

Exel Composites Plc's Financial Statements Release 2014

Q4 2014 in brief

- Net sales were 21.1 MEUR, up by 18.6 per cent on the previous year (Q4/2013: 17.8 MEUR)
- Operating profit improved by 39.2 per cent to 2.1 (1.5) MEUR and was 9.8 (8.4) per cent of net sales. In Q4 2013 operating profit before non-recurring items was EUR 1.9 million or 10.6 per cent of net sales
- Net cash flow from operating activities was positive at +3.8 (+2.9) MEUR
- Fully diluted earnings per share were 0.12 (0.07) EUR

1-12/2014 in brief

- Net sales for the financial year 2014 increased to 79.3 MEUR, up by 14.4 per cent on the previous year (1-12/2013: 69.3 MEUR)
- Operating profit improved by 83.5 per cent to 8.9 (4.8) MEUR and was 11.2 (7.0) per cent of net sales
- Operating profit before non-recurring items was 9.4 (5.5) MEUR or 11.8 (8.0) per cent of net sales
- Net cash flow from operating activities was positive at +10.7 (+7.8) MEUR
- Fully diluted earnings per share for the full year were 0.48 (0.26) EUR
- The Board of Directors proposes that a dividend of 0.20 EUR per share be paid for the financial year 2014

Outlook for full year 2015

The market has stabilized and we can see positive signs in the Company's key market segments. However, uncertainties relating to general growth prospects in the economy continue. The Company implements its new strategy by reinforcing the organization, especially in sales resources, product development and operations development, and by increasing its capacity. These efforts are expected to reduce the 2015 operating profit margin compared to 2014, but will position the Company better for long-term profitable growth.

Comments by the CEO

The performance in the last quarter of 2014 continued to be strong and net sales increased by 18.6 per cent on the previous year. The fastest relative growth during the last quarter was achieved outside Europe. Operating profit improved clearly compared to 2013.

Year 2014 was very successful for Exel Composites in many respects. The Company got back on growth mode, the financial performance was greatly improved leading to a double digit operating profit margin, organization was strengthened and a new strategy was released. Exel Composites is well on its way to becoming a truly global composite company with world-class operations.

Group net sales and operating profit continued to develop very positively throughout the year due to increased sales, continued efficiency improvement, better functioning global organization and better cost control. Our order intake increased significantly, net operative cash flow was strongly positive at year end and EBIT improved more than 80 per cent from the previous year. The biggest sales growth in absolute terms in 2014 came from Europe.

The turnaround measures in Australia, including change in the operating model and transfer of Brisbane unit to Melbourne, were completed. However, the financial performance of the Australian unit was not satisfactory in 2014. The focus in Australia is now on generating more sales.

The Company invested strongly in growth by reinforcing the organization, especially in sales resources, product development and operations development. Organizational structures and reporting lines have been altered to reflect the One Exel -thinking, making the organization more efficient, and working on a global basis.

The Company released its new growth strategy in November 2014. It focuses on accelerating growth in China, penetrating new applications and market segments, creating a true global footprint and growing through new technologies. In line with the strategy, the Nanjing unit in China will be expanded in order to double the production capacity. The expansion project is estimated to be completed during the first half of 2016.

In February 2015 the Company decided to expand its operations in Austria to meet the increased customer demand. Hereby Exel Composites will be in a better position to serve its Central and Southern European customers. The target is to more than double the production capacity in Austria.

CONSOLIDATED KEY FIGURES, EUR million

	1.10. – 31.12. 2014	1.10.– 31.12. 2013	Change, %	1.1. – 31.12. 2014	1.1. – 31.12. 2013	Change, %
Net sales	21.1	17.8	18.6	79.3	69.3	14.4
Operating profit	2.1	1.5	39.2	8.9	4.8	83.5
% of net sales	9.8	8.4		11.2	7.0	
Profit for the period	1.5	0.8	85.6	5.7	3.1	85.1
Shareholders' equity	29.7	22.8	30.1	29.7	22.8	30.1
Net interest- bearing liabilities	-2.6	3.4	-175.7	-2.6	3.4	-175.7
Capital employed	35.3	35.7	-1.0	35.3	35.7	-1.0
Return on equity, %	20.1	12.3		21.7	11.3	
Return on capital employed, %	22.6	16.9		25.2	13.0	
Equity ratio, %	56.9	47.2		56.9	47.2	
Net gearing, %	-8.7	15.0		-8.7	15.0	
Earnings per share, EUR	0.12	0.07		0.48	0.26	
Earnings per share, diluted, EUR	0.12	0.07		0.48	0.26	
Equity per share, EUR	2.50	1.92		2.50	1.92	

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 2013 financial statements. The Group has adopted the mandatory IFRS standards that entered into force on 1 January 2014, but they have not had an impact on the Group's financial situation.

