

Exel Composites Plc's Financial Statements Release 2015

Q4 2015 in brief

- Net sales were 19.3 MEUR, down by 8.2 per cent on the previous year (Q4/2014: 21.1 MEUR)
- Order intake increased by 11.1 per cent to 20.5 (18.4) MEUR
- Operating profit decreased to 0.6 MEUR including -0.1 MEUR non-recurring items (2.1 MEUR including -0.2 MEUR non-recurring items) and was 3.1 (9.8) per cent of net sales
- Net cash flow from operating activities was positive at +0.5 (+3.8) MEUR
- Fully diluted earnings per share were 0.03 (0.12) EUR

1-12/2015 in brief

- Net sales for the financial year 2015 increased to 80.2 MEUR, up by 1.2 per cent on the previous year (1-12/2014: 79.3 MEUR)
- Order intake increased by 1.3 per cent to 83.4 (82.3) MEUR. Order backlog increased to 15.3 (12.8) MEUR on 31 December 2015
- Operating profit was 4.4 MEUR including -0.4 MEUR non-recurring items (8.9 MEUR after impairment of -0.5 MEUR) and was 5.5 (11.2) per cent of net sales
- Net cash flow from operating activities was positive at +3.4 (+10.7) MEUR
- Fully diluted earnings per share for the full year were 0.24 (0.48) EUR
- The Board of Directors proposes that a dividend of 0.22 EUR per share be paid for the financial year 2015

Outlook for full year 2016

The Company continues to implement its new strategy with focus to operational efficiency and optimizing the global manufacturing footprint. The Company estimates that operating profit excluding any non-recurring items will increase in 2016 compared to 2015.

Comments by the CEO

In 2015 Exel Composites started fully implementing the new strategy that was launched in late 2014. During 2015 we have advanced the strategic initiatives by strengthening the organization, developing competencies, improving processes, adding flexibility and increasing production capacity in order to be ready for organic and in-organic growth. Operations were improved in many fronts, including supply chain management, health & safety, on-time-delivery (OTD) promptness to clients and continued implementation of the new global ERP.

M&A screening activities continued throughout the year. The ongoing expansion projects in China and Austria are currently in permitting and design phase but the completion of both projects has been postponed to 2017.

Profitability of the Company was not satisfactory and was impacted in 2015 by higher operating costs mainly attributable to the additional resources required to build the organization to the next level. In addition, business volume of the Group, with net sales increasing only slightly to EUR 80.2 (79.3) million, was lower than planned, which in itself decreased profitability through low utilization of certain factories. In the second and third quarter we saw postponements of some key customer orders and end-customer projects. Further actions were taken to control costs and to drive sales. In the fourth quarter order intake was recovering and increased from the low level of the third quarter.

During 2015 we have taken several steps in the path towards becoming a truly global composites company. In 2016 the Company continues to implement its new strategy with focus to operational efficiency and optimizing the global manufacturing footprint. The Company estimates that operating profit excluding any non-recurring items will increase in 2016 compared to 2015. Our expertise in composites combined with attractive long-term market fundamentals will position us well for profitable long-term growth.

CONSOLIDATED KEY FIGURES, EUR million

	1.10. – 31.12. 2015	1.10.– 31.12. 2014	Change, %	1.1. – 31.12. 2015	1.1. – 31.12. 2014	Change, %
Net sales	19.3	21.1	-8.2	80.2	79.3	1.2
Operating profit	0.6	2.1	-70.6	4.4	8.9	-50.3
% of net sales	3.1	9.8		5.5	11.2	
Profit for the period	0.4	1.5	-72.1	2.8	5.7	-50.1
Shareholders' equity	30.7	29.7	3.4	30.7	29.7	3.4
Net interest-bearing liabilities	0.6	-2.6	-123.2	0.6	-2.6	-123.2
Capital employed	39.2	35.3	10.9	39.2	35.3	10.9
Return on equity, %	5.4	20.1		9.4	21.7	
Return on capital employed, %	6.8	22.6		12.0	25.2	
Equity ratio, %	57.1	56.9		57.1	56.9	
Net gearing, %	2.0	-8.7		2.0	-8.7	
Earnings per share, EUR	0.03	0.12		0.24	0.48	
Earnings per share, diluted, EUR	0.03	0.12		0.24	0.48	
Equity per share, EUR	2.58	2.50		2.58	2.50	

IFRS-reporting

This financial statements bulletin has been prepared in accordance with the recognition and measurement principles of IFRS, which are the same as in the 2014 financial statements.

Market environment

The market environment in 2015 was mixed. On one hand the overall economic situation in Exel Composites' main market area, Europe, was quite depressed with challenges from many fronts, such as declining exports from EU area to Russia then affecting the building and infrastructure demand. On the other hand the general value proposition and advantages of composite structures over other materials remained the same as before; giving superior combination of durability, lightness, rigidity and non-corrosiveness, added with many other product attributes, such as superior surface quality, electrical conductivity or insulation properties. However, in more challenging market conditions a short-term capital expenditure driven buying behavior tends to over-run a longer term total life cycle cost driven approach, especially during the times when metal prices are low and then making the competition more difficult. At the same time in Asia demand was still good in many market segments providing with good possibilities for composites' market penetration and growth, however the general growth being slower than in previous years. In North America the low oil price kept the investments in chemical, oil and gas segment low, affecting the demand in that segment directly and many other segments, such as transportation, indirectly. All in all, the global market environment for Exel Composites' key market segments was relatively stable in 2015.

