

Remuneration Statement 2018

This remuneration statement is prepared in accordance with the Finnish Corporate Governance Code effective as of January 2016 and available at www.cgfinland.fi.

Principles of remuneration and the decision-making process

Exel Composites' remuneration principles are developed to promote the competitiveness and long-term financial success of the Company and to contribute to the development of the Company's shareholder value. Another aim of the remuneration principles is to increase the long-term commitment of the Board, the President and CEO and the Group Management Team to promote the interests of the Company and its shareholders as well as to attract, retain and motivate key personnel globally.

To ensure the alignment of compensation with the Company's financial targets, remuneration principles are based on predetermined and measurable performance and result criteria. Exel Composites' remuneration components include fixed base salary, short-term performance-based bonus and a long-term performance-based reward.

The Annual General Meeting, AGM, determines annually the remuneration of the Board members on the basis of the Shareholders' Nomination Board's proposal.

The Board of Directors decides on the remuneration and other terms of employment of the President and CEO.

The President and CEO presents the remuneration of the other members of the Group Management Team to the Board, which approves the remuneration and the main terms of employment of the Group Management Team members.

Authorization to repurchase Company's own shares as part of incentive program

The AGM held on 22 March 2018 authorized the Board of Directors to repurchase a maximum of 600,000 Company's own shares. Shares may be repurchased to be used as consideration in possible acquisitions or in other arrangements that are part of the Company's

business, to finance investments, as part of the Company's incentive program or to be retained, otherwise conveyed or cancelled by the Company. The share repurchase authorization shall be valid until 30 June 2019.

The authorization was not exercised in 2018.

Remuneration of the Board of Directors

The AGM held in 2018 confirmed the following compensation for Board members for the year 2018:

- Chairman of the Board: EUR 41,000 per annum and additionally EUR 1,500 per attended Board and committee meetings and other similar all-day Board assignments.
- Other Board members: EUR 19,000 per annum and additionally EUR 1,000 per attended Board and committee meetings and other similar all-day Board assignments.

According to a decision of the AGM held in 2018, 60% of the yearly remuneration was paid in cash and 40% in Exel Composites Plc shares, which were acquired directly for and on behalf of the members of the Board of Directors from the stock exchange market in amounts corresponding to EUR 16,400 for the Chairman and EUR 7,600 for each of the other members. Should the term of any member of the Board of Directors come to an end for whatever reason before the next AGM, such member of the Board of Directors will have to return to the Company the remuneration or equivalent amount in cash already received but not yet earned at that point in time.

The Board of Directors convened eight times in 2018.

Remuneration received by the Board of Directors in 2018 (EUR thousands)

Name and position	Annual fixed fees 2018	Meeting fees 2018	Other fees 2018	Total fees 2018	Total fees 2017
Reima Kerttula Chairman (as of 17 March 2016, member until 17 March 2016)	41	12	3	56	67
Petri Helsky Member (as of 17 March 2016)	19	8	1	28	27
Kai Kauto Member (as of 4 April 2017)	19	6	0	25	26
Helena Nordman-Knutson Member (as of 4 April 2017)	19	8	1	28	23
Jouko Peussa Member (as of 17 March 2016)	19	8	0	27	25
Matti Hyytiäinen Vice Chairman (as of 17 March 2016 and until 4 April 2017, member until 17 March 2016)	0			0	1
Heikki Hiltunen Member (until 4 April 2017)	0			0	0
Total	117	42	5	164	169

In addition, travel expenses and other out-of-pocket expenses arising from the Board work were compensated in accordance with the Company's established practice and travel rules. Exel Composites has no such incentive program by which the Company rewards the Board members with shares or option rights. The Board members are neither entitled to a short-term performance-based bonus.

The members of the Shareholders' Nomination Board are not remunerated by Exel Composites for their membership in the Shareholders' Nomination Board. Any necessary expenses that are required for the Nomination Board's work will be reimbursed by the Company.

Remuneration and service contract of the President and CEO

The remuneration scheme of the President and CEO consists of a fixed monthly base salary, a performance-based bonus on an annual basis and a long-term incentive compensation.

The President and CEO's pension is determined in accordance with the statutory Finnish employee pension scheme (TyEL) that links the benefits directly to the President and CEO's earnings. The President and CEO's retirement age is 63 years. The President and CEO has no separate pension agreement.

According to the employment contract, the period of notice of the President and CEO is six months and the severance pay in the case of termination by the Company corresponds to 12 months' salary.

Remuneration of the Group Management Team and performance-based bonus

Compensation for the members of the Group Management Team comprises a fixed monthly base salary and fringe benefits as well as a performance-based bonus on an annual basis and long-term incentive compensation.

