

ANNUAL GENERAL MEETING 2018



Review by Riku
Kytömäki, President
& CEO

22 March 2018

Exel Composites in brief

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 Applications: Telecommunication, Paper Industry, Electrical Industry, Machine Industry, Transportation Industry

Construction & Infrastructure: BCI, Energy Industry

Other Applications: Cleaning & Maintenance, Sports & Leisure, Other Industries



Customers in over
50
countries

Manufacturing in
6
countries

86.3
(73.1)
Revenue
EUR million, 2017 (2016)

6.3
(2.6)
Adjusted operating profit
EUR million, 2017 (2016)

568
(455)
Employees
End of 2017 (2016)

Our values



Customer focused



Integrity



One Exel



Caring



Innovative



The 2017 was in many ways a very good year for Exel Composites

- All markets and customer segments performed well, leading to increased topline
- Signs towards general market recovery
- Further operational efficiency improvements and continued tight cost control
- Focused efforts on new customer acquisition and new business, especially in China
- Acquisition of Nanjing Jianhui
- Downsizing of Australian unit completed, manufacturing operations stopped



Order intake, revenue and operating profit improved significantly in 2017

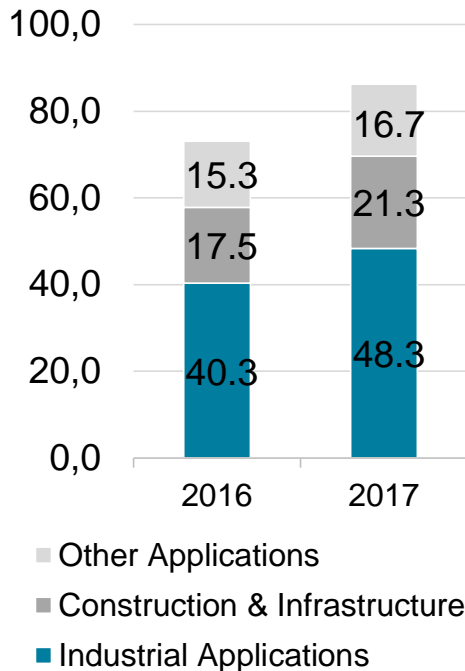
EUR thousand	1.1.-31.12. 2017	1.1.-31.12. 2016	Change, %
Order intake	86,531	74,778	15.7
Order backlog ¹	17,126	16,702	2.5
Revenue	86,255	73,079	18.0
Operating profit	6,081	649	837.5
% of revenue	7.1	0.9	
Adjusted operating profit ²	6,319	2,621	141.1
% of revenue	7.3	3.6	
Profit for the period	4,212	198	2,025.4
Net cash flow from operating activities	4,856	3,129	55.2
Return on capital employed, %	14.8	1.7	
Net gearing, %	30.3	12.2	
Earnings per share	0.36	0.02	
Equity per share, EUR	2.43	2.27	7.0
Employees on average	532	479	11.0
Employees at end of period	568	455	24.8

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.