Looking forward to 2016, industrial investments are gradually expected to pick up in Europe. Low demand in the Russian market continues to impact also the European building and construction industry. Some

infrastructure projects are also awaiting local governments' funding. Consequently, the Company does not expect any changes in the European market as a whole. In North America low oil price continues to impact the chemical, oil and gas market directly and several other market segments indirectly. In Asia-Pacific megatrends, including urbanization and energy efficiency, continue to drive growth. The markets benefiting from energy efficiency, especially the transportation industry, continue to grow. The renewable energy markets, such as solar panels and wind turbines show some positive signs for improvement, increasing the demand of composites.

Order intake October – December 2015

Order intake increased in the fourth quarter by 11.1 per cent to EUR 20.5 (18.4) million on the corresponding period in 2014.

Sales review October – December 2015

Group net sales decreased by 8.2 per cent to EUR 19.3 (21.1) million on the corresponding period in 2014.

Net sales decreased in the largest region, Europe, by 9.6 per cent to EUR 15.1 (16.7) million compared to the corresponding period in 2014. Net sales in the APAC region decreased by 18.9 per cent to EUR 3.0 (3.7) million. In the region Rest of the world net sales increased by 71.4 per cent to EUR 1.2 (0.7) million.

Net sales of Industrial applications decreased by 18.2 per cent to EUR 11.2 (13.7) million compared to the corresponding period in 2014. Net sales of Construction and Infrastructure applications decreased by 2.2 per cent to EUR 4.5 (4.6) million. Net sales of Other applications increased by 33.3 per cent to EUR 3.6 (2.7) million.

Order intake and order backlog January – December 2015

Order intake increased in 2015 by 1.3 per cent compared to the previous year to EUR 83.4 million (EUR 82.3 million in 2014).

The Group's order backlog increased to EUR 15.3 (12.8) million on 31 December 2015.

Sales review January – December 2015

Group net sales for the financial year 2015 increased by 1.2 per cent to EUR 80.2 (79.3) million. Postponements of orders and end-customer projects from some key customers were recorded in the second and third quarter of 2015. However, in the fourth quarter, order intake was recovering and increased from the low level of the third quarter.

Net sales decreased in the largest region, Europe, by 1.1 per cent to EUR 63.9 (64.6) million compared to 2014. Net sales in the APAC region increased by 16.1 per cent to EUR 13.7 (11.8) million. Net sales decreased by 10.3 per cent in the region Rest of the world to EUR 2.6 (2.9) million compared to the previous year.

Net sales of industrial applications decreased by 0.3 per cent to EUR 47.4 (47.5) million. Net sales of Construction and Infrastructure applications were up by 5.6 per cent to EUR 18.4 (17.4) million. Net sales of Other applications increased by 0.8 per cent to EUR 14.4 (14.3) million.

Financial performance

October – December 2015

The Group's operating profit decreased to EUR 0.6 million including EUR -0.1 million non-recurring items (EUR 2.1 million including EUR -0.2 million non-recurring items) in October – December 2015 and was 3.1 (9.8) per cent of net sales.

January – December 2015

The Group's operating profit was not satisfactory and in January – December 2015 it decreased to EUR 4.4 million including EUR -0.4 million non-recurring items (EUR 8.9 million after impairment of EUR -0.5 million) and was 5.5 (11.2) per cent of net sales. Non-recurring items amounted to EUR -0.4 million relating to M&A screening costs.

Operating profit of 2015 was impacted by higher operational costs due to increased resources relating to the implementation of the long-term growth strategy. In addition, business volume of the Group, with net sales increasing only 1.2 per cent, was lower than planned, which in itself decreased profitability through low utilization of certain factories. Furthermore, the costs of production of the 2015 deliveries increased from those of 2014.

The profitability of the Australian unit continued to be unsatisfactory in 2015. Corrective actions were undertaken and further actions will be taken to resolve the situation.

The Group's net financial expenses in 2015 were EUR 0.2 (0.4) million. The Group's profit before taxes was EUR 4.3 (8.5) million and profit after taxes EUR 2.8 (5.7) million.

Financial position

Net cash flow from operating activities was positive at EUR +3.4 (+10.7) million. Cash flow before financing, but after capital expenditure, amounted to EUR -1.0 (6.3) million. The capital expenditure amounted to EUR 4.3 (4.4) million. Capital expenditure was financed with cash flow from business operations. At the end of the financial year, the Group's liquid assets stood at EUR 7.9 (8.2) million. Total depreciation of non-current assets during the year under review amounted to EUR 2.9 (2.6) million.

