

Riku Kytömäki

Review by President and CEO

Exel Composites' business and market environment

Exel Composites overview



8
manufacturing units

Global technology company and the world's largest manufacturer of pultruded and pull-wound composite products.

Customers in over
50
countries

In business for
60
years

103.8

(96.6)
Revenue
EUR million, 2019 (2018)

7.2

(5.0)
Adjusted operating profit
EUR million, 2019 (2018)

648

(675)
Employees
End of 2019 (2018)

Exel Composites' strategy

Vision

Differentiate with world class operations, technology innovation and by delivering the best customer experience



Protect and grow strong-hold customers

- Multiply existing applications to new customers
- Gain knowledge and improve efficiency in focus applications



Create true global footprint

- Establish sales coverage in new areas
- Grow supply and service to new market areas
- Utilize global footprint as value add



Build leadership in China

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

Next level growth



Penetrate growing/new applications

- Solutions for larger growth applications; wind power, transportation, building and construction
- Penetrate mid-segment
- Package key applications to 'systems'



Growth in new technologies

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

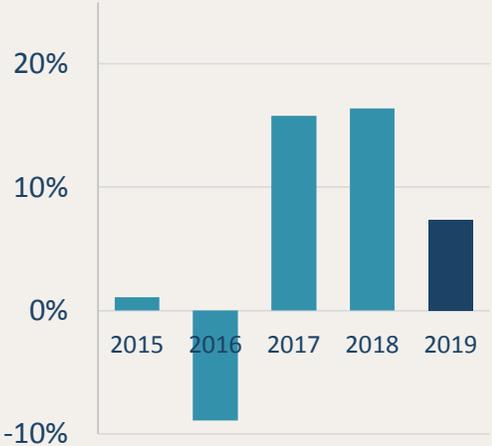
Foundation built on company values

CUSTOMER FOCUSED • INTEGRITY • ONE EXEL • CARING • INNOVATIVE

Exel's long-term financial targets - net gearing target revised

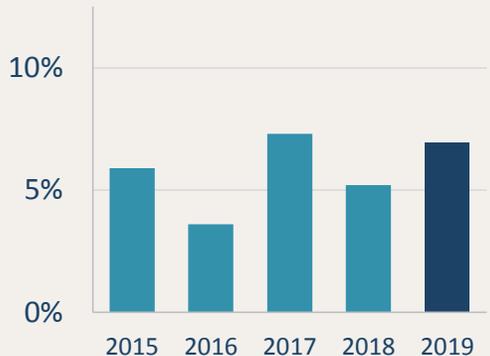
Growth

Revenue growth
2x market growth ¹⁾



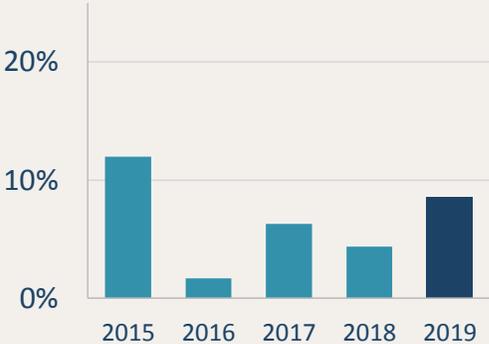
Profitability

Adjusted operating profit
margin >10%



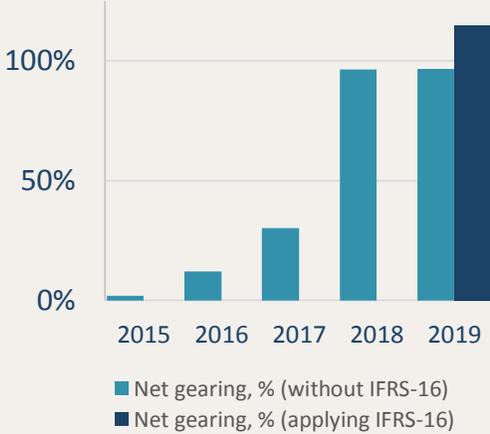
Capital efficiency

Return on capital employed
> 20%



Financial position

Net gearing
≤ 80%



¹⁾ Annual growth rate estimated for the global composites market vary, according to industrial segment, market area and source, between approximately 2%-5% during 2018-2023

