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

<table>
<thead>
<tr>
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<th>2018</th>
<th>2017</th>
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<tbody>
<tr>
<td>Revenue</td>
<td>96.6 (86.3)</td>
<td>675 (568)</td>
</tr>
<tr>
<td>Adjusted operating profit</td>
<td>5.0 (6.3)</td>
<td>675 (568)</td>
</tr>
<tr>
<td>Employees</td>
<td>5.0</td>
<td>675</td>
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</table>

Our values

- Customer focused
- Integrity
- One Exel
- Caring
- Innovative
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

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

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

- **Industrial Applications**
  - Telecommunication
  - Paper Industry
  - Electrical Industry
  - Machine Industry
  - Transportation Industry

- **Construction & Infrastructure**

- **Other Applications**
  - Building, Construction & Infrastructure
  - Energy Industry
  - Cleaning & Maintenance
  - Sports & Leisure
  - Other Industries

Other Applications
Construction & Infrastructure
Industrial Applications

2017:
- Other Applications: 16.7
- Construction & Infrastructure: 48.3
- Industrial Applications: 21.3

2018:
- Other Applications: 19.9
- Construction & Infrastructure: 39.9
- Industrial Applications: 36.9
Revenue in the region Rest of the World grew significantly.

Revenue by market area, EUR million:

- **Europe**: 2018 - 61.1, 2017 - 63.8
- **Rest of the World**: 2018 - 18.1, 2017 - 4.6
- **APAC**: 2018 - 17.4, 2017 - 17.8
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 live
- 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

Protect and grow strong-holds

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

Next level growth

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

Solutions for larger growth applications
- Package key applications to ‘systems’
Strategy implementation in 2018

**Strengthened** position in China and APAC; expanded manufacturing capacity, local sales and product development

Increased **export capacity** to other markets

High-level know-how on carbon fibers and **technological skills** such as high-speed production through the acquisition of DSC

Continued initiatives to extend capabilities in **product design and composite production**

**Acquisition of** **Diversified Structural Composites (DSC)**

Foothold in all of the most important composites markets

Global M&A screening activities

**Protect and grow our stronghold customers**
Providing competitive edge and best customer service

**Create true global footprint**

**New composites technologies**

**Penetrate growing/new applications**

Active development for **new composites applications**, e.g. applications for the automotive and wind energy industry, long-length carbon fiber products and mid-segment composite profiles in the construction industry

**Build leadership in China**

**Strengthened position in China and APAC; expanded manufacturing capacity, local sales and product development**

Increased **export capacity** to other markets

High-level know-how on carbon fibers and **technological skills** such as high-speed production through the acquisition of DSC

Continued initiatives to extend capabilities in **product design and composite production**
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.
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 safety.

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.*
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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