The Group's consolidated total assets at the end of the financial year were EUR 54.0 (52.4) million. Interest-bearing liabilities amounted to EUR 8.5 (5.6) million. Net interest-bearing liabilities were EUR 0.6 (-2.6) million.

Equity at the end of the financial year was EUR 30.7 (29.7) million and equity ratio 57.1 (56.9) per cent. The net gearing ratio was 2.0 (-8.7) per cent.

Fully diluted total earnings per share were EUR 0.24 (0.48). Return on capital employed in 2015 was 12.0 (25.2) per cent. Return on equity was 9.4 (21.7) per cent.

The Company paid total dividends during the financial year of EUR 2.4 (0.0) million. Dividend per share was EUR 0.20 (0.00).

Business development and strategy implementation

In 2015 Exel Composites started fully implementing the new strategy that was launched in late 2014. The cornerstones of the new strategy to generate next level growth are: 1) Accelerate growth in China, 2) Penetrate new applications, 3) Create true local footprint, and 4) Grow in new technologies. The Company wants to differentiate from its competitors by providing with clear value propositions, local presence globally, top-quality service and world-class operations. During 2015 the Company has advanced these strategic initiatives by strengthening the organization, developing competencies, improving processes, adding flexibility and increasing production capacity in order to be ready for organic and in-organic growth. M&A screening activities continued throughout the year. Operations were improved in many fronts, including supply chain management, health & safety, on-time-delivery (OTD) promptness to clients and continued implementation of the new global ERP.

Exel Composites has driven operational excellence throughout the Group in 2015. A whole new safety culture was introduced in all the sites. Lean manufacturing methods, such as 5S and visual management, are being implemented in all the factories. Actions continued to improve general orderliness in order to ensure more efficient operations and a safe and pleasant work environment. The Group's On Time Delivery (OTD) improved from year 2014. Lost time injuries were halved from previous year.

In accordance with the new growth strategy adopted in November 2014, a decision was made in December 2014 to expand operations in Nanjing, China to meet the increased demand. The target is to double the production capacity of the Nanjing unit. It was initially estimated that the project would be completed during the first half of 2016. Permitting and design of the expansion are ongoing, but the Company no longer foresees that building would be completed during 2016.

In February 2015 a decision was made to expand the operations in Austria. By this investment Exel Composites will be in a better position to serve its Central and Southern European customers. The completion of the project has been postponed to 2017 due to weaker than estimated market situation in the Company's main market area Central Europe. Land reservation and permitting of the expansion are ongoing.

Implementation of the new Group-wide ERP-system continued. The roll out to all business units will take place during 2016 and 2017 step-by-step.

Research and development

Research and development costs totaled EUR 1.9 (1.8) million, representing 2.3 (2.3) per cent of net sales. The main projects were connected with the development of new products and customer applications.

Risk management

At Exel Composites risk management is a continuous process, which is integrated with the daily decision making and continuous monitoring of operations as well as with preparation of quarterly and annual financial statements.

The Board of Directors governs the risk management of the Company through a risk management policy. In addition, the Board of Directors makes a risk assessment as part of the review and approval process of each set of quarterly and annual financial statements. Risk factors are also considered by the Board in connection with any future guidance disclosed by the Company.

The operative risk management, including risk monitoring, is part of the key duties of the operative management. Whereas risks are considered in conjunction with each business decision, they are also monitored by the managing director and other group management on a monthly basis when the team reviews the business development and any near and long-term risks upon presentation of the business unit heads and controllers.

Risks and uncertainties related to Exel Composites can be categorized as strategic, operational, finance and hazard risks.

With respect to strategic risks, a significant portion of Exel Composites' revenues is generated from certain key clients and market segments. Whereas production capacity and cost structure of the Company is planned for growing business volume, negative development of such key clients or market segments could lead to deterioration of Exel Composites' profitability. This risk is mitigated by a close cooperation with key clients. The development of key markets and consequently business volumes are actively followed and forecasted in order to be able to adjust our business and cost structures to the forecasts. New products and applications are continuously developed in order to limit the dependency of any individual clients or market segments.

Strategic risks also include risks related to acquisitions where the realized level of benefits and synergies may differ from the planned. Furthermore, a continued low demand in the Australian market may have a negative impact on the Company's profitability due to restructuring costs.

The most significant operational risks relate to product development and sales as well as production. Exel Composites' product range is very broad and often customer customized, which adds complexity to the product development and production. Designing, producing and selling a product that does not meet the requirements agreed with a client could potentially lead to substantial losses and damages. In addition, availability of skilled employees, protection of self-developed proprietary technology, fraud, availability and pricing of key raw materials and health problems due to long-term exposure to chemicals belong to the most significant operational risks. Pre-emptive management of operative risks through careful contracting as well as appropriate business processes and working instructions are in key roles to prevent possible damages.

Financial risks consist of currency, interest rate, liquidity and funding risks, and credit and other counter party risks. Currency and interest rate risks are managed primarily by natural hedging or by using derivative instruments. Credit insurance is in place to cover risks related to trade receivables.