The amount of the bonus and the performance criteria are annually determined by the Board of Directors of Exel Composites. The Board also evaluates whether the performance criteria have been met.

In 2018, the key financial performance criteria of the performance-based bonus were adjusted operating profit (EBIT) and gross profit. In 2018, the maximum annual bonus for the President and CEO was 50% of his annual base salary. For the other members of the Group Management Team the maximum annual bonus was 40% of their respective annual salary.

There are no additional pension schemes for the Group Management Team members.

Long-term incentive compensation

The Group has long-term incentive programs for the President and CEO and the Group Management Team and selected key employees of the Company. The objectives of the programs are to align the interests of the management with those of the company's shareholders and, thus, to promote shareholder value creation in the long term, to commit the management to achieving the strategic targets of the company and to retain the company's key individuals. The Board of Directors takes decisions on the programs annually.

The 2015 program, the earning period of which ended in 2017, was based on a long-term monetary incentive program and targeted at approximately 25 executives for the earning period 2015-2017. The President and CEO and the members of the Group Management Team were included in the target group of the 2015 program. The potential long-term monetary performance reward was based on the Group's cumulative Economic Profit and on the Group's Total Shareholder Return (TSR). The potential maximum reward to be paid on the earning period 2015-2017 was EUR 1.5 million. There was no monetary reward paid in 2018 based on the program.

On 31 December 2018, the Group had one monetary and two share-based long-term incentive programs:

The 2016 program is based on a long-term monetary incentive program and is targeted at approximately 20 executives for the earning period 2016-2018. The President and CEO and the members of the Group Management Team are included in the target group of the 2016 incentive program. The potential long-term monetary performance reward is based on the Group's cumulative Economic Profit and on the Group's Total Shareholder Return (TSR). The potential reward will be paid in 2019. The maximum reward to be paid will be EUR 1 million. In 2018 no related costs were recorded.

The 2017 plan is part of a share-based long-term incentive program for the earning period 2017-2019 and is targeted at approximately 14 executives. The President and CEO and the members of the Group Management Team are included in the target group of the 2017 incentive program. The potential share-based performance reward is based on the operating profit (EBIT) and the absolute total shareholder return of the company's share (TSR). The potential share reward is payable in 2020. The maximum number of shares to be paid under this individual plan is 153,700 shares. EUR 51 thousand of related costs were accrued in 2018.

The 2018 plan is part of a share-based long-term incentive program for the earning period 2018-2020 and is targeted at approximately 15 executives. The President and CEO and the members of the Group Management Team are included in the target group of the 2018 incentive program. The potential share-based performance reward is based on the adjusted operating profit (EBIT) and the absolute total shareholder return of the company's share (TSR). The potential share reward is payable in 2021. The maximum number of shares to be paid under this individual plan is 122,000 shares. EUR 15 thousand of related costs were accrued in 2018.

The administration of the share-based incentive plan and the acquisition of shares are conducted through an arrangement made with Evli Awards Management Oy (EAM) as per the decision of the Board of Directors on 12 June 2017 and according to the stipulations of the Companies Act for financing the purchase of own shares (the Finnish Companies Act, Chapter 13, Section 10, Subsection 2) relating to incentive plans. As a part of this arrangement EAM founded EAM EXL1V Holding Oy (Holding company), which acquires the shares with Exel's funding and according to the agreement. These shares will be delivered to the employees according to the Exel's share plan terms and conditions. The Holding company is owned by the EAM in legal terms, but according to the agreement Exel has control over the company and acts as the principal, whereas EAM is an agent through the Holding company. This control arising from contractual terms means, that the Holding company is consolidated in to the Group's IFRS financial statements as a structured entity.

No reward will be paid to an executive based on the 2016, 2017 and 2018 programs described above, if his or her employment or service with the Company ends before the reward payment unless the executive is leaving the Company due to retirement or unless the Board decides otherwise. The 2017 and 2018 programs also include a one year lock-up period, and the restriction on leaving the Company is extended to the end of the lock-up.

The cost of all programs will be accounted for as operating expenses during the duration of the programs.

Financial benefits of the President and CEO and Group Management Team in 2018 (EUR thousands)

	Fixed annual base salary	Fringe benefits	Performance-based bonus based on 2017 results	Long-term compensation	Total 2018	Total 2017
President and CEO	306	0	85	0	390	363
Group Management Team	706	17	148	0	872	756
Total	1,012	17	233	0	1,262	1,119

The share ownerships of the President and CEO and the other Group Management Team members are presented on Exel Composites' website at www.exelcomposites.com.