Market environment

Market demand improved during the fourth quarter of 2014. Demand continued to pick up especially in the telecommunication, transportation and building, construction and infrastructure industry markets.

Order intake October – December 2014

Order intake increased in the fourth quarter by 3.0 per cent to EUR 18.4 (17.9) million on the corresponding period in 2013.

Sales review October – December 2014

Group net sales increased by 18.6 per cent to EUR 21.1 (17.8) million on the corresponding period in 2013.

Net sales increased in the largest region, Europe, by 10.6 per cent compared to the corresponding period in 2013. Net sales in the APAC region increased by 54.2 per cent and in the region Rest of the world by 75.0 per cent compared to the corresponding period in 2013.

Net sales of Industrial applications increased by 22.3 per cent to EUR 13.7 million from EUR 11.2 million in the corresponding period in 2013.

Net sales of Construction and Infrastructure applications in the fourth quarter of 2014 were up by 31.4 per cent to EUR 4.6 (3.5) million compared to the corresponding period in 2013.

Net sales of Other applications decreased by 12.9 per cent to EUR 2.7 (3.1) million compared to the corresponding period in 2013.

Order intake and order backlog January – December 2014

Order intake increased in 2014 by 18.0 per cent to EUR 82.3 (69.8) million on 2013.

The Group's order backlog increased to EUR 12.8 (10.5) million on 31 December 2014.

Sales review January – December 2014

Group net sales for the financial year 2014 increased 14.4 per cent to EUR 79.3 (69.3) million.

Net sales increased in the largest region, Europe, by 15.2 per cent compared to 2013. Net sales in the APAC region increased by 11.3 per cent and in the region Rest of the world by 7.4 per cent compared to the previous year.

Net sales of industrial applications increased by 16.7 per cent to EUR 47.5 (40.7) million.

Net sales of Construction and Infrastructure applications increased by 10.0 per cent to EUR 17.4 (15.8) million.

Net sales of Other applications grew by 12.3 per cent to EUR 14.3 (12.8) million.

Net sales by Region

MEUR	1.10. – 31.12. 2014	1.10. – 31.12. 2013	Change, %	1.1. – 31.12. 2014	1.1. – 31.12. 2013	Change, %
Europe	16.7	15.1	10.6	64.6	56.0	15.2
APAC	3.7	2.4	54.2	11.8	10.6	11.3
Rest of world	0.7	0.4	75.0	2.9	2.7	7.4
Total	21.1	17.8	18.5	79.3	69.3	14.4

Net sales by Customer Industry

MEUR	1.10. – 31.12. 2014	1.10. – 31.12. 2013	Change, %	1.1. – 31.12. 2014	1.1. – 31.12. 2013	Change, %
Construction and infrastructure Industrial	4.6	3.5	31.4	17.4	15.8	10.0

applications	13.7	11.2	22.3	47.5	40.7	16.7
Other applications	2.7	3.1	-12.9	14.3	12.8	12.3
Total	21.1	17.8	18.5	79.3	69.3	14.4

Financial performance

October – December 2014

The Group's operating profit continued to develop positively in October – December 2014 due to increased sales, improved productivity, continued efficiency improvement, and better cost control.

The Group's operating profit in October – December 2014 was up by 39.2 per cent to EUR 2.1 (1.5) million compared to 2013. In October – December 2013 operating profit before non-recurring items was EUR 1.9 million. No non-recurring items were recorded in October – December 2014.

January – December 2014

The Group's operating profit in January – December 2014 improved by 83.5 per cent on the previous year and was EUR 8.9 (4.8) million or 11.2 (7.0) per cent of net sales. The main reasons for the increase were increased sales, improved productivity, efficiency improvement and better cost control.