Hazard risks, such as damages caused to property because of fire or chemical spill, as well as losses resulting from related business interruptions, are mainly covered by insurance policies. This type of risks are also regularly audited by third parties that provide recommendations for improvement to reduce risk probability.

Major near-term risks and uncertainties

The Company has added resources to pursue the long-term growth strategy. As a result, operating cost level has increased. The most significant near-term business risk relates to the possibility of sales growth not materializing. This would have a negative impact to the profitability of the Company. Furthermore, a significant portion of Exel Composites' net sales is generated from certain key clients and market segments, the negative development of which could rapidly deteriorate Exel Composites' profitability.

The Company has continued the screening process of potential acquisition targets. The acquisition price may be based on such benefits and synergies that will not materialize as planned.

Continuing low demand in the Australian market may require such further corrective actions that could result in non-recurring items.

Shares and share performance

Exel Composites' share is listed on Nasdaq Helsinki Ltd in the Industrials sector.

At the end of December 2015, Exel Composites' share capital was EUR 2,141,431.74 and the number of shares was 11,896,843 each having the counter-book value of EUR 0.18. There were no changes in the share capital during the financial year. There is only one class of shares and all shares are freely assignable under Finnish law.

Exel Composites did not hold any of its own shares during the period under review.

During the financial year the highest share price quoted was EUR 9.85 (8.80) and the lowest EUR 6.32 (5.56). At the end of the year, the share price was EUR 6.53 (8.39). The average share price during the financial year was EUR 8.65 (6.42).

Total shareholder return (TSR) in 2015 was -21 (46) per cent.

A total of 2,445,252 (5,836,969) shares were traded during the year, which represents 20.6 (49.1) per cent of the average number of shares. On 31 December 2015, Exel Composites' market capitalization was EUR 77.7 (99.8) million.

Shareholders and disclosures

Exel Composites had a total of 2,987 (2,686) shareholders on 31 December 2015. Information on Exel Composites' shareholders is available on the Company website at www.exelcomposites.com.

On 31 December 2015, 0.26 per cent of the shares and votes of Exel Composites were owned or controlled, directly or indirectly by the President and CEO and the members of the Board.

The Company's largest shareholder was Skandinaviska Enskilda Banken AB (nominee register), which owned 19.5 per cent of shares at the end of 2015. Other major shareholders included Nordea Bank Finland Plc 15.0 per cent (nominee register), Nordea Fennia Fund 5.1 per cent, Försäkringsaktiebolaget Pensions-Alandia 4.0 per cent and OP-Finland Small Firms Fund 3.9 per cent.

Exel Composites received two flagging announcements during the financial year.

On 13 March 2015 Exel Composites received a flagging announcement according to which the holding of Swedbank Robur Fonder AB had exceeded 5 per cent of the voting rights and share capital in Exel Composites Plc. Through share transactions concluded on 12 March 2015, the holding of Swedbank Robur Fonder AB rose to 703,054 shares, representing 5.9 per cent of the shares and voting rights of the Company.

On 20 May 2015 Exel Composites received a flagging announcement according to which the indirect holding of Evli Bank Plc had fallen under 5 per cent of the voting rights and share capital in Exel Composites Plc. Through share transactions concluded on 19 May 2015, the total holding of the investment funds owned by Evli Bank Plc and administered by Evli Fund Management Company Ltd fell to 504,786 shares, representing 4.2 per cent of the shares and voting rights of the Company.

Significant related-party transactions

Exel Composites' permanent public insiders include Exel Composites' Board members, the President and CEO, the members of the Group Management Team and the audit firm's auditor with principal responsibility for Exel Composites. No significant related-party transactions were conducted by the Group or the permanent insiders during the financial year 2015.

Organization and personnel

The number of employees on 31 December 2015 was 494 (456), of whom 213 (205) worked in Finland and 281 (251) in other countries. The average number of personnel during the financial year was 498 (433).

The building and strengthening of global functions continued in 2015. The company reinforced its organization in sales resources, product development and operations.

Environment, health and safety

Exel Composites continues to remain alert to ensure its site operations are compliant with all national and international rules and regulations. A safe environment for the employees and neighbors is a priority at Exel Composites. Exel Composites' environmental issues are managed using ISO 14001 standard as a guideline in all the units of the Group. The Group plays a leading role in industry associations such as EuCIA (European Composites Industry Association). This helps the Company stay at the leading edge of awareness of the latest developments in environmental matters including advances in environmental technology and new regulatory measures.

Special attention was paid to occupational health and safety also in 2015. The amount and quality of preventative reporting and follow-up has been improved significantly. The results of these actions are visible in the number of accidents (lost time incidents), which halved compared to 2014. The Occupational Health and Safety Management System OHSAS 18001 was implemented in most factories in 2015 and 100 per cent coverage is targeted for 2016.