Mega trends drive composite use and adaptation

Light-weighting



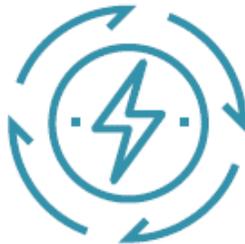
Growing middle class



Circular economy



Cost and energy efficiency



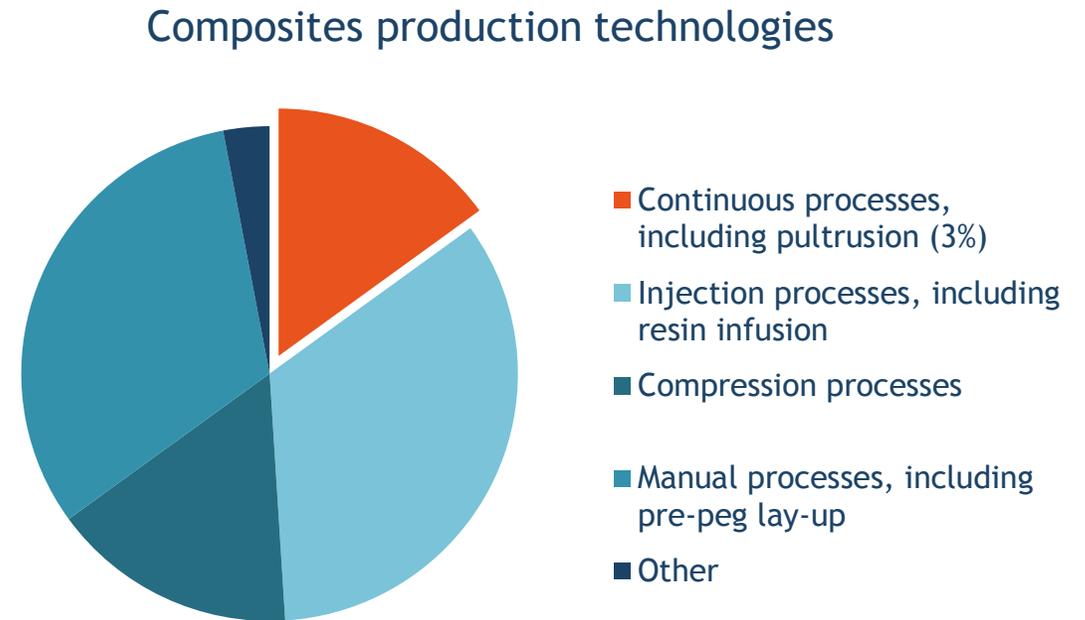
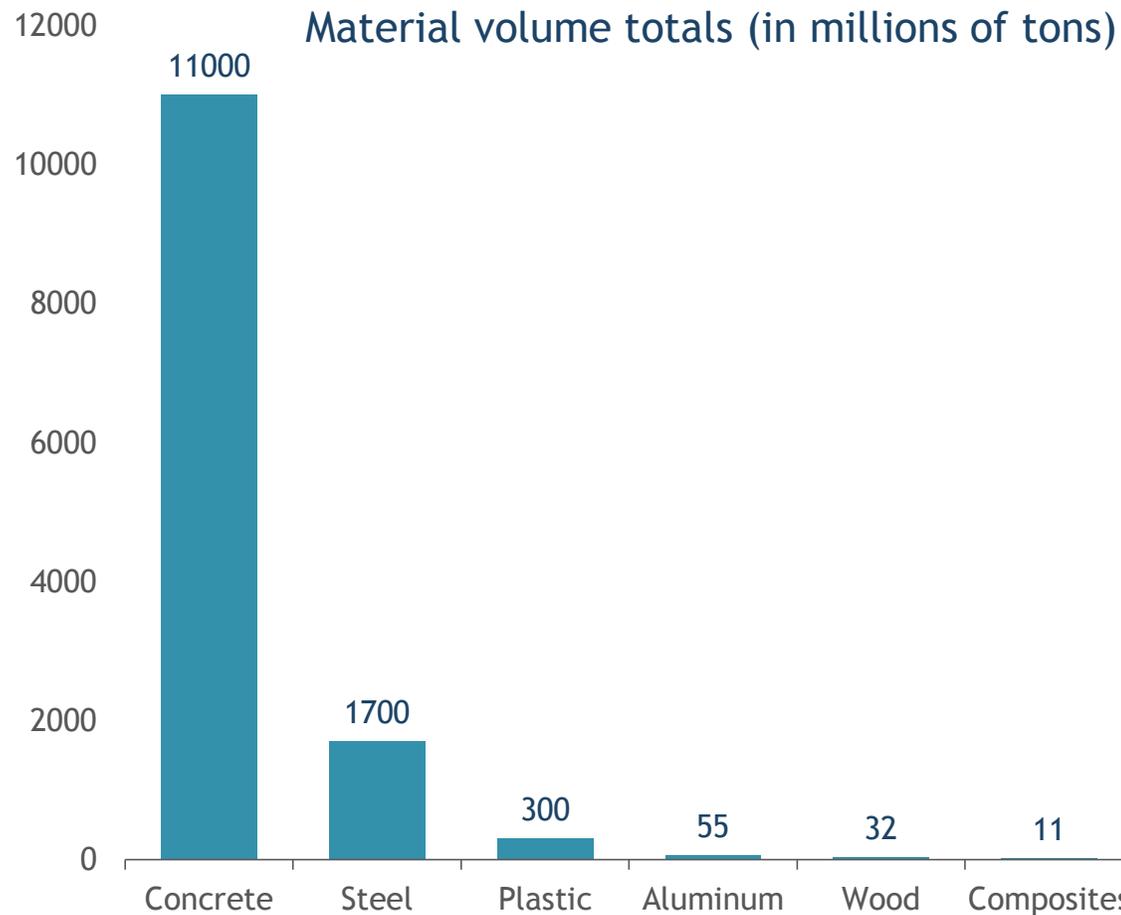
Smart cities