The Group's operating profit before non-recurring items in 2014 was EUR 9.4 (5.5) million. The turnaround measures in Australia, including change in the operating model and transfer of Brisbane unit to Melbourne, have been completed. However, the financial performance of the Australian unit was not satisfactory in 2014. An impairment of EUR -0.5 million was recorded in the results of 2014 in the Australian business unit and deferred tax assets were reduced by EUR 0.4 million. Further corrective actions have been developed to improve the profitability. The focus is on generating more sales. The operating profit for 2013 included EUR 0.7 million of non-recurring items related to the CEO change and the reorganization of the Australian business unit.

In the local statutory accounts the parent company recognized a non-cash write-down of Australian subsidiary shareholding value totaling EUR 2.1 million (EUR 5.5 million non-cash write-down in 2013). Therefore, the parent company's profit for the financial period was EUR 2.8 million (loss of EUR 2.2 million in 2013).

The Group's net financial expenses in 2014 were EUR 0.4 (0.3) million. The Group's profit before taxes was EUR 8.5 (4.6) million and profit after taxes EUR 5.7 (3.1) million.

Financial position

Net cash flow from operating activities was strongly positive at EUR +10.7 (+7.8) million due to improved operating profit. Cash flow before financing, but after capital expenditure, amounted to EUR 6.3 (5.0) million. The capital expenditure on fixed assets amounted to EUR 4.4 (2.8) million. The increase was mainly due to investments in production lines and capacity expansion. 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 8.2 (9.4) million. Total depreciation of non-current assets during the year under review amounted to EUR 2.6 (2.7) million. In addition, an impairment of EUR -0.5 million was recorded in the results of the third quarter of 2014 in the Australian business unit and deferred tax assets were reduced by EUR 0.4 million.

The Group's consolidated total assets at the end of the financial year were EUR 52.4 (48.5) million. Interest-bearing liabilities amounted to EUR 5.6 (12.9) million. Net interest-bearing liabilities were EUR -2.6 (3.4) million.

Equity at the end of the financial year was EUR 29.7 (22.8) million and equity ratio 56.9 (47.2) per cent. The net gearing ratio was -8.7 (15.0) per cent.

Fully diluted total earnings per share were EUR 0.48 (0.26). Return on capital employed in 2014 was 25.2 (13.0) per cent. Return on equity was 21.7 (11.3) per cent.

The Company did not distribute any dividend for the financial year 2013.

Business development and strategy implementation

Exel Composites' Board of Directors adopted a new vision, strategy and long-term financial targets in November 2014. The new vision states: Exel Composites is an agile, innovative global composite company with world-class operations providing superior customer experience.

The Company's new growth strategy focuses on accelerating growth in China, penetrating new applications and new market segments, creating a true global footprint and growing through new technologies. The Company will continue to develop world-class operations to differentiate from competitors. Acquisitions are targeted to boost growth and to cover market and technology white spots.

New long-term financial targets reflect the new growth strategy:

Growth: Turnover growth 2x average market growth

Profitability: EBIT margin over 10 per cent of net sales

Capital efficiency: ROCE over 20 per cent

Financial targets are considered over a business cycle. Acquisitions will influence overall growth and profitability targets.

Exel Composites aims to distribute some 40 per cent of net income in dividends as permitted by the financial structure and growth opportunities.

In accordance with the new growth strategy, 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. The expansion project will be launched in the first quarter of 2015 and it is estimated to be completed during the first half of 2016.

Research and development

Research and development costs totaled EUR 1.8 (1.5) million, representing 2.3 (2.2) per cent of net sales.

The main projects were connected with the development of new products and customer applications. Advanced laminates production was introduced at the Mäntyharju factory.

Shares and share performance

Exel Composites' share is listed in the Small Cap segment of the NASDAQ OMX Helsinki Ltd. in the Industrials sector.

At the end of December 2014, 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 8.80 (6.70) and the lowest EUR 5.56 (5.10). At the end of the year, the share price was EUR 8.39 (5.75). The average share price during the financial year was EUR 6.42 (6.18).

Total shareholder return (TSR) in 2014 was 46 (11) per cent.

