

**Business Review  
January - March  
2020**



**“Profitability improved; guidance withdrawn due to poor short term predictability”**

### **Q1 2020 in brief**

- Order intake increased by 22.6% to EUR 34.5 million (Q1 2019: 28.2).
- Revenue increased by 2.6% to EUR 27.8 million (27.1).
- Adjusted operating profit increased to EUR 2.1 million (2.0), which is 7.5% of revenue (7.2).
- Operating profit increased to EUR 1.9 million (0.4), which is 6.7% of revenue (1.5).
- Earnings per share amounted to EUR 0.06 (-0.04).

### **Guidance for the full year 2020 (withdrawn)**

As a consequence of increased uncertainty and poor short term predictability due to the Covid-19-pandemic Exel Composites withdraws its current guidance. The impact of the pandemic on the company depends on the duration and severity of the crisis. The company will specify its guidance for 2020 later during the year when a more reliable estimate can be made.

According to its previous guidance, the company expected revenue and adjusted operating profit to increase compared to 2019.

### **President and CEO, Riku Kytölä**

We live in unprecedented times where the Covid-19-pandemic is a serious concern worldwide. In the first quarter of 2020, the main impact from the Covid-19 outbreak was on Exel Composites' business in China. Production was halted for four weeks in total, including the prolonged Chinese New Year's break, but was gradually ramped up to full capacity by mid-March. Despite this negative impact, Group revenue and adjusted operating profit improved compared to last year. Order intake reached a

**22.6%**

**Order intake increased to  
EUR 34.5 million in Q1 2020**

quarterly all-time high supported by a large order received by our business unit in the USA. The deliveries of this order will extend all through 2020. The increased business volume provides a solid base for the unit's profitability development this year. Group order backlog for the coming months looks good. There is nevertheless uncertainty regarding order intake development in the short term and visibility is poor. The extent of the impact of the Covid-19-pandemic depends on how long the situation continues.

Revenue in the first quarter of 2020 increased compared to the same period the previous year. Growth was supported by significantly increased volumes in two customer industries in particular, Defense as well as Equipment and other industries. Revenue also increased in Buildings and infrastructure, Machinery and electrical and Wind power customer industries. Business volumes in Telecommunications continued to decline. Geographically, revenue in the regions Asia-Pacific and Europe increased compared to previous year, while in region North America's revenue declined. To increase transparency and support stakeholder understanding, as of the first quarter 2020, we will report revenue distribution on an increased number of customer industries. From now on, we will report the revenue split on a quarterly basis.

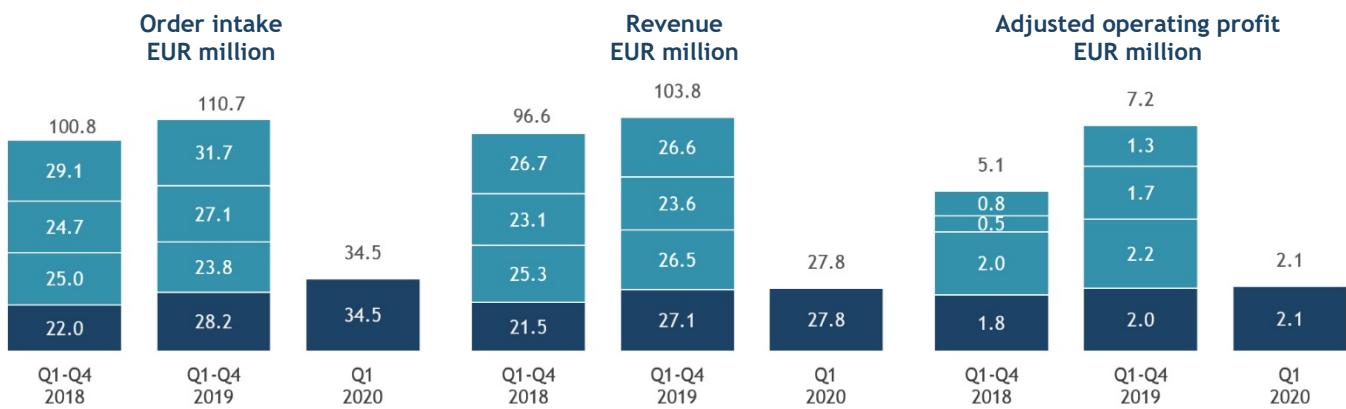
Adjusted operating profit increased in the first quarter of 2020 compared to the previous year. The business unit in the USA was profitable in the first quarter, driven by increased business volume together with a streamlined cost structure and organization. This had a significant positive effect on Group profitability. Lower delivery volumes from the Chinese factories, due to the pandemic related delay in production ramp-up, impaired Group profitability. Despite this, adjusted operating profit at Group level improved compared to last year.

