EXEL COMPOSITES
STRATEGY 2017-2020

Group strategy
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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

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<thead>
<tr>
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<th>2017</th>
<th>2016</th>
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<tbody>
<tr>
<td><strong>Revenue</strong> (EUR million)</td>
<td>86.3</td>
<td>(73.1)</td>
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<td><strong>Adjusted operating profit</strong> (EUR million)</td>
<td>6.3</td>
<td>(2.6)</td>
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<tr>
<td><strong>Employees</strong> (End of 2017)</td>
<td>568</td>
<td>(455)</td>
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Our values

- Customer focused
- Integrity
- One Exel
- Caring
- Innovative
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 ~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 will be the fastest growing and single biggest application

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\(^1\) Source: Lucintel April 2016  
\(^2\) Source: JEC September 2017
Largest markets are North America, North Asia and Europe

Global pultrusion market, USD million

- North America
  - CAGR +4.5%
  - 2016: 820
  - 2020F: 950

- Europe
  - CAGR +3.6%
  - 2016: 366
  - 2020F: 480

- APAC and ROW*
  - CAGR +5.0%
  - 2016: 1,156
  - 2020F: 1,405

- 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
Megatrends drive long-term demand growth

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

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

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

Life-cycle cost thinking
- Energy efficiency and technical benefits become important
- Low maintenance costs and durability favor composites
- Cost of alternative materials has increased
Sustainability is becoming increasingly important

**Market requirements**
- Recyclability is required in e.g. automotive, furniture, some BCI
- Positive marketing; better CO₂ footprint 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 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 is based on five pillars:

**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

Next level growth
Strategy implementation in 2017

STRATEGY BASED ON FIVE PILLARS

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

In 2017:
- Acquistion in China and reorganization of the APAC business
- Expansion of sales coverage in Asia
- Global M&A screening activities continued

In 2017:
- Advanced continuous lamination capabilities using double band press
- Further processing capacity, including extrusion and CNC machining
Financial targets reflect our growth strategy

- Financial targets are considered over a business cycle. Potential acquisitions may impact the long-term financial targets.
- Dividend policy: Exel Composites’ ambition is to distribute a minimum of 40% of net income in dividends, when permitted by the financial structure and growth opportunities.
Exel Composites