A total of 5,836,969 (2,022,018) shares were traded during the year, which represents 49.1 (17.0) per cent of the average number of shares. On 31 December 2014, Exel Composites' market capitalization was EUR 99.8 (68.4) million.

Shareholders and disclosures

Exel Composites had a total of 2,686 (2,752) shareholders on 31 December 2014. Information on Exel Composites' shareholders is available on the Company website at www.exelcomposites.com.

On 31 December 2014, 0.24 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 20.9 per cent of shares at the end of 2014. Other major shareholders included Nordea Bank Finland Plc 9.9 per cent (nominee register), Nordea Fennia Fund 5.1 per cent, Danske Fund Finnish Small Cap 4.1 per cent and Fondita Nordic Micro Cap 3.8 per cent.

Exel Composites received seven flagging announcements during the financial year.

On 13 February 2014 Exel Composites received a flagging announcement according to which the holding of Nordstjernan AB had fallen under 15 per cent of the voting rights and share capital in Exel Composites Plc. Through share transactions concluded on 13 February 2014, the holding of Nordstjernan AB decreased from 2,656,506 shares (22.3 per cent) to 1,656,506 shares, representing 13.9 per cent of the shares and voting rights of the Company.

On 14 February 2014 Exel Composites received a flagging announcement according to which the holding of Lannebo Fonder AB had exceeded 5 per cent of the voting rights and share capital in Exel Composites Plc. Through share transactions concluded on 13 February 2014, the holding of Lannebo Fonder AB rose to 1,000,000 shares, representing 8.4 per cent of the shares and voting rights of the Company.

On 7 May 2014 Exel Composites received a flagging announcement according to which Ilmarinen Mutual Insurance Company had through share transactions concluded on 7 May 2014 sold its entire holding, 639,400 shares, or 5.37 per cent of the shares and voting rights of the Company.

On 10 June 2014 Exel Composites received a flagging announcement according to which Nordstjernan AB had through share transactions concluded on 9 June 2014 sold its entire holding, 1,656,506 shares, or 13.9 per cent of the shares and voting rights of the Company.

On 10 June 2014 Exel Composites received a flagging announcement according to which the holding of Redarnas Ömsesidiga Försäkringsbolag had exceeded 5 per cent of the voting rights and share capital in Exel Composites Plc. Through share transactions concluded on 9 June 2014, the holding of Redarnas Ömsesidiga Försäkringsbolag rose to 847,098 shares, representing 7.12 per cent of the shares and voting rights of the Company.

On 10 June 2014 Exel Composites received a flagging announcement according to which the holding of the investment funds administered by OP-Rahastoyhtiö Funds had exceeded 5 per cent of the voting rights and share capital in Exel Composites Plc. Through share transactions concluded on 9 June 2014, the holding of the investment funds administered by OP-Rahastoyhtiö Funds rose to 889,551 shares, representing 7.48 per cent of the shares and voting rights of the Company.

On 6 November 2014 Exel Composites received a flagging announcement according to which the holding of Evli Bank Plc had exceeded 5 per cent of the voting rights and share capital in Exel Composites Plc. Through share transactions concluded on 4 November 2014, the holding of Evli Bank Plc rose to 603,118 shares, representing 5.07 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 and the members of the Group Management Team. No significant related-party transactions were conducted by the Group or the permanent insiders during the financial year 2014.

Organization and personnel

The number of employees on 31 December 2014 was 456 (408), of whom 205 (198) worked in Finland and 251 (210) in other countries. The average number of personnel during the financial year was 433 (427).

The harmonization of the Group's operations was continued. The aim is seamless collaboration across the units in order to enhance synergies and productivity as well as to implement best practices and efficient business processes. In 2014 focus was on improving production speed and yield.

The building and strengthening of global functions continued in 2014. A new global sales organization structure was introduced where the sales is region-based instead of being factory-based. Now the sales persons sell the entire Exel Group product portfolio regardless of their location.

Group-wide practices are supported by our global ERP- and CRM-programs, which are in use in all the units. A decision to renew the ERP-program based on the harmonized processes was made at the end of the year.

Environment, health and safety

Exel Composites continues to remain vigilant to ensure our site operations are compliant with all national and international rules and regulations. A safe environment for our employees and neighbors is a priority at Exel Composites. The Group plays a leading role in industry associations such as EuCIA (European Composites Industry Association). This helps us 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 given to occupational health and safety in 2014. The Group is rolling out the Occupational Health and Safety Management System OHSAS 18001 over all sites. Exel Composites' environmental issues are managed using ISO 14001 standard as a guideline in all the units of the Group.