So far the impact of the pandemic on our operations, e.g. issues in the supply chain, postponements in orders or delays in deliveries, has been limited. The Group's financial position is currently good. Exel Composites has, in line with its strategy, created a global manufacturing footprint, which has diversified the risk and mitigated the impacts of the pandemic. At the same time when the Covid-19 situation in Europe and the United States has been difficult, in China factory operations have been almost back to normal.

Covid-19 pandemic will most likely impact global business for quite some time. Nevertheless, we see that reducing the impact of global warming, requirements for energy efficiency and sustainable values, continue to increase the demand for composites in the long term.



**Reducing the impact of global warming for example continues to increase the demand for composites in the long term.**



## Consolidated key figures

EUR thousand	Q1 2020	Q1 2019	Change %	Q1-Q4 2019
Revenue	27,805	27,090	2.6	103,784
Operating profit	1,870	405	361.7	5,087
% of revenue	6.7	1.5		4.9
Adjusted operating profit 1)	2,072	1,958	5.8	7,160
% of revenue	7.5	7.2		6.9
Profit before tax	1,316	182	622.1	3,885
% of revenue	4.7	0.7		3.7
Profit for the period	670	-463	244.7	2,397
% of revenue	2.4	-1.7		2.3
Shareholders' equity	24,463	24,025	1.8	26,302
Interest-bearing liabilities	39,762	35,878	10.8	37,163
Cash and cash equivalents	8,548	4,094	108.8	6,930
Net interest-bearing liabilities	31,213	31,784	-1.8	30,234
Capital employed	64,224	59,904	7.2	63,466
Return on equity, %	10.6	-7.4	241.9	9.2
Return on capital employed, %	11.7	2.8	317.2	8.6
Equity ratio, %	27.6	29.1	-5.0	30.9
Net gearing, %	127.6	132.3	-3.6	114.9
Net cash flow from operating activities	2,962	681	335.2	9,030
Net cash flow from investing activities	-1,576	-1,066	47.9	-6,087
Capital expenditure	1,576	1,098	43.6	6,262
% of revenue	5.7	4.1		6.0
Research and development costs	750	773	-2.9	2,851
% of revenue	2.7	2.9		2.7
Order intake	34,520	28,156	22.6	110,693
Order backlog	37,094	24,750	49.9	30,391
Earnings per share, diluted and undiluted, EUR	0.06	-0.04	244.7	0.20
Equity per share, EUR	2.1	2.0	1.8	2.2
Average share price, EUR	5.40	4.15	30.1	4.54
Average number of shares, diluted and undiluted, 1,000 shares	11,821	11,820	0.0	11,820
Employees, average	662	689	-3.9	660
Employees, end of period	672	694	-3.2	648

1) Excluding material items affecting comparability, such as restructuring costs, impairment losses and reversals, and costs related to planned or realized business acquisitions or disposals.