Long life cycles



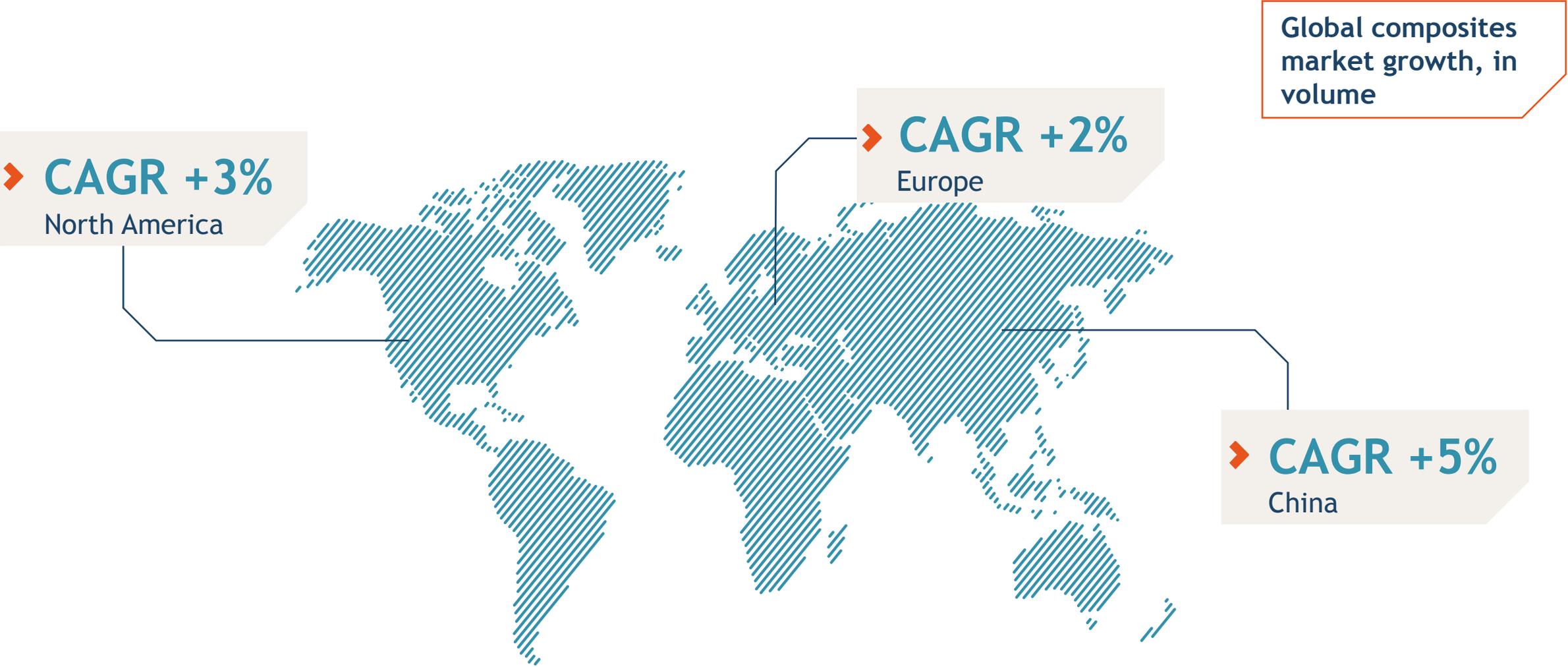
Annual growth rate for the global composites market estimated 2%-5% 2018-2023



We see growth potential for composites as a material as well as for pultrusion as a production technology within the composites market.