Incentive programs

Exel Composites' performance-based incentive program covers all employees. Salaried employees receive a monthly salary and an annual bonus tied to the attainment of annually established goals emphasizing growth and profitability. Non-salaried 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 based on holding the Company's shares. The Board of Directors makes the decision on the programs annually.

In February 2014 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 some 20 executives for the earning period 2014-2016. The President and CEO and the members of the Group Management Team are included in the target group of the new incentive program.

The 2014 program includes one earning period, the calendar years 2014-2016. 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 2017. The maximum reward to be paid will be one million EUR.

No reward will be paid to an executive, if his or her employment or service with the Group Company ends before the reward payment for reasons other than retirement unless the Board decides otherwise.

The cost of the programs will be accounted for as operating expenses during the duration of the program and accrued for in the financial statements according to IFRS 2 -standard.

Corporate Governance

Exel Composites issues a Corporate Governance Statement for the financial year 2014. The Corporate Governance Statement has been composed in accordance with recommendation 54 of the new Corporate Governance Code and Chapter 2, Section 6 of the Finnish Securities Market Act. 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 2014

The Annual General Meeting of Exel Composites Plc held on 27 March 2014 approved the Board's proposal not to distribute any dividend for the financial year 2013.

The Annual General Meeting authorized the Board of Directors to acquire 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 2015.

Board of Directors and Auditors

On 27 March 2014, the Annual General Meeting appointed Heikki Hiltunen, Peter Hofvenstam, Göran Jönsson and Reima Kerttula to continue on the Board of Directors. Kerstin Lindell was appointed as a new member of the Board as Heikki Mairinoja was no longer available for re-election. At the formative meeting of the Board of Directors held after the AGM, the Board of Directors re-elected from among its members Peter Hofvenstam as its Chairman.

The Board of Directors convened 9 times in 2014 and the average attendance rate at these meetings was 98 per cent. The fees paid to the Board of Directors totaled EUR 141 (163) thousand in 2014.

The Board of Directors reviewed the independence of Board members in accordance with Recommendation 15 of the Corporate Governance Code in its April 2014 meeting. Heikki Hiltunen, Reima Kerttula and Kerstin Lindell are independent Board members. Peter Hofvenstam was considered as independent from the Company, but non-independent from a major shareholder until 10 June 2014, since he was the Vice President of Nordstjernan AB. Göran Jönsson is considered as non-independent from the Company as former President and CEO of the company. 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 1 November 2014. In 2014 the Nomination Board comprised Jari Kivihuhta (Nordea Bank Finland Plc) as Chairman, Tuomas Virtala (Danske Capital Finland), Magnus von Knorring (Fondita Funds Management Company Ltd), Karri Alameri (OP Financial Group), and Peter Hofvenstam, the Chairman of the Board of Directors, as an expert member. The Nomination Board met 4 times.

Ernst & Young, Authorized Public Accountants, with Juha Hilmola, APA, as principal auditor, were elected to serve as company auditor in the AGM in 2014.

The fees paid to the auditors for audit services totaled EUR 163 (176) thousand and for non-audit services EUR 51 (71) thousand in 2014.

Changes in Group Management

Mr. Riku Kytömäki was appointed President and CEO and member of the Group Management Team as of 2 January 2014.

Ms. Tiina Hiltunen was appointed Senior Vice President Human Resources and member of the Group Management Team as of 1 August 2014.

Major near-term risks and uncertainties

The most significant near-term business risks are related to the general economic development, government regulations and financial crisis in the Euro area as well as to market demand. Continuing low demand in the Australian market may require further corrective actions which can have an impact on the profitability. The possible uncertainties in the Russian and East-European markets will have limited direct impact on Exel Composites.

Raw material prices, energy cost and other cost increases may continue to put pressure on profitability. The new European Community's anti-dumping tariffs imposed on Chinese glass fiber may have a negative effect on

the result in terms of increased raw material prices. Currency rate changes, price competition and alternative competing materials may also have a negative effect on the result. The availability and cost of financing may continue to have an effect on the demand and increase the risk of credit losses.

