

# FINANCIAL STATEMENTS 2015



19 February 2016

Riku Kytömäki  
President and CEO

# In 2015 Exel Composites started fully implementing the new strategy

- Organization has been strengthened, competencies acquired and developed
- Flexibility and capacity was added to production in order to be ready for organic and in-organic growth
- Sales coverage was expanded further and extra efforts were put into new and growing segments such as the automotive industry
- Operations were improved in many fronts and operational excellence was driven throughout the Group
  - Global supply chain management was developed
  - A whole new safety culture was introduced in all our sites. Lost time injuries were halved from previous year
  - On-time-delivery (OTD) promptness to clients was improved
  - Lean manufacturing methods, such as 5S and visual management, are being implemented in all our factories
- Implementation of the new global ERP continued
- 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 have been postponed to 2017

Several steps have been taken in the path towards becoming a truly global composites company

## Profitability was impacted in 2015 by higher operating costs mainly attributable to the additional resources

- Profitability of the Company was impacted in 2015 by higher operating costs mainly attributable to the additional resources relating to the implementation of the long-term growth strategy
- 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

# Key figures January-December 2015

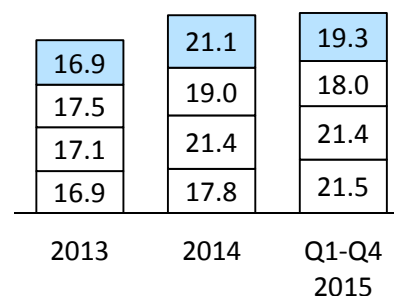
MEUR	1-12 2015	1-12 2014	Change-%
Net sales	80.2	79.3	1.2
Operating profit *)	4.4	8.9	-50.3
Operating profit, %	5.5	11.2	
Net cash flow from operating activities	+3.4	+10.7	-68.3
Order backlog	15.3	12.8	19.6
Order intake	83.4	82.3	1.3
Return on capital employed, %	12.0	25.2	
Net gearing, %	2.0	-8.7	
EPS, EUR	0.24	0.48	

\*January – December 2015 operating profit Includes MEUR -0.4 non-recurring items  
January – December 2014 operating profit includes an impairment of MEUR -0.5

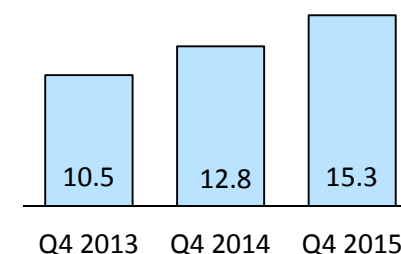
# Q4 2015 In Brief: Net Sales 19.3 (21.1), operating profit 0.6 (2.1), orders recovering

- Net sales in Q4 were MEUR 19.3 (21.1)
- Operating profit decreased to MEUR 0.6 including MEUR -0.1 non-recurring items (MEUR 2.1 including MEUR -0.2 non-recurring items), or 3.1% (9.8%) of net sales
- In the fourth quarter order intake was recovering and increased from the low level of the third quarter

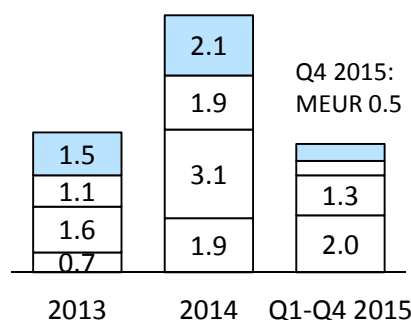
Net sales, MEUR



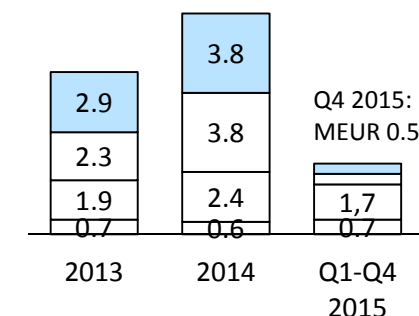
Order backlog, MEUR



Operating profit, MEUR



Net cash flow, MEUR





# Key figures Q4 2015

MEUR	Q4 2015	Q4 2014	Change-%
Net sales	19.3	21.2	-8.2
Operating profit *)	0.6	2.1	-70.6
Operating profit, %	3.1	9.8	
Net cash flow from operating activities	+0.5	+3.8	-87.5
Order backlog	15.3	12.8	19.6
Order intake	20.5	18.4	11.1
Return on capital employed, %	6.8	22.6	
Net gearing, %	2.0	-8.7	
EPS, EUR	0.03	0.12	