Source: JEC, Overview of the global composites market 2018-2023

Largest markets are North America, North Asia and Europe



Source: JEC, Overview of the global composites market 2018-2023

Our offering: tailored composites for a wide range of applications



Profiles

For example:

- Window & door frames
- Telecommunication radomes
- Battery boxes for electrical vehicles

Tubes

For example:

- Telescoping masts
- Camera tripod legs
- Cleaning handles

Laminates

For example:

- Tractor trailer flooring
- Archery bow stiffeners
- Building materials

Products and systems

For example:

- Frangible masts and poles
- Telescoping poles
- Handrail systems

Bus profiles help to reduce emissions in Finland

Our Chinese factory supplied Yutong with fiberglass profiles for 33 electric buses which have been delivered to Helsinki.

Light weight fiberglass reduces operating costs, and helps to increase energy efficiency and that helps improve environmental sustainability.



We are helping create more efficient wind power

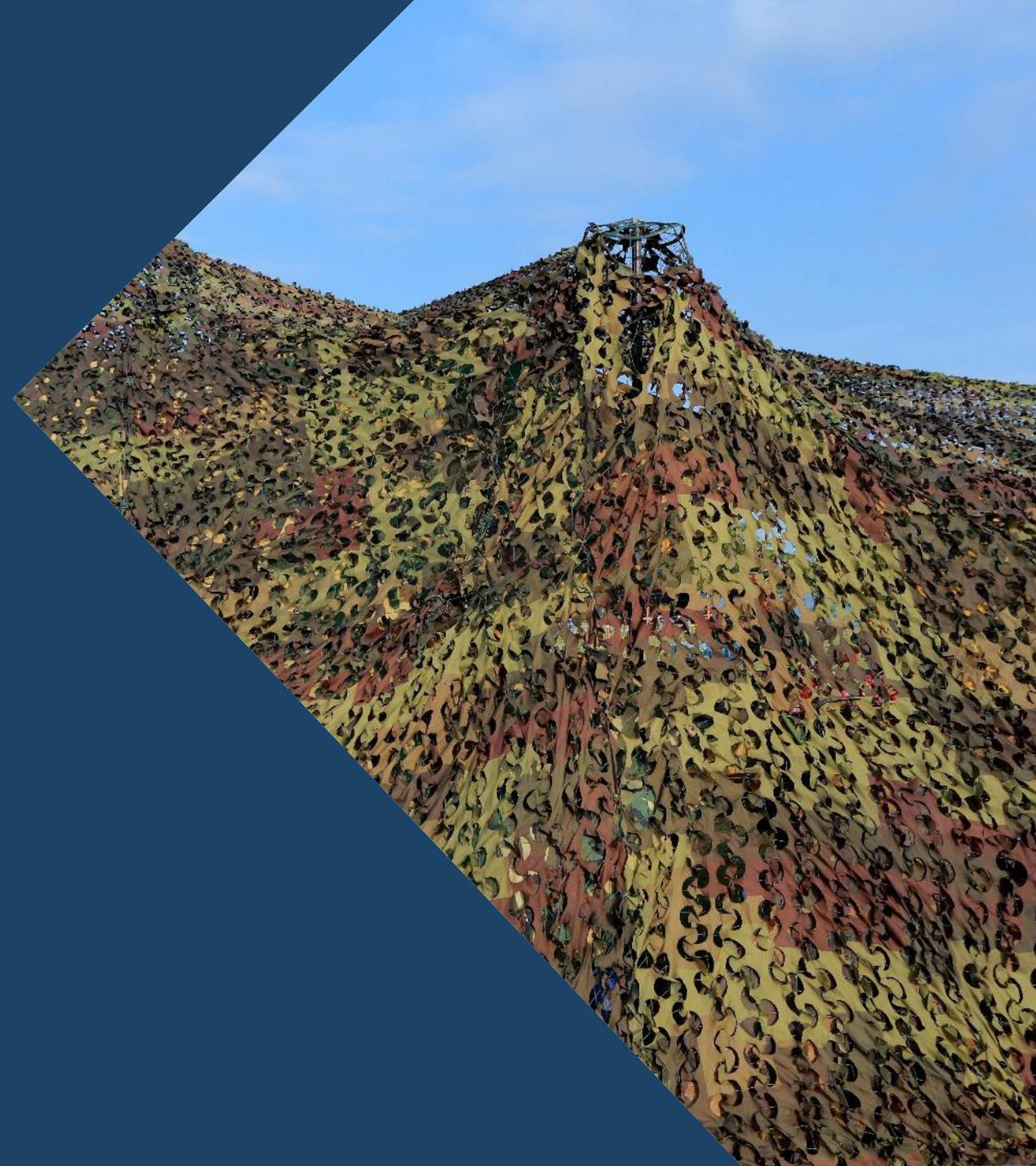
Wind energy is a high growth industry, where increasing demand is driven by regulations that aim to reduce the impact of climate change and favoring sustainable energy sources.