Industrial Applications continued to drive the revenue increase

Revenue by customer segment, EUR million



Industrial Applications



Telecommunication



Paper Industry



Electrical Industry



Machine Industry



Transportation Industry

Construction & Infrastructure



Building, Construction & Infrastructure



Energy Industry



Cleaning & Maintenance



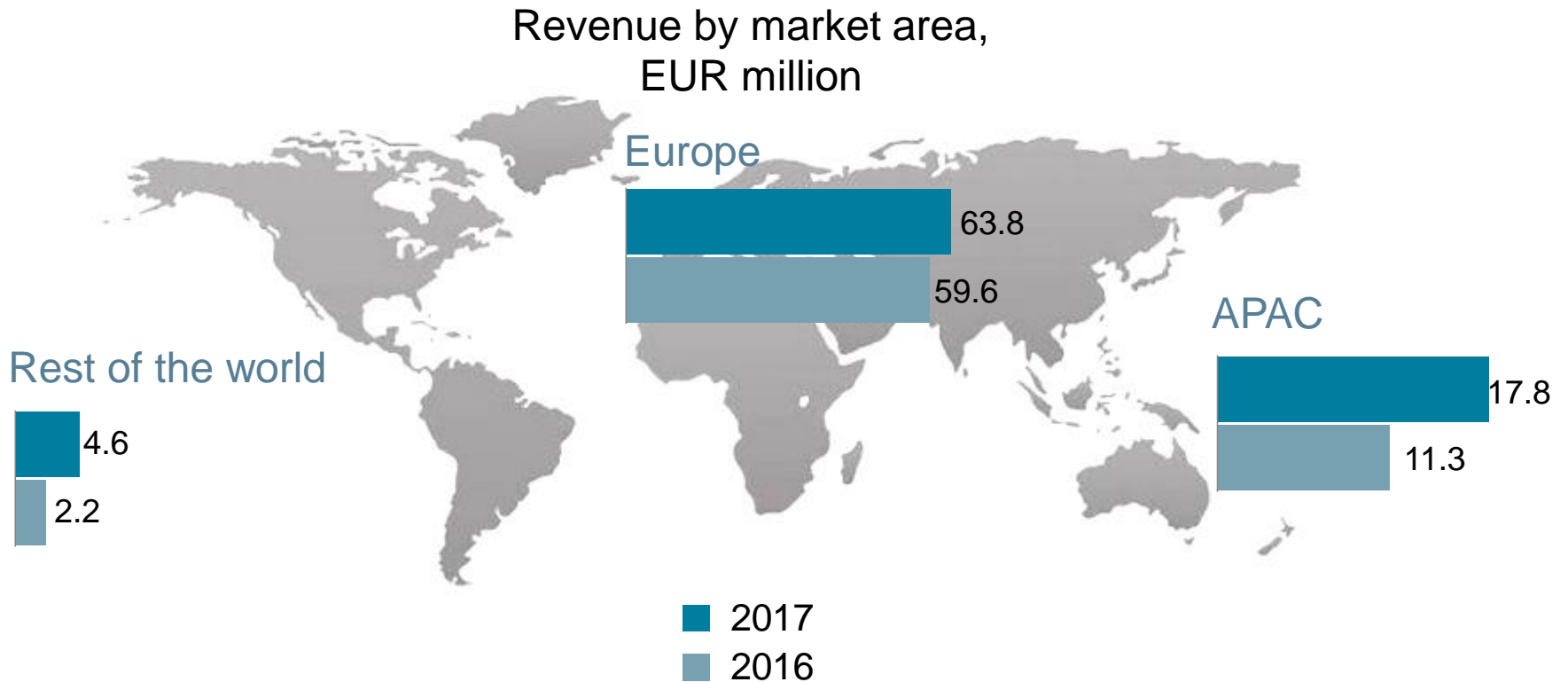
Sports & Leisure



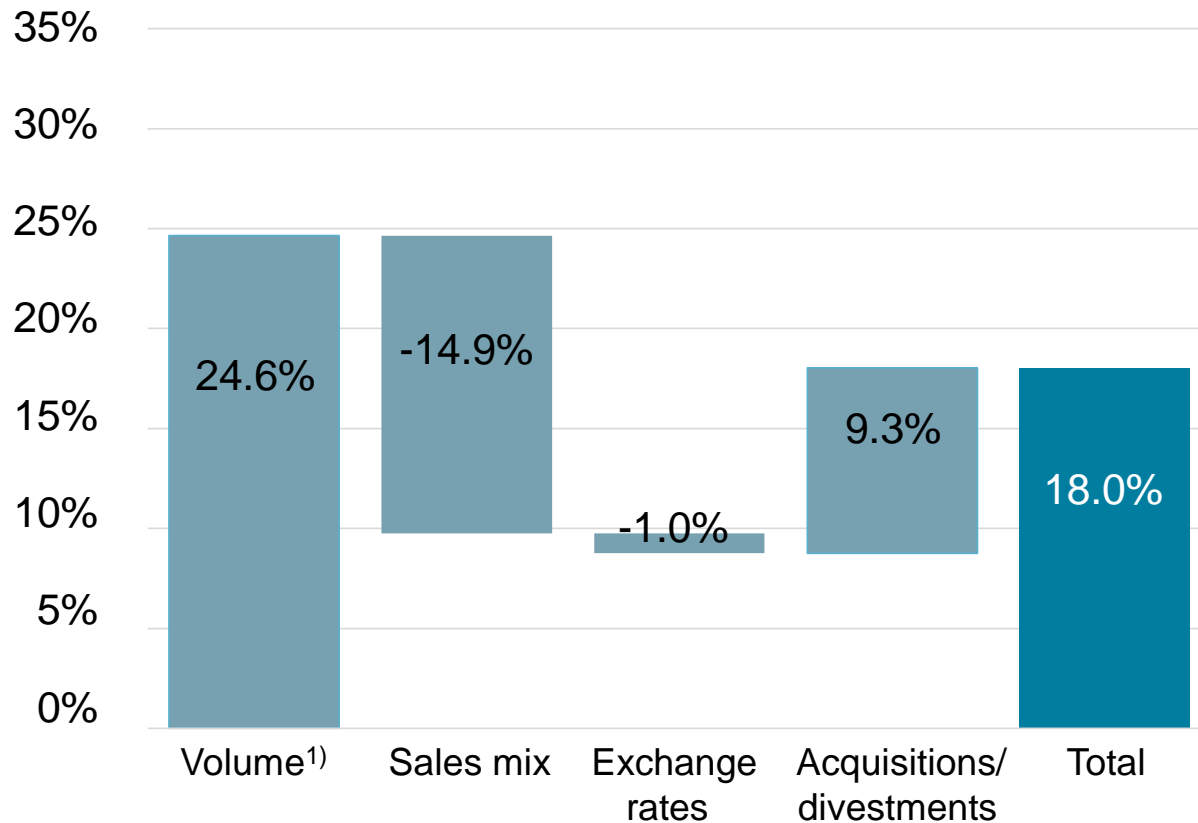
Other Industries

Other Applications

Asia and China major contributors geographically

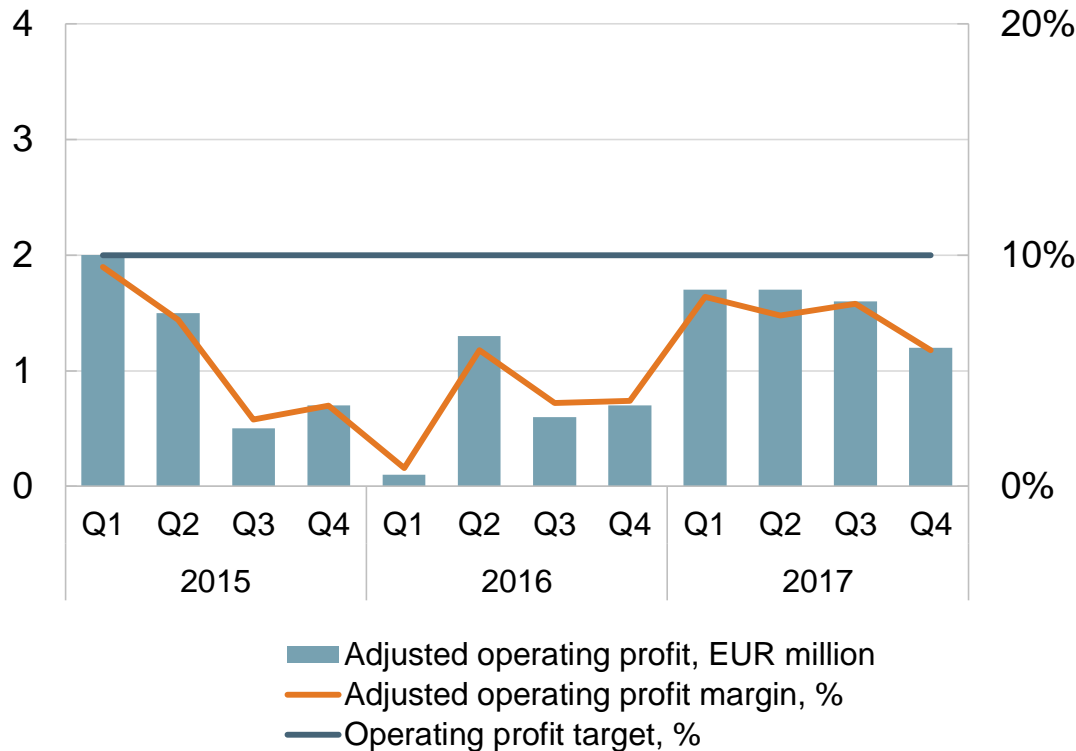


Main volume increase from key customers in Europe, Nanjing Jianhui also had a substantial positive impact