\* October – December 2015 operating profit includes non-recurring items of MEUR -0.1 and  
October – December 2014 operating profit includes non-recurring items of MEUR -0.2

## Market environment in 2015 – challenges in Europe and NAM, all in all market for Exel relatively stable

- On one hand, the overall economic situation in our main market area, Europe, was quite depressed and challenging
  - Declining exports from EU area to Russia affected the building and construction demand
- On the other hand, the general value proposition and advantages of composite structures remain superior over other materials
- In Asia demand was still good in many market segments providing with good possibilities for composites' market penetration and growth
- In North America the low oil price kept 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

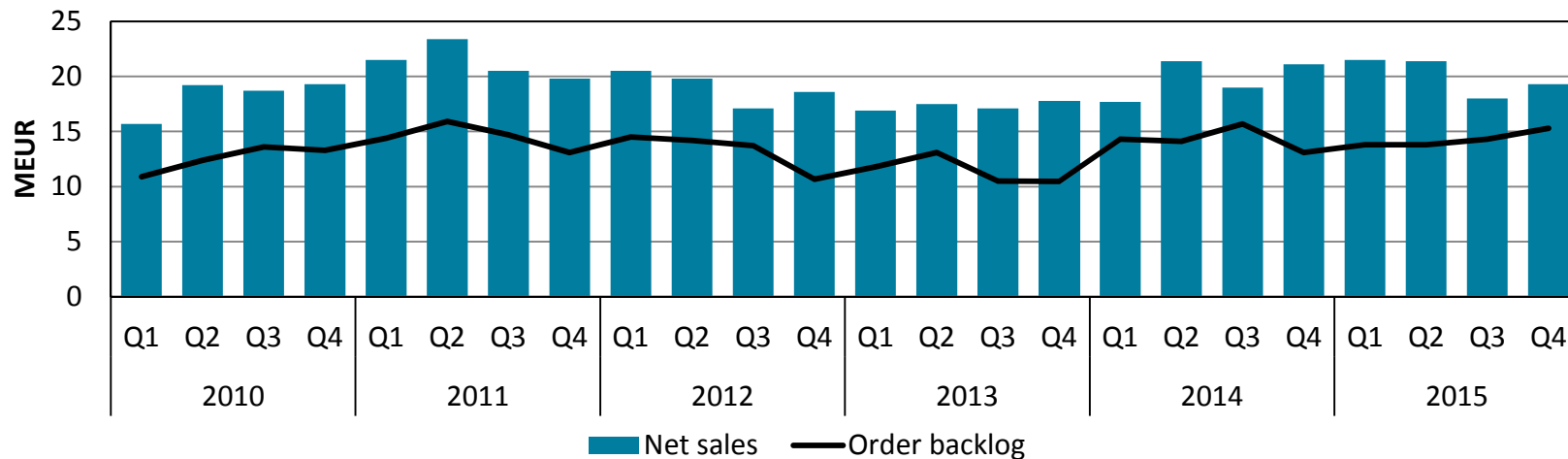
## Market environment in 2016 – No significant changes in European market

- 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
- We do not expect any significant 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 markets 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 backlog increased to MEUR 15.3 (12.8) on 31 December 2015

