channels; in region for region

World-class operations

- Safety, speed, flexibility and responsiveness
- Right quality and stock availability
- Globally unified, next-level processes and quality systems

Exel Composites' strategy for 2017-2020

EXELENCE
FOR THE WIN



Next level growth

Protect and grow strong-holds

- Grow in existing business
- Take out cost and improve customer value

Build leadership in China

- Grow sales to local customers
- Create value offering for mid-segment
- R&D and manufacturing capacity

Penetrate growing / new applications

- Penetrate mid-segment
- Solutions for larger growth applications
- Package key applications to 'systems'

Create true global footprint

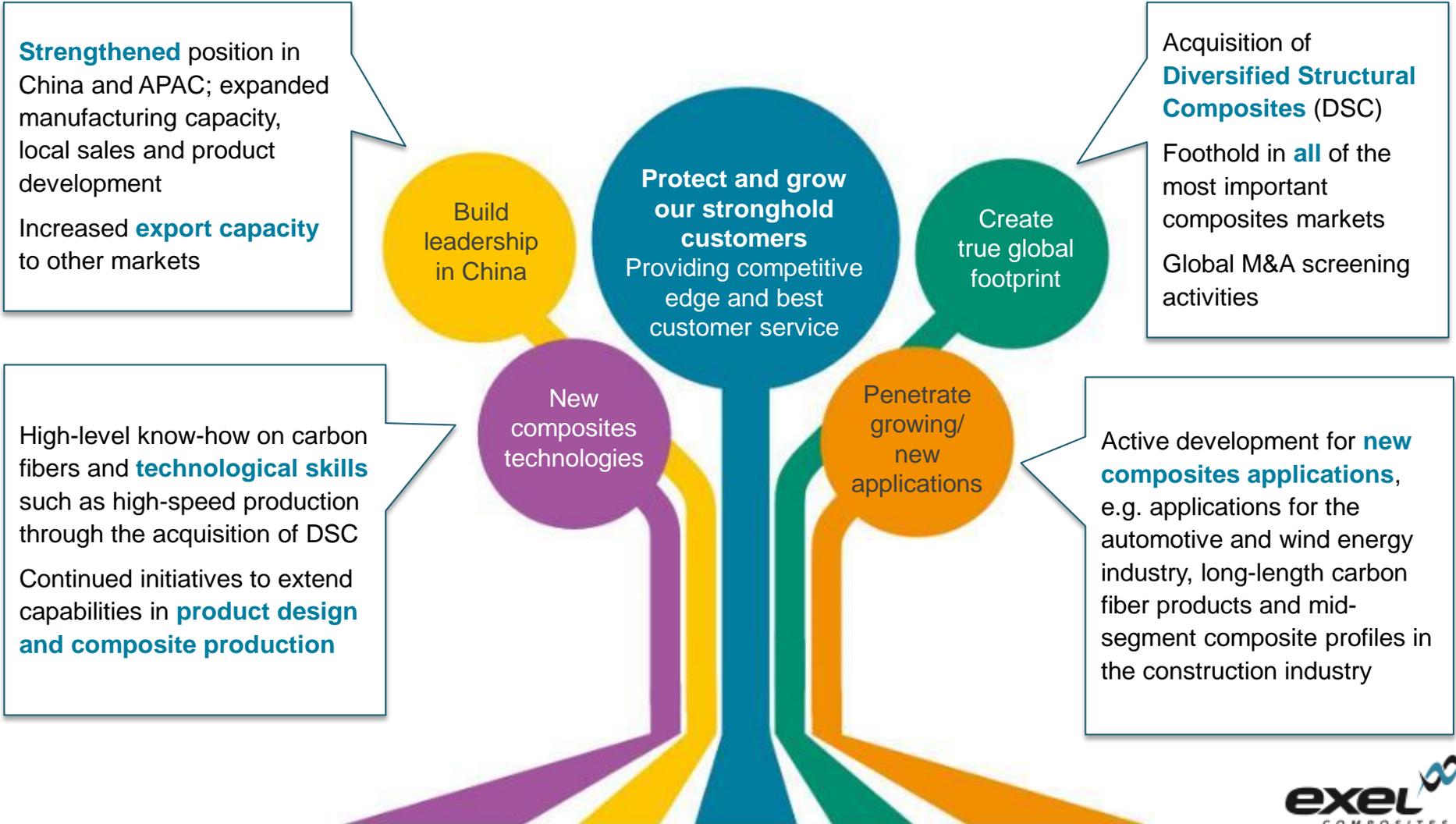
- Expand operational footprint
- Grow supply and service to new market areas, including Americas

Growth in new technologies

- Further processing and vertical integration
- New composite technologies, other than pultrusion



Strategy implementation in 2018



DSC: synergies in wind energy, among others

DSC acquisition

Important **foothold** in the strategically significant American market.

An **established business**, with an existing customer network, a competent team, an operational production facility and interesting technologies.