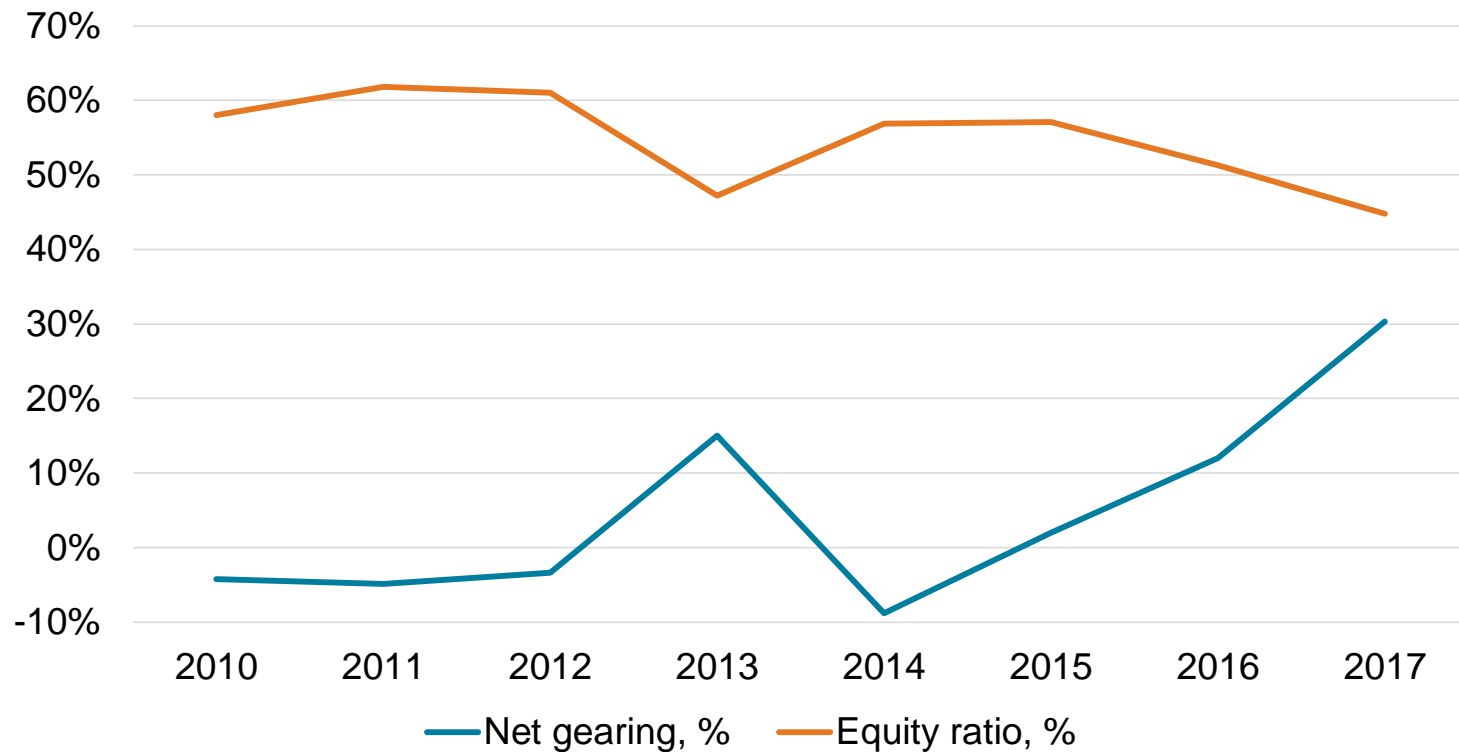
¹⁾ Volume impact calculated as difference in kilograms of delivered products times prior year average sales price/kg.

Operating profit improved significantly due to increased revenue, operational efficiency improvements and APAC reorganization



Proposal to the AGM: Dividend of EUR 0.30 per share

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



The market showed signs towards a general recovery in 2017

- Construction, transportation, telecommunications and energy are seen as high growth segments over the next few years.
- Attractive long-term market fundamentals prevail.



Urbanization

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



Sustainability

- Importance of low life-cycle embodied energy
- Composites help reduce environmental impact of end product
- Recycling solutions have been developed for composites



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

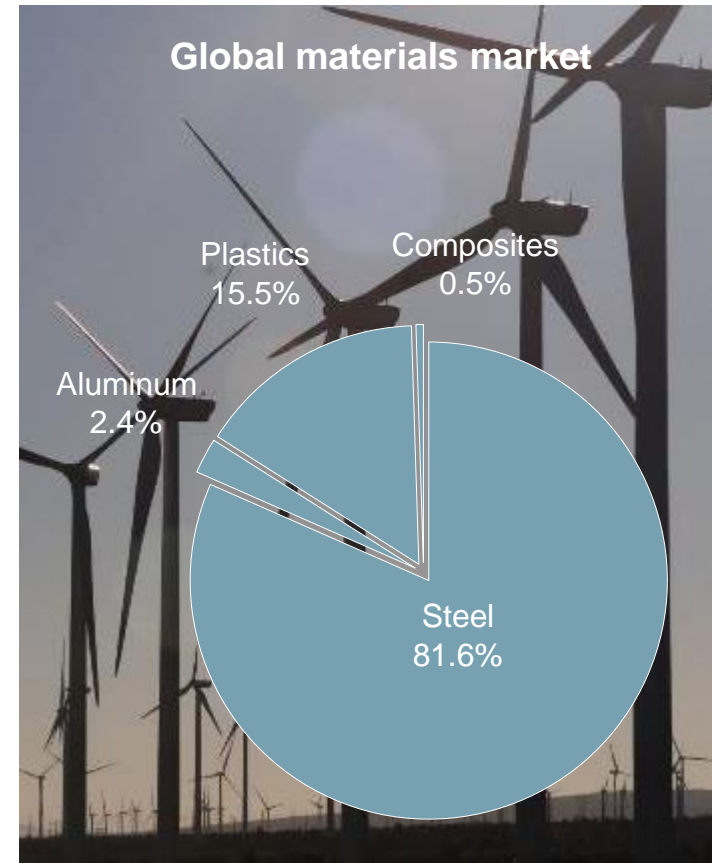
- Energy efficiency and technical benefits become important
- Low maintenance costs and durability favor composites
- Cost of alternative materials has increased