Incentive programs

Exel Composites' performance-based incentive program covers all employees. Office employees receive a monthly salary and an annual bonus tied to the achievement of annually established goals emphasizing growth and profitability. Production employees are also eligible for incentive compensation. Their annual bonus is mainly based on productivity.

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 aim of the programs is to combine the objectives of the shareholders and the executives in order to increase the value of the Company, to commit the executives to the Company and to offer the executives a competitive reward program. The Board of Directors makes the decision on the programs annually.

In February 2015 Exel Composites' Board of Directors approved a new program for selected key employees of the Company. The program is based on long-term monetary incentive program and is targeted at approximately 25 executives for the earning period 2015-2017. The President and CEO and the members of the Group Management Team are included in the target group of the new incentive program.

The potential long-term monetary performance reward from the program 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 2018. The maximum reward to be paid will be EUR 1.5 million excluding employer's social expenses.

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

Corporate Governance

Exel Composites issues a Corporate Governance Statement for the financial year 2015. Exel Composites complies with the Finnish Corporate Governance Code ("the code") issued by the Securities Market Association and which came into effect on 1 October 2010. The Corporate Governance Statement is issued separately from the Board of Directors' report. Further information concerning the corporate governance matters is available at the Group's website at www.exelcomposites.com.

Decisions of the AGM 2015

The Annual General Meeting of Exel Composites Plc held on 26 March 2015 approved the Board's proposal to distribute a dividend of EUR 0.20 per share for the financial year 2014.

The Annual General Meeting authorized the Board of Directors to repurchase the Company's own shares by using unrestricted equity. The maximum amount to be acquired is 600,000 shares. The authorization is valid until 30 June 2016.

Board of Directors and Auditors

On 26 March 2015, the Annual General Meeting appointed Heikki Hiltunen, Peter Hofvenstam, Reima Kerttula and Kerstin Lindell to continue on the Board of Directors. Matti Hyytiäinen was appointed as a new member of the Board as Göran Jönsson was no longer available for re-election. The AGM re-elected Peter Hofvenstam as Chairman of the Board of Directors.

The Board of Directors convened nine times in 2015 and the average attendance rate at these meetings was 96.3 per cent. The fees paid to the Board of Directors totaled EUR 156 (141) thousand in 2015.

The Board of Directors reviewed the independence of Board members in accordance with Recommendation 15 of the Corporate Governance Code in its March 2015 meeting. All the members of the Board are independent Board members. The Board was considered to comply with the Corporate Governance independency rules.

The Annual General Meeting of Exel Composites has elected a Shareholders' Nomination Board, which nominates candidates to the Annual General Meeting for election as Board members and proposes the fees to be paid to the Board members. The Nomination Board included the Chairman and persons nominated by the four largest shareholders as of 30 September 2015. In 2015 the Nomination Board comprised Ted Roberts (Nordea) as chairman, Tuomas Virtala (Danske Capital Finland), Henrik Viktorsson (Alandia Insurance), Kalle Saariaho (OP Financial Group) and Peter Hofvenstam, the Chairman of the Board of Directors, as an expert member. The Nomination Board met five times.

Ernst & Young, Authorized Public Accountants, with Juha Hilmola, APA, as principal auditor, were elected to serve as company auditor in the AGM in 2015.

The fees paid to the auditors for audit services totaled EUR 190 (163) thousand and for non-audit services EUR 123 (51) thousand in 2015.

Changes in Group Management

Mr. Mikko Kettunen was appointed SVP, CFO and member of the Group Management Team on 13 January 2015 and assumed his position on 7 April 2015. Mr. Kettunen succeeded Mr. Ilkka Silvanto, who was appointed with the same date as SVP, Strategic Projects, effective as of 7 April 2015. Mr. Silvanto continues reporting to CEO and being member of Group Management Team.

Adoption of International Financial Reporting Standards (IFRS)

All IFRS's in force on 31 December 2015 that are applicable to Exel Composites' business operations, including all SIC- and IFRIC-interpretations thereon, have been complied with when preparing year 2015 and comparable year 2014 figures. International financial reporting standards, referred to in the Finnish Accounting Act and in ordinances issued based on the provisions of this Act, refer to the standards and their interpretations adopted in accordance with the procedure laid down in regulation (EC) No 1606/2002 of the EU. The notes to the consolidated financial statements conform also with the Finnish accounting and company legislation.

Events after the review period

The Board of Directors of Exel Composites Plc has on 18 February 2016 approved a new incentive program for the executives of the Company. The program is based on 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 new incentive program.

The 2016 program includes one earning period, the calendar years 2016-2018. The potential long-term monetary performance reward from the program 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 1.0 million excluding employer's social costs.

The Board of Directors of Exel Composites Plc has on 18 February 2016 taken a decision to change the Group's financial reporting practices as of 19 February 2016 as a result of the amended Securities Market Act, which was entered into force on 26 November 2015. Contrary to what was disclosed on 17 December 2015 regarding financial reporting in 2016, Exel Composites will disclose certain key figures and information on business performance for the three and nine months periods in a stock exchange release instead of interim reports.