Adoption of International Financial Reporting Standards (IRFS)

All IFRS's in force on 31 December 2014 that are applicable to Exel Composites' business operations, including all SIC- and IFRIC-interpretations thereon, have been complied with when preparing year 2014 and comparable year 2013 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

On 13 January 2015 Mr. Mikko Kettunen, 38, was appointed SVP, CFO and member of Exel Composites Plc's Group Management Team as of 7 April 2015. Mr. Kettunen succeeds Mr. Ilkka Silvanto, 63, who has been appointed SVP, Strategic Projects, effective as of 7 April 2015, and will continue reporting to CEO and being member of Group Management Team.

The Board of Directors of Exel Composites Plc has on 12 February 2015 approved a new incentive program for the executives of the Company. The aim of the new program 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 new program is based on a long-term monetary performance reward, and the program is targeted at approximately 25 executives for the earning period 2015 – 2017. The CEO and members of the Group Management Team are included in the target group of the new incentive program.

The new program includes one earning period, the calendar years 2015 – 2017. The potential long-term monetary performance reward from the program for the earning period 2015 – 2017 will be based on the Group's cumulative Economic Profit and on the Group's Total Shareholder Return (TSR).

The potential reward from the earning period 2015 – 2017 will be paid in 2018. No reward will be paid to an executive, if his or her employment or service with the Group Company ends before the reward payment unless the executive is leaving the Company due to retirement.

The maximum reward to be paid on the basis of the earning period 2015 – 2017 will be EUR 1.5 million.

The Board of Directors of Exel Composites has on 12 February 2015 made a decision to expand its operations in Austria to meet the increased customer demand. By this investment Exel Composites will be in a better position to serve its Central and Southern European customers. The target is to more than double the production capacity in Austria. The total cost estimate of the project is EUR 8 million. The expansion project will be launched in the first half of 2015 and it is estimated to be completed during the second half of 2016.

Outlook for full year 2015

The market has stabilized and we can see positive signs in the Company's key market segments. However, uncertainties relating to general growth prospects in the economy continue. The Company implements its new strategy by reinforcing the organization, especially in sales resources, product development and operations development, and by increasing its capacity. These efforts are expected to reduce the 2015 operating profit margin compared to 2014, but will position the Company better for long-term profitable growth.

Board proposal for dividend distribution

Exel Composites' financial goals include distributing dividends equal to some 40 per cent of the profit for the financial year as permitted by the financial structure and growth opportunities.

On 31 December 2014 Exel Composites Plc's distributable funds totaled EUR 13,551 thousand, of which profit for the financial period accounted for EUR 2,781 thousand.

The financial position of the Group is strong. The Board has therefore decided to propose to the Annual General Meeting that a dividend of EUR 0.20 (EUR 0.00) per share, a payout ratio of 41.7 per cent, be paid for the 2014 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 30 March 2015. If the Annual General Meeting approves the Board's proposal, the dividend will be paid on 8 April 2015.

Annual General Meeting

The Annual General Meeting will be held on Thursday 26 March 2015 beginning at 10.30 am at Scandic Marina Congress Center at the address of Katajanokanlaituri 7, Helsinki, Finland.

Financial reporting in 2015

The 2014 Annual Report will be published on the Company's website on Thursday 5 March 2015 at www.exelcomposites.com.

The Group will issue quarterly interim reports on 6 May, 24 July and 23 October 2015.

Press conference

Exel Composites will hold an analyst and press conference regarding the financial statements today Friday 13 February 2015 at 12.30 pm at Scandic Hotel Simonkenttää at 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, 13 February 2015

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

Ilkka Silvanto, CFO and Administrative Director
tel. +358 50 598 9553, or email ilkka.silvanto@exelcomposites.com

Distribution

NASDAQ OMX 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 in NASDAQ OMX Helsinki Ltd.