Composites market demand expected to grow both in volume and value

- Material market is dominated by steel and plastics
- Composite market represents 0.5%¹⁾
- Pultrusion market was estimated to be 2.5 BUSD in 2016 ²⁾
- Composite demand is expected to grow 4-5% p.a. in value during 2016-2021
- Growth is driven by:
 - Megatrends support composites demand in general
 - Asian market represents almost 50% of forecasted growth
 - Wind energy will be the fastest growing and single biggest application

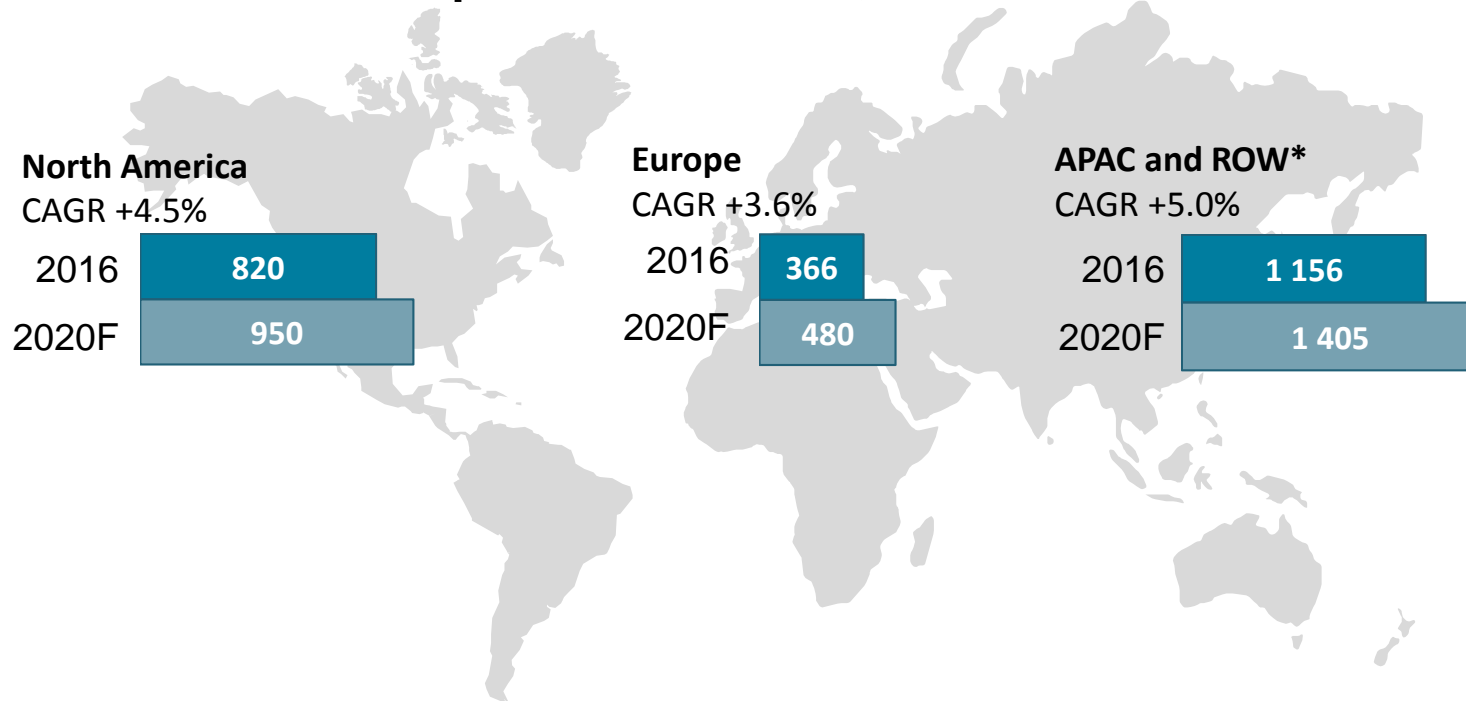
1) Source: Lucintel April 2016

2) Source: JEC September 2017



Largest markets are North America, North Asia and Europe

Global pultrusion market, USD million



- Largest markets are North America, North Asia and Europe
- Fastest growing regions are Asia and North America