The average size of new wind turbines is growing, yielding to requirements of longer and stiffer wind turbine blades.



Telescoping poles for defense

The high quality of our telescoping poles has been recognized by defense organizations around the world, resulting in significant growth in defense applications in 2019.



2019 highlights

2019 was a year of profitable growth

Alongside with order intake growth revenue continued to increase

Adjusted operating profit improved significantly to EUR 7.2 million (5.0)

Cost savings program completed according to plan

Strategy implementation in 2019

Vision

Differentiate with world class operations, technology innovation and by delivering the best customer experience



➤ Protect and grow strong-hold customers

- Multiply existing applications to new customers
- Gain knowledge and improve efficiency in focus applications



➤ Create true global footprint

- Investing in new manufacturing in Austria
- Structural changes in production network, e.g. closing production in Germany
- Global M&A screening activities
- Focused growth initiatives in wind power, transportation, and building & construction



➤ Build leadership in China

- Consolidated production and organization
- Leasing better suited facility for manufacturing composites



➤ Penetrate growing/new applications

- Developing new applications, e.g. carbon fiber based rope system designed to replace an elevator's steel cabling



➤ Growth in new technologies

- Continued initiatives to extend product design and composite production technologies

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CUSTOMER FOCUSED • INTEGRITY • ONE EXEL • CARING • INNOVATIVE

Cost reduction program was completed in 2019

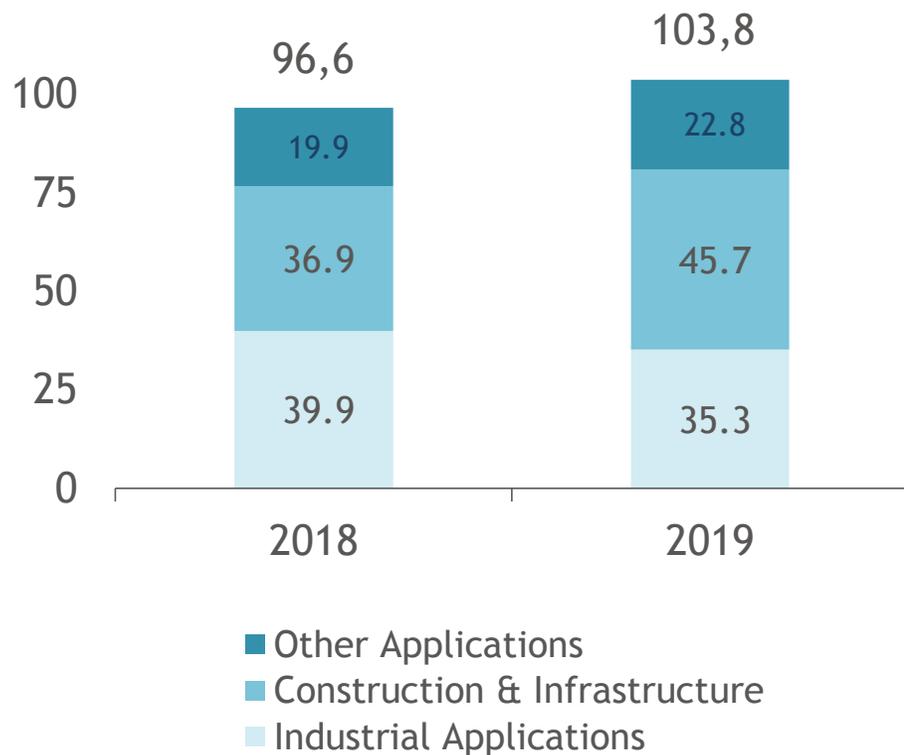
The most important actions implemented under the program: closure of production plant in Germany, layoffs in Finland, cost restructuring in Exel USA, operational improvements and synergy savings in China.