Cross-selling platform to existing and new customers.
High-level know-how on carbon fibers and technological skills.

Building up own greenfield production facility would have required heavier investments and more time.

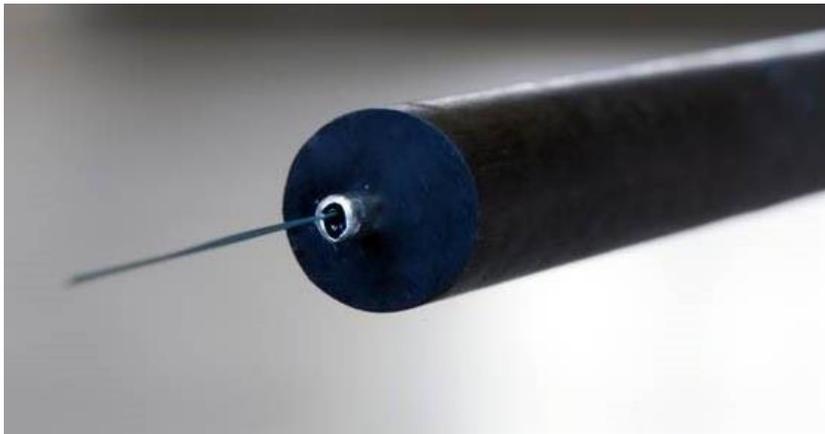


In 2018, the wind energy industry, which is part of Exel's Construction & Infrastructure customer segment, **outgrew in revenue** telecommunications, which has been the largest client industry in the past few years.

Oil-well sensor rod out of carbon fiber

Exel Composites' newly acquired Erlanger unit, **DSC**, has developed a fiber optic-embedded carbon composite rod for Norwegian company Ziebel's innovative well intervention system.

The unit's **expertise in carbon fiber pultrusion** enabled the precision manufacture of a 15 mm diameter **carbon fiber rod**.



"Because of the high cost of both the carbon fiber and the fiber optics, the process risk is very high. We've therefore performed extensive work to develop a pultrusion process that is extremely robust and foolproof."

David Lewis, Director of Technology & Business Development, Ziebel

Composites for airport structures

Requirements

- Stringent safety requirements and regulations
- Long lasting and low maintenance systems
- Pricing

Benefits of composites

- Safety enhancing frangibility, required strength with lower mass
- Resistance to corrosion and weather
- Electromagnetic transparency



Today approach lighting structures are an integrated element of any airfield, helping pilots land safely.

Air traffic is estimated to continue to increase, and the need for cost efficient approach lighting will continue to grow.

Innovative rail solutions

Requirements

- Sustainability
- Energy efficiency
- Safety and reliability
- Cost efficiency

Benefits of composites

- Operational benefits
- Reduced lifecycle costs
- Enhanced functionality



As the rail industry looks to new technologies to enable it to answer sustainability, performance and cost challenges.

Applications for pultruded composites are set to grow.

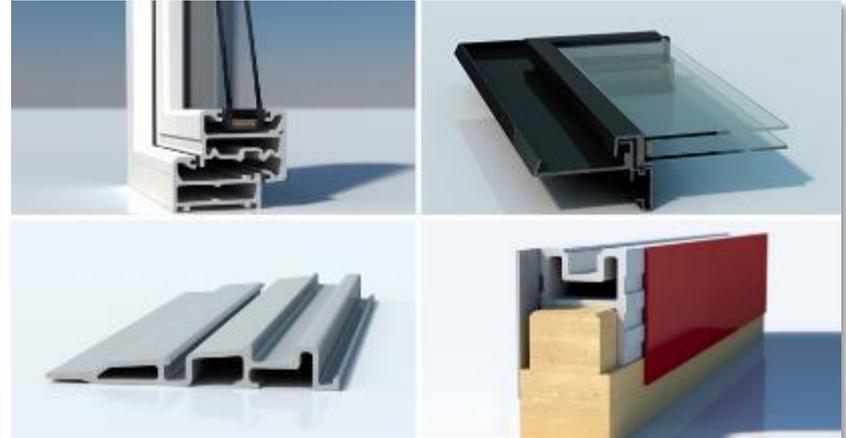
Energy efficiency and design freedom for windows and doors with composites

Requirements

- Energy efficiency
- Long lifetime and durability
- Custom design, dimensional stability

Benefits of composites

- High thermal insulation
- High strength; slimmer window and door components, increased window pane sizes withstanding higher wind loads
- Corrosion and UV resistant
- Signal penetration



Composites match legislation demands regarding higher energy performance for homes, public and commercial properties. Many buildings also require custom solutions.

Exel works actively throughout the design, planning, and installation of the customers' products.

Outlook for 2019

Exel Composites expects **revenue** as well as **adjusted operating profit** to **increase** in 2019 compared to 2018.

More information at www.exelcomposites.com

Financial calendar 2019

- Business Review January - March 3 May 2019
- Half Year Financial Report January - June 23 July 2019
- Business Review January - September 30 October 2019

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