Source: Lucintel April 2016

* Management estimate on APAC/ROW pultrusion

Sustainability is becoming increasingly important

Market requirements

- Recyclability is required in e.g. automotive, furniture, some BCI
- Positive marketing; better CO₂ foot print than aluminum
- Natural composites demand picking up

Business benefits

- Recycling process scrap (resin) to reduce material use and costs
- Reuse product scrap and off-spec (profiles) to transform into new products
- Cost recovery by selling CF and plastics for recycling

Legal requirements

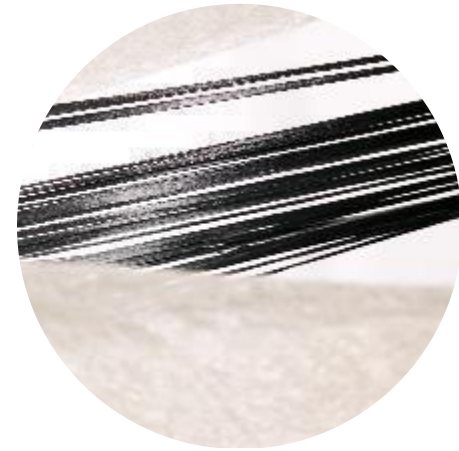
- Landfill disposal of FRP waste is getting banned
- Chemical emission regulating is gradually becoming more stringent
- Sustainability reporting is legal requirement for companies with over 500 staff



Exel Composites is getting increased economic benefits from green initiatives, sustainability, and circular economy

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 confirmed its 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



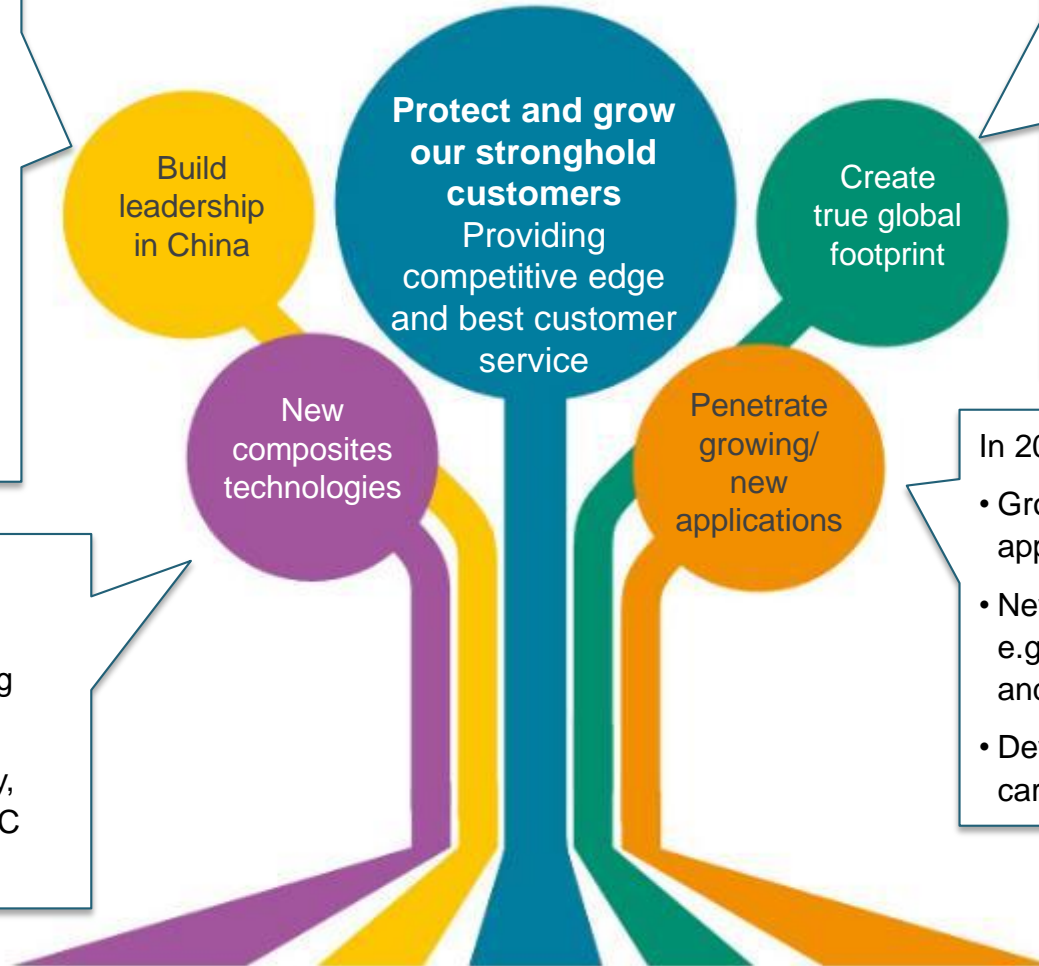
We took good steps forward implementing our strategy in 2017