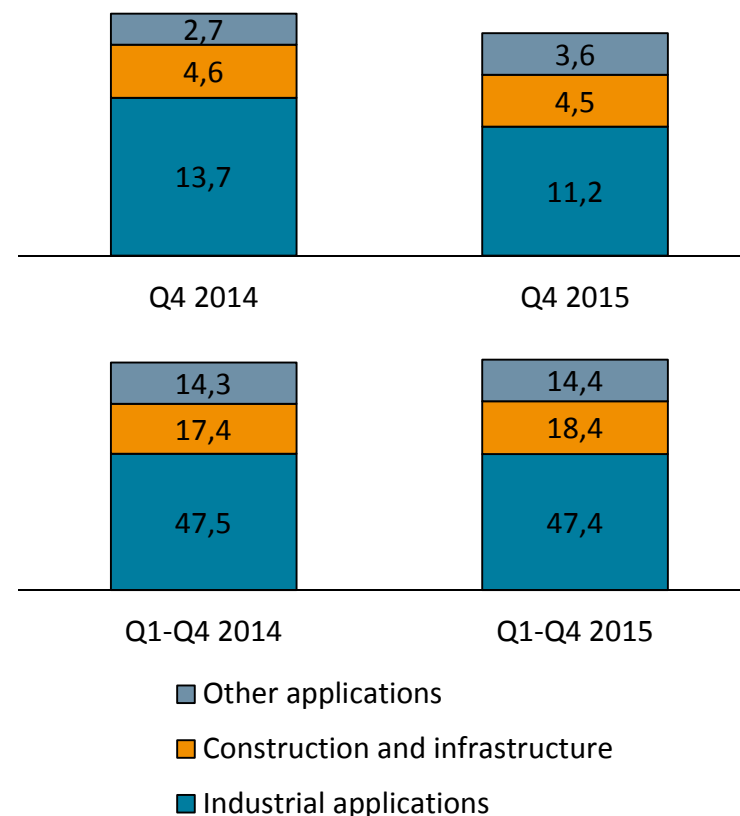
- Group net sales increased to MEUR 80.2 (79.3) in 2015
  - Postponements of orders and end-customer projects from some key customers were recorded in Q2 and Q3 2015
- Order intake increased both in Q4 2015 and during the financial year 2015:
  - In Q4 2015 an increase of 11.1% to MEUR 20.5 (18.4)
  - In 2015 an increase of 1.3% to MEUR 83.4 (82.3)
- Order backlog on 31 December 2015 increased to MEUR 15.3 (12.8)



# In 2015 sales increased in Construction and Infrastructure applications and in Other applications

- In 2015 Group net sales were MEUR 80.2 (79.3)
- Net sales of Industrial applications decreased by 0.3% to MEUR 47.4 (47.5)
- Net sales of Construction and Infrastructure applications increased by 5.6% to MEUR 18.4 (17.4)
- Net sales of Other applications increased by 0.8% to MEUR 14.4 (14.3)

Net sales by customer industry, MEUR



Note: Customer industries include the following markets:

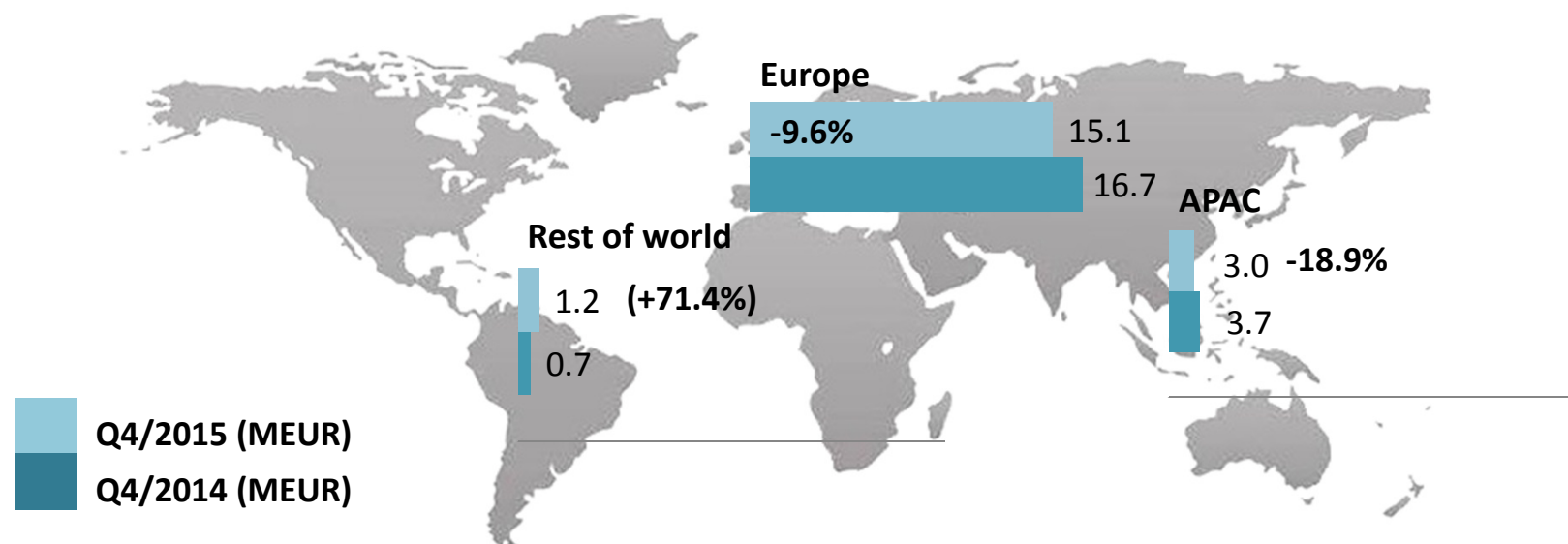
Construction and infrastr. = Building, Construction & Infrastructure, Energy industry