Actions to improve profitability of Exel USA progressed, but breakeven was not yet achieved in 2019.

The full profit impact of the program in 2020, compared to the 2018 cost structure, will be approximately EUR 3 million.

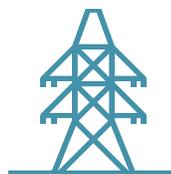
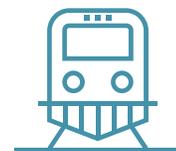
Wind power has rapidly become Exel's largest customer industry

Revenue by customer segment, EUR million



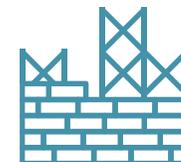
Industrial Applications

- Telecommunication
- Paper industry
- Electrical industry
- Machine industry
- Transportation industry



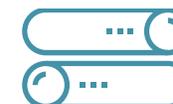
Construction & Infrastructure

- Buildings, Construction and Infrastructure
- Energy industry, including wind power

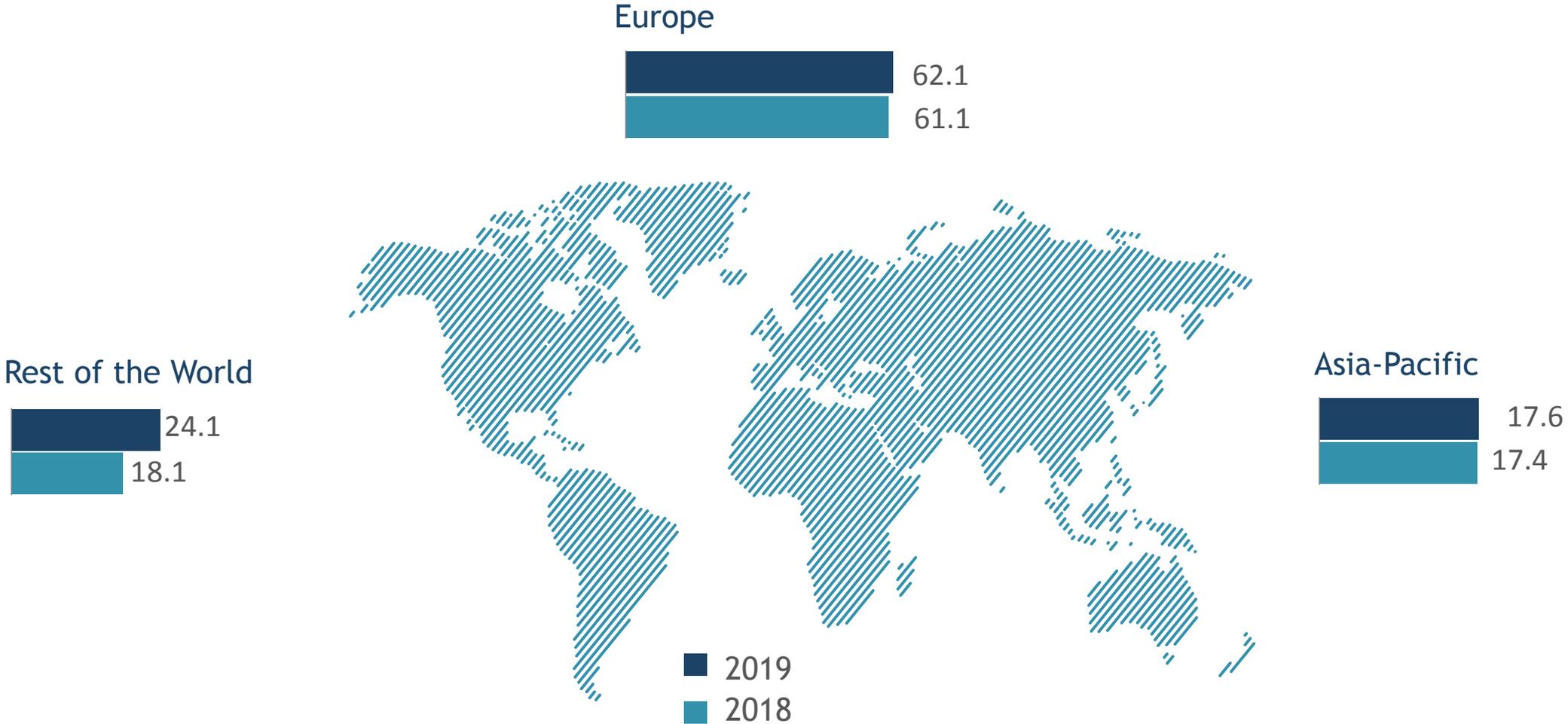


Other Applications

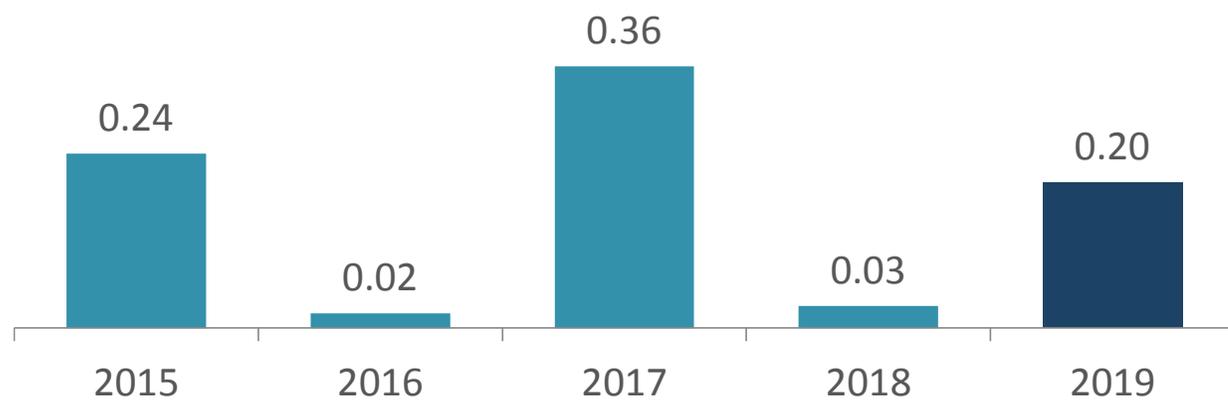
- Cleaning & Maintenance
- Sports & Leisure
- Other industries



Revenue in the region Rest of the World grew significantly in 2019



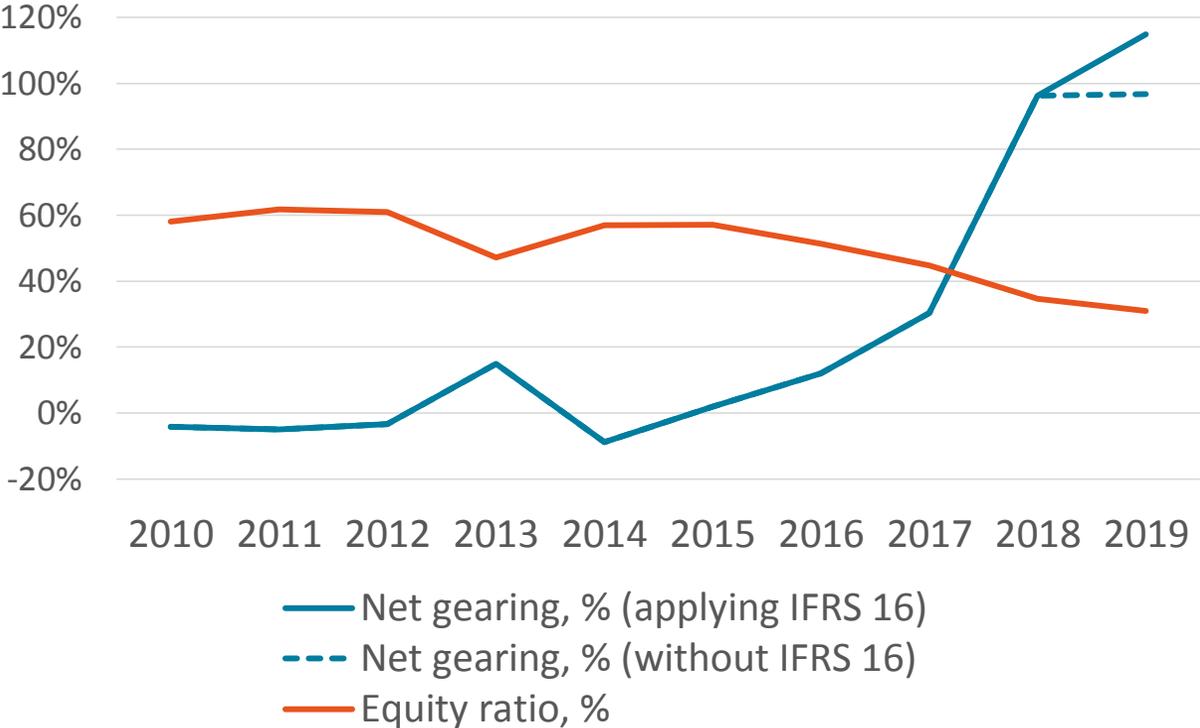
Earnings per share increased to EUR 0.20