In 2017:

- Acquisition of Nanjing Jianhui Composite Material (JHFRP)
- Strengthened position in China and APAC; expanded manufacturing capacity, local sales and product development
- Increased export capacity to other markets

In 2017:

- Advanced continuous lamination capabilities using double band press
- Further processing capacity, including extrusion and CNC machining



In 2017:

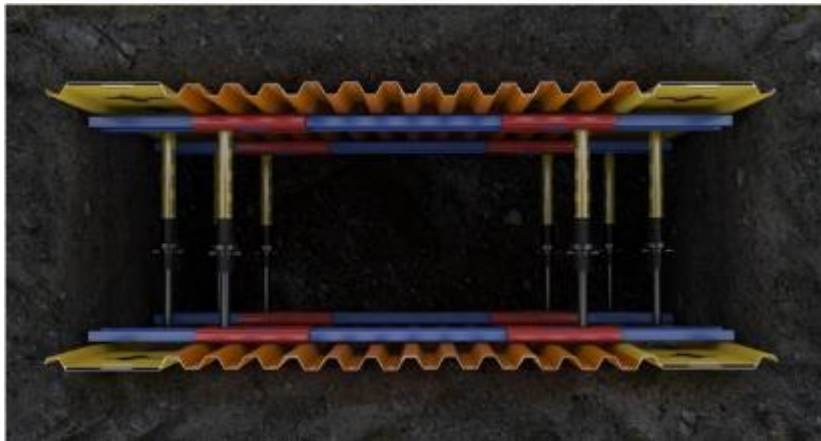
- Acquisition in China and reorganization of the APAC business
- Expansion of sales coverage in Asia
- Global M&A screening activities continued

In 2017:

- Growth in mid-segment applications
- New customer acquisition e.g. in energy, transportation and construction
- Development of long-length carbon fiber products

New solutions and new technology: Trench shoring concept

- Exel Composites partners with Eze Shoring to provide new lightweight, easy to use trench shoring concept for the construction industry.
- The Eze Shoring concept: four individual glass fiber reinforced high performance pultruded composite profiles
 - lightweight for ease of transport and handling
 - easy to assemble – no interlocking parts, pins, clips or hydraulics; and
 - 100% non-conductive, a major benefit when working near electricity cables.



"Bringing this product to market has been a massive challenge which would not be possible without the expertise of the Exel team."

Glenn Wood, Managing Director of Eze Shoring Ltd
and inventor

New applications: Composites in architectural design

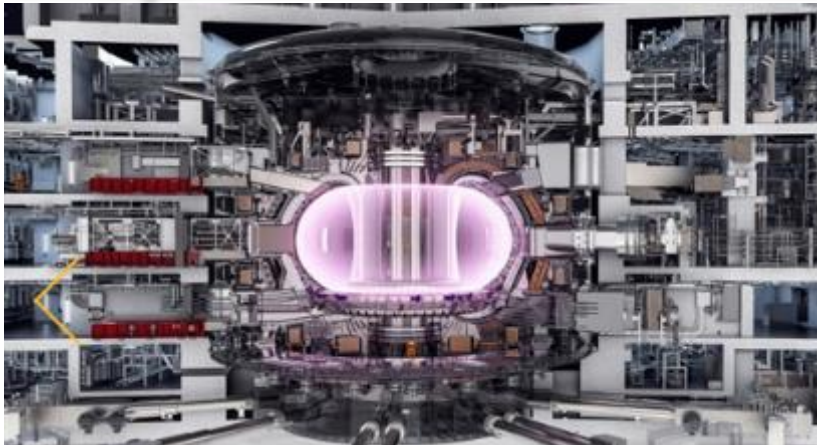
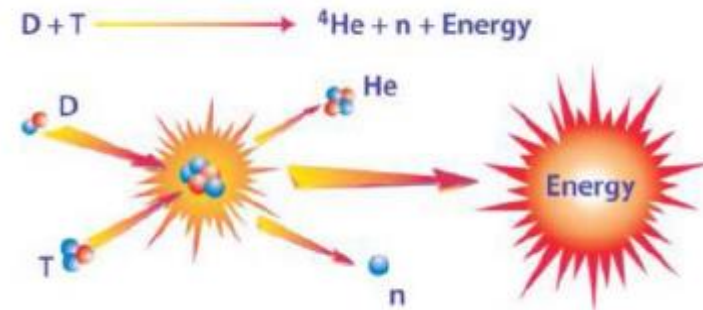
- Exel Composites is supplying the distinctive 37 meter long white profiles which will wrap around the new Soag Building for Study of Social Work on the University College Ghent's Schoonmeersen Campus in Belgium.
- Exel's glass fiber composite profiles were chosen for this application for their ease of installation and ability to meet the demanding aesthetic requirements of the project.