Industrial applications = Telecommunication, Paper, Electrical, Machine, and Transportation industries

Other applications = Cleaning & Maintenance, Sports & Leisure Industry, General Industries

Numbers may not add up due to rounding

# APAC was the fastest growing region in 2015: up by 16.1% to MEUR 13.7 (11.8)



## Rest of world (ROW)

Net sales in the region Rest of world increased by 71.4% in Q4 2015, but decreased by 10.3% in January-December 2015

## Europe

Net sales in Europe decreased by 9.6% in Q4 2015 and decreased by 1.1% in January-December 2015

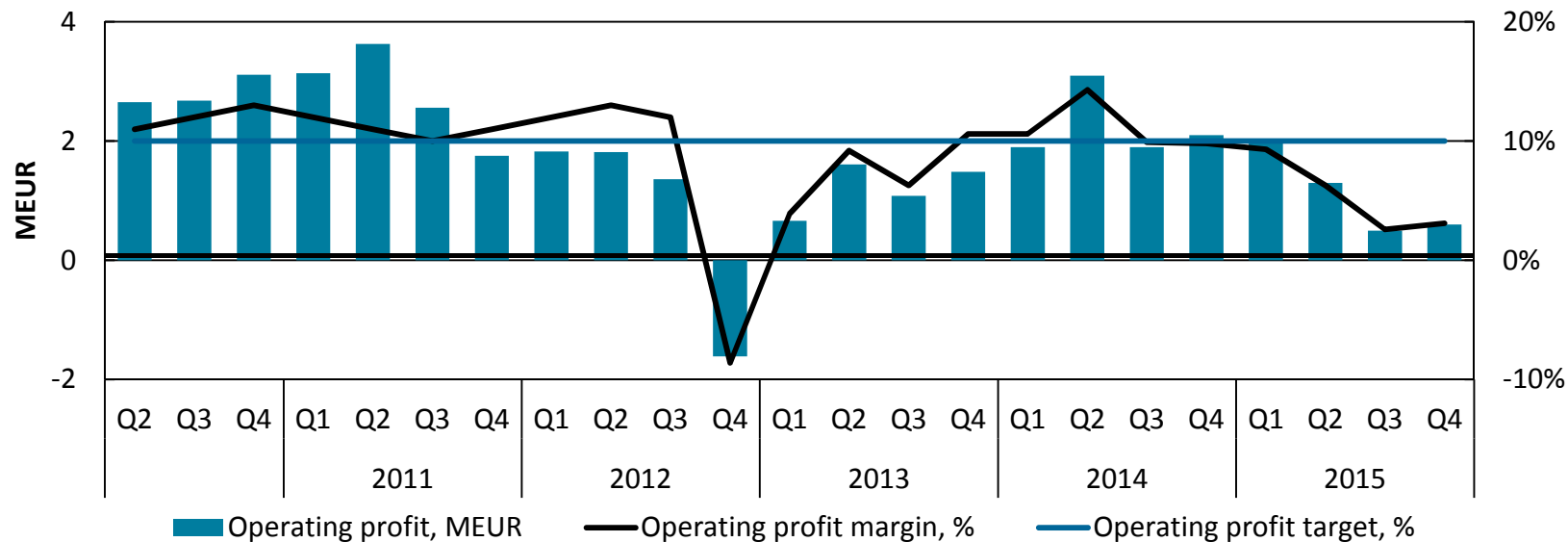
## APAC

Net sales in the region APAC decreased by 18.9% in Q4 2015

APAC was the fastest growing region in January-December 2015, up by 16.1%

## 2015 profitability was impacted by higher operational costs and lower than expected business volumes

- Q4 2015 operating profit decreased to MEUR 0.6 (2.1)
- Q1-Q4 2015 operating profit decreased to MEUR 4.4 (8.9)
- Profitability was impacted by higher operational costs mainly due to increased resources relating to the implementation of the long-term growth strategy
- In addition, business volume, with net sales increasing only 1.2%, was lower than expected, which in itself decreased profitability through low utilization of certain factories
- Non-recurring items of MEUR -0.4 relate to M&A screening costs