# Revenue distribution

Exel Composites has reviewed the categories by which it identifies its main customer industries and geographical regions. Group revenue distribution is reported accordingly and on a quarterly basis as of the first quarter of 2020. The main purpose of the change is to increase transparency and ensure unified use in investor and other external communications by the company.

## Seven customer industries

- **Buildings and infrastructure** (previously part of Construction & Infrastructure customer segment)  
**Application examples:** Window and door profiles, facades, structural composites, cable management, utility power transmission, rail solutions, bridges
- **Equipment and other industries** (previously mainly part of Other Applications)  
**Application examples:** Cleaning and maintenance tools, tool handles, tripods, sporting goods, oil and gas, agriculture
- **Wind power** (previously part of Construction & Infrastructure)  
**Application examples:** Strengthening and stiffeners for wind turbine blades, access and support structures, insulators
- **Machinery and electrical** (previously mainly part of Industrial Applications)

**Application examples:** Conduit rods, robotics, electrically insulating solutions, textile machine solutions, paper machine solutions, hand power tools

- **Transportation** (previously part of Industrial Applications customer segment)

**Application examples:** Profiles and applications for buses, trucks and trailers, trains and trams, automotive, aerospace and marine

- **Defense** (previously part of Other Applications)

**Application examples:** Camouflage support poles, non-magnetic tool handles, casings

- **Telecommunications** (previously part of Industrial Applications)

**Application examples:** Antenna radomes, masts

## Four geographical regions

Geographical distribution of revenue is presented according to the location of the customer and not the location of the manufacturing Exel business unit.

- **Europe** (unchanged)

• **North America**, including Mexico, is separated from the region Rest of the World as the market is now served with a manufacturing unit in the region)

- **Asia-Pacific**, APAC (unchanged)

- **Rest of the World**

## Revenue by customer industry

EUR thousand	Q1 2020	Q1 2019	Change %	Q1-Q4 2019
Buildings and infrastructure	6,216	5,993	3.7	23,502
Equipment and other industries	6,111	5,453	12.1	18,644
Wind power	5,826	5,767	1.0	23,620
Machinery and electrical	3,780	3,606	4.8	14,384
Transportation	3,376	3,688	-8.5	13,127
Defense	1,251	375	233.7	2,292
Telecommunications	1,245	2,209	-43.6	8,215
Total	27,805	27,090	2.6	103,784

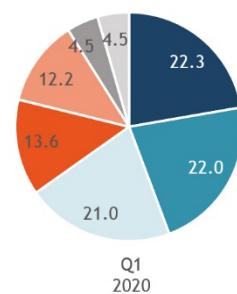
## Revenue by region

EUR thousand	Q1 2020	Q1 2019	Change %	Q1-Q4 2019
Europe	16,870	16,445	2.6	62,076
North America	5,820	6,763	-13.9	22,407
Asia-Pacific	4,182	3,693	13.2	17,600
Rest of the world	933	188	395.6	1,701
Total	27,805	27,090	2.6	103,784

**Revenue by customer industry**  
EUR million



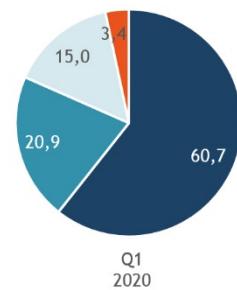
**Share of revenue by customer industry**  
%



**Revenue by region**  
EUR million



**Share of revenue by region**  
%



## Impacts of the Covid-19 pandemic

### Operations

During the first quarter of 2020, the Covid-19 pandemic impacted Exel Composites' business volumes and profitability mainly in China. Production in the Chinese units was halted for four weeks in total, including the prolonged Chinese New Year's break, but was gradually ramped up to full capacity by mid-March. Apart from the Chinese factories, all of our manufacturing facilities operated normally during the first quarter. Since the beginning of April 2020, the business unit in Great Britain is running with reduced capacity. Considering the backlog of the unit, the financial impact of running the factory with reduced capacity is not significant. The business unit in the United States is since the beginning of April also producing products only for businesses categorized as essential by authorities, for example components for wind power. However, the majority of the order backlog in the United States is currently categorized as products for essential business.