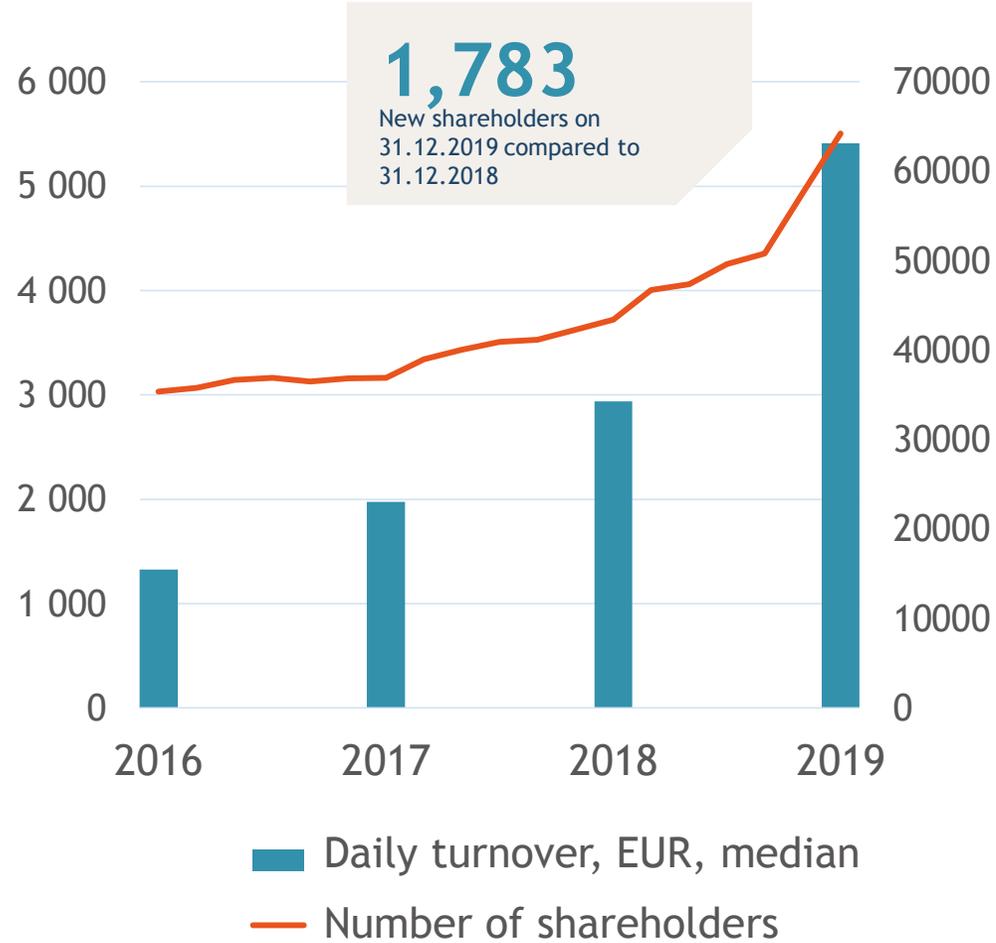
Proposal to the AGM: Dividend of EUR 0.18 per share



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



48% increase in number of shareholders



Guidance for 2020

Exel Composites expects revenue and adjusted operating profit to increase in 2020 compared to 2019.

Exel Composites has manufacturing in Nanjing, China. The coronavirus outbreak has delayed ramping up production to full capacity after the Chinese New Year. This will impact production volumes in China in the first quarter 2020. Currently, it is too early to estimate the impacts of the outbreak on the company's business and financial performance.

exel | FOR
FORWARD
THINKERS