Outlook for full year 2016

The Company continues to implement its new strategy with focus to operational efficiency and optimizing the global manufacturing footprint. The Company estimates that operating profit excluding any non-recurring items will increase in 2016 compared to 2015.

Board proposal for dividend distribution

The Board of Directors of Exel Composites Plc has on 18 February 2016 amended the Company's dividend policy. Exel Composites' financial goals include distributing dividends minimum (prior: "some") 40 per cent of the profit for the financial year as permitted by the financial structure and growth opportunities.

On 31 December 2015 Exel Composites Plc's distributable funds totaled EUR 13,795 thousand, of which profit for the financial period accounted for EUR 2,624 thousand.

The Board has decided to propose to the Annual General Meeting that a dividend of EUR 0.22 (EUR 0.20) per share, a payout ratio of 92.0 per cent, be paid for the 2015 financial year.

As a basis for its proposal, the Board of Directors has made an assessment of the Group's financial position and ability to meet its commitments, as well as the Group's outlook and investment requirements. The Board considers the proposed dividend well-balanced given the prospects, the capital requirements and the risks of the Group's business activities.

The proposed record date for dividends is 21 March 2016. If the Annual General Meeting approves the Board's proposal, it is estimated that the dividend will be paid on 30 March 2016.

Annual General Meeting

The Annual General Meeting will be held on Thursday 17 March 2016 beginning at 10.30 am at Radisson Blu Royal Hotel at the address of Runeberginkatu 2, Helsinki, Finland.

Financial reporting in 2016

Exel Composites will change its financial reporting practices as of 19 February 2016. Instead of interim reports, Exel Composites will disclose certain key figures and information on business performance for the three and nine months periods in a stock exchange release. The following financial reviews will be published in 2016:

11 May 2016: Business Review for January-March 2016

21 July 2016: Half-yearly Report for January-June 2016

25 October 2016: Business Review for January-September 2016

Annual Financial Report for 2015 will be published in electronic format on 25 February 2016.

Financial results briefing

Exel Composites will hold a financial results briefing regarding the financial statements today Friday 19 February 2016 at 12.30 p.m. at Scandic Hotel Simonkenttäs Tapiola meeting room at the address of Simonkatu 9, Helsinki, Finland.

Forward-looking statements

Certain statements in this report, which are not historical facts, including, without limitation, those regarding expectations for general economic development and market situation; regarding customer industry profitability and investment willingness; regarding Company growth, development and profitability; regarding cost savings; regarding fluctuations in exchange rates and interest levels; regarding the success of pending and future acquisitions and restructurings; and statements preceded by "believes," "expects," "anticipates," "foresees" or similar expressions are forward-looking statements.

These statements are based on current expectations and currently known facts. Therefore, they involve risks and uncertainties that may cause actual results to differ materially from results currently expected by the Company.

Other unknown or unpredictable factors or underlying assumptions subsequently proving to be incorrect could cause actual results to differ materially from those in the forward-looking statements. Exel Composites does not undertake any obligation to publicly update or revise forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required.

Vantaa, 19 February 2016

Board of Directors of Exel Composites Plc

For further information, please contact:

Riku Kytömäki, President and CEO

tel. +358 50 511 8288, or email riku.kytomaki@exelcomposites.com

Mikko Kettunen, CFO, Exel Composites Plc, tel. +358 50 3477 462, or email

mikko.kettunen@exelcomposites.com

Distribution

Nasdaq Helsinki Ltd

Main news media

www.exelcomposites.com

Exel Composites in brief

Exel Composites (www.exelcomposites.com) is a leading composite technology company that designs, manufactures and markets composite products and solutions for demanding applications. Exel Composites provides superior customer experience through continuous innovation, world-class operations and long-term partnerships.

The core of the operations is based on own, internally developed composite technology, product range based on it and strong market position in selected segments with a strong quality and brand image. Profitable growth is pursued by a relentless search for new applications and development in co-operation with customers. The personnel's expertise and high level of technology play a major role in Exel Composites' operations.

Exel Composites Plc share is listed on Nasdaq Helsinki Ltd.

Summary of Financial Statements and notes to the Financial Statements 1 January – 31 December 2015

Accounting principles:

These Financial Statements have been prepared in accordance with IAS 34, Interim Financial Reporting. The same accounting policies have been followed as in the previous Financial Statements. Key indicator calculations remain unchanged and have been presented in the 2015 Financial Statements.

Preparation of financial statements in accordance with the IFRS standards requires Exel Composites' management to make estimates and assumptions that have an effect on the amount of assets and liabilities on the balance sheet at the closing date as well as the amounts of income and expenses for the financial period. In addition, the management must exercise its judgement regarding the application of accounting policies. Since the estimates and assumptions are based on the views at the date of the Financial Statements, they include risks and uncertainties. The actual results may differ from the estimates and assumptions.

The amounts presented in the income statement and balance sheet are Group figures. The amounts presented in the release are rounded, so the sum of individual figures may differ from the sum reported. The financial statements are audited and the auditor's report for the financial statements has been issued.