Raw material supply and logistics have been only slightly affected by the pandemic so far. Minor challenges in specific raw material categories or personal protection equipment supplies have been solved through consolidated Group purchases and finding alternative suppliers or technical solutions.

### Financial standing

We have received some customer requests to postpone deliveries of current orders, typically by two to four weeks from the originally planned delivery time, which impacts timings of revenues and profits. However, we have not experienced any significant cancellations of orders. On the other hand, our long term new product development yielded a record high order intake during the first quarter, totally irrespective of the Covid-19 situation.

The Group's liquidity and cash situation are currently good and the Covid-19 pandemic has had limited impact, if any, on Group liquidity. In April 2020, the Group agreed to continue the EUR 10 million committed overdraft facility expiring in June 2020 by two years. The new overdraft facility expires in June 2022. The Group also agreed upon on a new EUR 7 million long-term loan in April 2020 to secure financing of the construction of a new manufacturing facility in Austria. With other existing committed credit limits, these new agreements secure financing of all foreseen investments in 2020 and provide for a comfortable liquidity buffer for any unforeseen negative events.

Exel Composites paid a total of EUR 2.1 million in dividends on 31 March 2020 for the financial year 2019.

Currently Exel Composites is not receiving any material financial assistance under any local Covid-19-related programs.

## Our response in relation to the coronavirus pandemic

The health and safety of our employees, customers and business partners is a priority for Exel Composites. In order to ensure safety and business continuity during the Covid-19 pandemic, the Group Management Team and local management are holding regular online meetings to review the latest developments, actions and best practices in all functions and countries of operation. Group level safety and hygiene instructions have been implemented in all units. Most of our European manufacturing units are located in more remote locations where the occurrence of the Covid-19 has so far been reduced compared to larger urban areas. All those employees who can, work from home, online meetings are preferred and outsider visits to sites are reduced to minimum. Continuous internal communication at Group level as well as locally on Covid-19 related concerns has been emphasized and implemented through a variety of channels.

Close and continuous interaction is maintained with customers, suppliers and business partners in order to ensure timely reaction to new developments. Despite the situation being to a large extent “business as usual”, we have seen increased cautiousness among our customers

going into the second quarter. The duration and severity of the Covid-19 pandemic will evidently play a key role in evaluating the final impacts of the crisis.

## Financial results briefing

Exel Composites will hold a financial results briefing regarding the Business Review January-March 2020 on Wednesday 6 May 2020 at 12:30 EET. Participation requires registration in advance.

Vantaa, 6 May 2020

**Exel Composites Plc**  
Board of Directors

### For further information, please contact:

Mr. Riku Kytölä, President and CEO  
tel. +358 50 511 8288  
[riku.kytomaki@exelcomposites.com](mailto:riku.kytomaki@exelcomposites.com)

Mr. Mikko Kettunen, CFO  
tel. +358 50 347 7462  
[mikko.kettunen@exelcomposites.com](mailto:mikko.kettunen@exelcomposites.com)



## Exel Composites in brief

Exel Composites, a global technology company headquartered in Finland, is the world's largest manufacturer of pultruded and pull-wound composite products. Our global manufacturing, R&D, and sales footprint serves customers across a broad range of industries and applications. With 60 years of composites experience and engineering expertise, we work closely with our customers to design and manufacture high quality composite products using carbon fiber, fiberglass, and other high-performance materials. Our composites help reduce weight, improve performance, and decrease total life cycle costs, all while helping increase energy efficiencies and supporting environmental sustainability.

Exel Composites employs approximately 650 innovative and customer-focused employees around the world and is listed on the Nasdaq Helsinki exchange. To find out more about our offering and company please visit [www.exelcomposites.com](http://www.exelcomposites.com).