Summary of Financial Statements and notes to the Financial Statements 1 January – 31 December 2014

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 2014 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. 2014	1.10. – 31.12. 2013	Change, %	1.1. – 31.12. 2014	1.1. – 31.12. 2013	Change, %
Net sales	21,071	17,770	18.6	79,253	69,290	14.4
Materials and services	-7,992	-6,443	-24.0	-29,134	-26,037	-11.9
Employee benefit expenses	-6,068	-5,388	-12.6	-22,691	-21,128	-7.4

Depreciation and impairment	-631	-683	7.6	-3,115	-2,691	-15.8
Other operating expenses	-4,473	-4,035	-10.9	-16,133	-15,258	-5.7
Other operating income	162	267	-39.3	707	667	6.0
Operating profit	2,069	1,486	39.2	8,887	4,843	83.5
Net financial items	-62	9	-788.9	-430	-286	-50.3
Profit before tax	2,007	1,495	34.2	8,457	4,557	85.6
Income taxes	-542	-705	23.1	-2,754	-1,477	-86.5
Profit/loss for the period	1,466	790	85.6	5,702	3,080	85.1
Other comprehensive income:						
Exchange differences on translating foreign operations	-114	-620	81.6	1,370	-2,174	163.0
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	-90	0		-90	0	
Other comprehensive income, net of tax	-204	-620	67.1	1,280	-2,174	158.9
Total comprehensive income	1,262	170	642.4	6,983	906	670.8
Profit/loss						

attributable to: Equity holders of the parent company	1,466	790	5,702	3,080
Comprehensive income attributable to: Equity holders of the parent company	1,262	170	6,983	906
Earnings per share, diluted and undiluted, EUR	0.12	0.07	0.48	0.26

CONDENSED CONSOLIDATED BALANCE SHEET

EUR thousand	31.12.2014	31.12.2013	Change
ASSETS			
Non-current assets			
Goodwill	9,676	9,383	293
Other intangible assets	686	921	-235
Tangible assets	12,533	10,796	1,737
Deferred tax assets	285	641	-356
Other non-current assets	74	70	4
Non-current assets total	23,253	21,821	1,433
Current assets			
Inventories	10,034	7,936	2,098
Trade and other receivables	10,906	9,273	1,633
Cash at bank and in hand	8,218	9,438	-1,220
Current assets total	29,158	26,648	2,510
Total assets	52,411	48,468	3,943
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	2,141	2,141	0
Other reserves	79	72	7
Invested unrestricted equity fund	2,539	2,539	0
Translation differences	3,534	2,164	1,370
Retained earnings	15,724	12,844	2,880
Profit for the period	5,702	3,080	2,622
Total equity attributable to equity holders of the parent company	29,720	22,841	6,879
Total equity	29,720	22,841	6,879

Non-current liabilities

Interest-bearing liabilities	4,623	1,761	2,862
Interest-free liabilities	454	402	52
Deferred tax liabilities	505	440	65
Current liabilities			
Interest-bearing liabilities	1,000	11,105	-10,105
Trade and other non-current liabilities	16,110	11,920	4,190
Total liabilities	22,692	25,628	-2,936
Total equity and liabilities	52,411	48,468	3,943

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 2013	2,141	45	8,488	4,337	16,427	31,438
Comprehensive result	0	0	0	-2,174	3,080	906
Other items	0	27	0	0	-14	14
Additional capital repayment			-5,948			-5,948
Dividend				0	-3,569	-3,569
Balance at 31 December 2013	2,141	72	2,539	2,164	15,924	22,841
Balance at 1st January 2014	2,141	72	2,539	2,164	15,924	22,841
Comprehensive result	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
Correction of an error in previously issued financial statements*					-104	-104
Balance at 31 December 2014	2,141	79	2,539	3,534	21,426	29,720

*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. 2014	1.1. – 31.12. 2013	Change
Cash Flow from Operating Activities			
Profit for the period	5,702	3,080	2,622
Adjustments	7,425	4,088	3,337
Change in working capital	455	1,658	-1,203
Cash Flow Generated by Operations	13,582	8,826	4,756
Interest paid	-167	-213	46
Interest received	56	39	17
Other financial items	-328	-196	-132
Income taxes paid	-2,464	-668	-1,796
Net Cash Flow from Operating Activities	10,679	7,788	2,891
Cash Flow from Investing Activities			
Capital expenditure	-4,354	-2,767	-1,587
Proceeds from sale of fixed assets	0	0	0
Cash Flow from Investing Activities	-4,354	-2,767	-1,587
Cash Flow from Financing			
Share issue	0	0	0
Proceeds from long-term borrowings	5,000	0	5,000
Instalments of long-term borrowings	-2,840	-5,000	2,160
Change in short-term loans	-9,700	9,700	-19,400
Instalments of finance lease liabilities	-5	-11	6
Additional capital repayment	0	-5,948	5,948
Dividends paid	0	-3,569	3,569
Net Cash Flow from Financing	-7,545	-4,828	-2,717
Change in Liquid Funds	-1,220	193	-1,413
Liquid funds in the beginning of period	9,438	9,245	193
Change in liquid funds	-1,220	193	-1,413
Liquid funds at the end of period	8,218	9,438	-1,220