The structure communicates with its immediate surroundings via a permeable shading membrane made up of horizontal composite lamellas which wrap around the building's glass façade.

Demanding applications: Composites in ambitious fusion project

- Exel Composites collaborates with the French contractor CNIM on the manufacture of glass fiber components for the magnet support structure of the world's largest experimental fusion facility, ITER*.
- Fusion research is aimed at developing a safe and environmentally responsible energy source.
- With stringent quality demands, Exel Composites successfully solved the challenge of producing defect-free pultruded profiles of around 3 km in length.



“We are proud to support this groundbreaking project as it prepares the way for the fusion power plants of tomorrow. This represents a further example of Exel’s commitment to innovation and collaboration with our customers in the pursuit of new applications for composite materials.”

Kari Loukola, Senior Vice President, Sales & Marketing, Exel Composites

* International Thermonuclear Experimental Reactor, ITER

Sustainable solutions: Natural fibers in composites

- The world's first bio-based viaduct has been taken into use in Bergen Op Zoom, the Netherlands.
- Exel Composites worked together with Dura Vermeer, LOLA landscape architects and Millvision to provide extruded, bio-based resin coated flax fiber profiles that adapt to the Zoomland scenery.

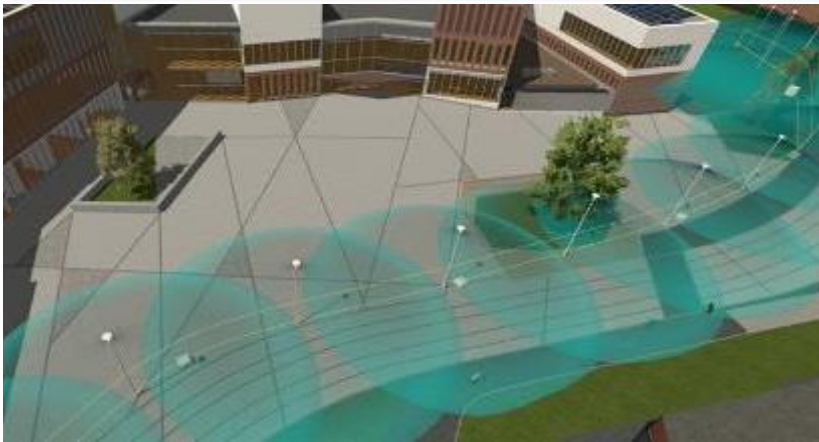


"We managed to get nature closer to us. We are fulfilling people's needs and do this in a better balance with the ecosystem."

Gert de Roover, Product Business Owner, Building, Construction and Infrastructure, Exel Composites

Innovations for the city of the future: LuxTurrim5G

- Exel Composites is part of an ambitious three-year initiative aimed at developing enablers for the future smart city.
- Big data capacity will be made available users will be made through a network of smart composite light poles.



"We have developed leading composite solutions to our customers' GSM/3G and 4G solutions and we also want to be the partner for next generation solutions and utilize composites' special features and optimization possibilities."

Mikko Lassila, Product Business Owner,
telecommunication, Exel Composites

Outlook for 2018

- Exel Composites expects **revenue** as well as **adjusted operating profit** to **increase** in 2018 compared to 2017.



More information at www.exelcomposites.com

Financial calendar 2018

- Business Review January - March: 9 May 2018
- Half Year Financial Report January - June: 24 July 2018
- Business Review January - September: 31 October 2018

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