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

EUR thousand	1.10. – 31.12. 2015	1.10. – 31.12. 2014	Change, %	1.1. – 31.12. 2015	1.1. – 31.12. 2014	Change, %
Net sales	19,343	21,071	-8.2	80,196	79,253	1.2
Materials and services	-7,633	-7,992	4.5	-30,001	-29,134	-3.0
Employee benefit expenses	-6,092	-6,068	-0.4	-25,280	-22,691	-11.4
Depreciation and impairment	-746	-631	-18.2	-2,903	-3,115	6.8
Other operating expenses	-4,626	-4,473	-3.4	-18,151	-16,133	-12.5
Other operating income	363	162	124.1	553	707	-21.8
Operating profit	609	2,069	-70.6	4,414	8,887	-50.3
Net financial items	167	-62	369.4	-157	-430	63.5
Profit before tax	775	2,007	-61.4	4,257	8,457	-49.7
Income taxes	-367	-542	32.3	-1,413	-2,754	48.7
Profit/loss for the period	409	1,466	-72.1	2,844	5,702	-50.1
Other comprehensive						

income:

Exchange differences on translating foreign operations

376	-114	-429.8	492	1,370	-64.1
-----	------	--------	-----	-------	-------

Income tax relating to components of other comprehensive income

0	0	0.0	0	0	0.0
---	---	-----	---	---	-----

Items that will not be reclassified to profit or loss:
Defined benefit plan actuarial gains(+)/loss(-), net of tax

51	-90	-156.7	51	-90	-156.7
----	-----	--------	----	-----	--------

Other comprehensive income, net of tax

427	-204	-309.3	543	1,280	-57.6
-----	------	--------	-----	-------	-------

Total comprehensive income

836	1,262	-33.8	3,387	6,983	-51.5
-----	-------	-------	-------	-------	-------

Profit/loss attributable to:
Equity holders of the parent company

409	1,466		2,844	5,702	
-----	-------	--	-------	-------	--

Comprehensive income attributable to:
Equity holders of the parent company

836	1,262		3,387	6,983	
-----	-------	--	-------	-------	--

Earnings per share, diluted and undiluted, EUR

0.03	0.12		0.24	0.48	
------	------	--	------	------	--

CONDENSED CONSOLIDATED BALANCE SHEET

EUR thousand	31.12.2015	31.12.2014	Change
ASSETS			
Non-current assets			
Goodwill	9,597	9,676	-79
Other intangible assets	490	686	-196
Tangible assets	14,359	12,533	1,826
Deferred tax assets	383	285	98
Other non-current assets	87	74	13
Non-current assets total	24,916	23,253	1,662
Current assets			
Inventories	9,670	10,034	-364
Trade and other receivables	11,507	10,906	601
Cash at bank and in hand	7,874	8,218	-344
Current assets total	29,052	29,158	-106
Total assets	53,968	52,411	1,557
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	2,141	2,141	0
Other reserves	106	79	27
Invested unrestricted equity fund	2,539	2,539	0
Translation differences	4,025	3,534	491
Retained earnings	19,060	15,724	3,336
Profit for the period	2,844	5,702	-2,858
Total equity attributable to equity holders of the parent company	30,716	29,720	996
Total equity	30,716	29,720	996
Non-current liabilities			
Interest-bearing liabilities	3,531	4,623	-1,092
Interest-free liabilities	553	4545	99
Deferred tax liabilities	629	505	124
Current liabilities			
Interest-bearing liabilities	4,945	1,000	3,945
Trade and other non-current liabilities	13,594	16,110	-2,516
Total liabilities	23,252	22,692	560
Total equity and liabilities	53,968	52,411	1,557

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

EUR thousand	Share Capital	Other Reserves	Invested Unrestricted Equity Fund	Translation Differences	Retained Earnings	Total
Balance at 1 January 2014	2,141	72	2,539	2,164	15,924	22,841
Comprehensive result	0	0	0	1,370	5,702	7,072
Defined benefit plan actuarial gains(+)/loss(-), net of tax					-90	-90
Other items	0	7	0	0	-7	0
Dividend	0	0	0	0	0	0
Correction of an error in previously issued financial statements*	0	0	0	0	-104	-104
Balance at 31 December 2014	2,141	79	2,539	3,534	21,426	29,720
Balance at 1st January 2015	2,141	72	2,539	3,564	21,426	29,720
Comprehensive result				492	2,844	3,336
Defined benefit plan actuarial gains(+)/loss(-), net of tax					51	51
Other items	0	27	0	0	-27	0
Dividend					-2,379	-2,379
Correction of an error in previously issued financial statements*					-11	-11
Balance at 31 December 2015	2,141	106	2,539	4,025	21,904	30,716

*Correction of actuarial losses in prior year related to the pension liability in Exel Composites N.V.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