QUARTERLY KEY FIGURES

EUR thousand	IV/ 2014	III/ 2014	II/ 2014	I/ 2014	IV/ 2013	III/ 2013	II/ 2013	I/ 2013
--------------	-------------	--------------	-------------	------------	-------------	--------------	-------------	------------

Net sales	21,071	18,950	21,420	17,811	17,770	17,075	17,548	16,897
Materials and services	-7,992	-6,876	-8,290	-5,976	-6,443	-6,709	-6,455	-6,430
Employee benefit expenses	-6,068	-5,595	-5,635	-5,393	-5,388	-4,983	-5,448	-5,309
Depreciation and impairment	-631	-1,167	-654	-663	-683	-650	-684	-673
Operating expenses	-4,473	-3,621	-3,949	-4,089	-4,035	-3,731	-3,510	-3,981
Other operating income	162	185	161	200	267	79	159	163
Operating profit	2,069	1,875	3,054	1,890	1,486	1,081	1,609	666
Net financial items	-62	-22	-118	-229	9	-271	-48	24
Profit before taxes	2,007	1,853	2,935	1,661	1,495	810	1,562	691
Income taxes	-542	-962	-706	-545	-705	-237	-399	-136
Profit/loss for the period	1,466	891	2,229	1,116	790	573	1,162	555
Earnings per share, EUR	0.12	0.07	0.19	0.09	0.07	0.05	0.10	0.05
Earnings per share, EUR, diluted	0.12	0.07	0.19	0.09	0.07	0.05	0.10	0.05
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	451	427	427	418	417	427	427	436

COMMITMENTS AND CONTINGENCIES

EUR thousand	31.12.2014	31.12.2013
On own behalf		
Mortgages	2,783	2,783

Corporate mortgages	12,500	12,500
Lease liabilities		
- in next 12 months	896	810
- in next 1-5 years	1,414	994
Other commitments	6	6

DERIVATIVE FINANCIAL INSTRUMENTS

Nominal values	31.12.2014	31.12.2013
EUR thousand		
Interest rate derivatives		
Interest rate swaps	3,000	5,000
Purchased interest rate options	0	0

CONSOLIDATED KEY FIGURES

EUR thousand	1.1. – 31.12. 2014	1.1. – 31.12. 2013	Change, %
Continuing operations			
Net sales	79,253	69,290	14.3
Operating profit	8,887	4,843	83.5
% of net sales	11.2	7.0	
Profit before tax	8,457	4,557	85.6
% of net sales	10.7	6.6	
Profit for the period	5,702	3,080	85.1
% of net sales	7.2	4.4	
Shareholders' equity	29,720	22,841	30.1
Interest-bearing liabilities	5,623	12,866	-56.3
Cash and cash equivalents	8,218	9,438	-12.9
Net interest-bearing liabilities	-2,595	3,428	-175.7
Capital employed	35,342	35,707	-1.0
Return on equity, %	21.7	11.3	
Return on capital employed, %	25.2	13.0	
Equity ratio, %	56.9	47.2	
Net gearing, %	-8.7	15.0	
Capital expenditure	4,354	2,767	57.4
% of net sales	5.5	4.0	
Research and development costs	1,837	1,511	21.6
% of net sales	2.3	2.2	
Order stock	12,833	10,458	22.7
Earnings per share, EUR	0.48	0.26	84.6
Earnings per share, EUR, diluted	0.48	0.26	84.6
Equity per share, EUR	2.50	1.92	30.2

Average number of shares			
- cumulative	11,897	11,897	
- cumulative, diluted	11,897	11,897	
Average number of employees	433	427	1.4