EUR thousand	1.1. – 31.12. 2015	1.1. – 31.12. 2014	Change
Cash Flow from Operating Activities			
Profit for the period	2,844	5,702	-2,858
Adjustments	5,207	7,425	-2,218
Change in working capital	-2,271	455	-2,726
Cash Flow Generated by Operations	5,780	13,582	-7,802
Interest paid	-80	-167	87
Interest received	52	56	-4
Other financial items	-218	-328	110
Income taxes paid	-2,149	-2,464	315
Net Cash Flow from Operating Activities	3,385	10,679	-7,294
Cash Flow from Investing Activities			
Capital expenditure	-4,295	-4,354	59
Proceeds from sale of fixed assets	0	0	0
Cash Flow from Investing Activities	-4,295	-4,354	59
Cash Flow from Financing			
Share issue	0	0	0
Proceeds from long-term borrowings	0	5,000	-5,000
Instalments of long-term borrowings	-1,000	-2,840	1,840
Change in short-term loans	3,945	-9,700	13,645
Instalments of finance lease liabilities	0	-5	5
Dividends paid	-2,379	0	-2,379
Net Cash Flow from Financing	566	-7,545	8,111
Change in Liquid Funds	-344	-1,220	876
Liquid funds in the beginning of period	8,218	9,438	-1,220
Change in liquid funds	-344	-1,220	876
Liquid funds at the end of period	7,874	8,218	-344

QUARTERLY KEY FIGURES

EUR thousand	IV/ 2015	III/ 2015	II/ 2015	I/ 2015	IV/ 2014	III/ 2014	II/ 2014	I/ 2014
Net sales	19,343	18,006	21,352	21,495	21,071	18,950	21,420	17,811
Materials and services	-7,633	-6,819	-7,778	-7,771	-7,992	-6,876	-8,290	-5,976
Employee benefit expenses	-6,092	-6,005	-6,733	-6,450	-6,068	-5,595	-5,635	-5,393

Depreciation and impairment	-746	-721	-725	-711	-631	-1,167	-654	-663
Operating expenses	-4,626	-4,033	-4,937	-4,556	-4,473	-3,621	-3,949	-4,089
Other operating income	363	38	169	-16	162	185	161	200
Operating profit	609	466	1,348	1,991	2,069	1,875	3,054	1,890
Net financial items	167	-209	-187	72	-62	-22	-118	-229
Profit before taxes	775	257	1,161	2,063	2,007	1,853	2,935	1,661
Income taxes	-367	-180	-361	-506	-542	-962	-706	-545
Profit/loss for the period	409	78	800	1,557	1,466	891	2,229	1,116
Earnings per share, EUR	0.03	0.01	0.07	0.13	0.12	0.07	0.19	0.09
Earnings per share, EUR, diluted	0.03	0.01	0.07	0.13	0.12	0.07	0.19	0.09
Average number of shares, undiluted, 1,000 shares	11,897	11,897	11,897	11,897	11,897	11,897	11,897	11,897
Average number of shares, diluted, 1,000 shares	11,897	11,897	11,897	11,897	11,897	11,897	11,897	11,897
Average number of personnel	493	500	513	487	451	437	427	418

COMMITMENTS AND CONTINGENCIES

EUR thousand	31.12.2015	31.12.2014
On own behalf		
Mortgages	2,783	2,783
Corporate mortgages	12,500	12,500
Lease liabilities		
- in next 12 months	1,040	896
- in next 1-5 years	904	1,414

Other commitments	312	6
-------------------	-----	---

DERIVATIVE FINANCIAL INSTRUMENTS

Nominal values EUR thousand	31.12.2015	31.12.2014
Interest rate derivatives		
Interest rate swaps	2,400	3,000

CONSOLIDATED KEY FIGURES

EUR thousand	1.1. – 31.12. 2015	1.1. – 31.12. 2014	Change, %
Continuing operations			
Net sales	80,196	79,253	1.2
Operating profit	4,414	8,887	-50.3
% of net sales	5.5	11.2	
Profit before tax	4,257	8,457	-49.7
% of net sales	5.3	10.7	
Profit for the period	2,844	5,702	-50.1
% of net sales	3.5	7.2	
Shareholders' equity	30,716	29,720	3.4
Interest-bearing liabilities	8,476	5,623	50.7
Cash and cash equivalents	7,874	8,218	-4.2
Net interest-bearing liabilities	602	-2,595	-123.2
Capital employed	39,192	35,342	10.9
Return on equity, %	9.4	21.7	
Return on capital employed, %	12.0	25.2	
Equity ratio, %	57.1	56.9	
Net gearing, %	2.0	-8.7	
Capital expenditure	4,295	4,354	-1.4
% of net sales	5.4	5.5	
Research and development costs	1,850	1,837	0.7
% of net sales	2.3	2.3	
Order stock	15,348	12,833	19.6
Earnings per share, EUR	0.24	0.48	-50.0
Earnings per share, EUR, diluted	0.24	0.48	-50.0
Equity per share, EUR	2.58	2.50	3.2
Average number of shares			
- cumulative	11,897	11,897	
- cumulative, diluted	11,897	11,897	
Average number of employees	498	433	15.0