# In Jan-Dec 2015 operating profit margin decreased to 5.5% (11.2%)

MEUR	1-12/2015		1-12/2014		Change in % of net sales
	Value	% of net sales	Value	% of net sales	
<b>Net sales</b>	80.2	100%	79.3	100%	
Materials and services	-30.0	37.4%	-29.1	36.8%	+0.6
Employee expenses	-25.3	31.5%	-22.7	28.6%	+2.9
Depreciation and impairment	-2.9	3.6%	-3.0	3.9%	-0.3
Other operating expenses	-18.2	22.6%	-16.1	20.4%	+2.2
Other operating income	0.6	0.7%	0.7	0.9%	+0.0
<b>Operating profit *)</b>	4.4	5.5%	8.9	11.2%	-5.7

\*January – December 2015 operating profit Includes MEUR -0.4 non-recurring items  
January – December 2014 operating profit includes an impairment of MEUR -0.5

# In Q4 2015 operating profit margin decreased to 3.1% (9.8%)

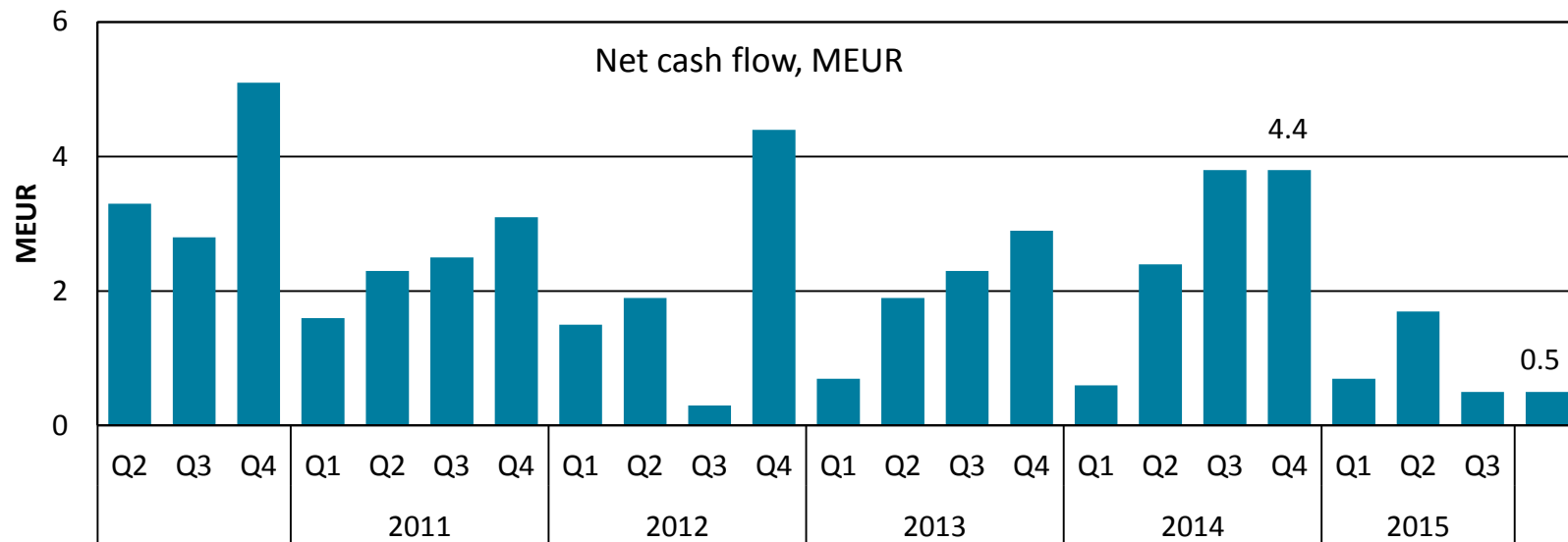
MEUR	Q4/2015		Q4/2014		Change in % of net sales
	Value	% of net sales	Value	% of net sales	
<b>Net sales</b>	19.3	100%	21.1	100%	
Materials and services	-7.6	39.4	-8.0	37.9	+1.5
Employee expenses	-6.1	31.5	-6.1	28.8	+2.7
Depreciation and impairment	-0.7	3.9	-0.6	3.0	+0.9
Other operating expenses	-4.6	23.9	-4.5	21.2	+2.7
Other operating income	0.4	1.9	0.2	0.8	+1.1
<b>Operating profit *)</b>	0.6	3.1	2.1	9.8	-6.7

\* October – December 2015 operating profit includes non-recurring items of MEUR -0.1 and  
October – December 2014 operating profit includes non-recurring items of MEUR -0.2

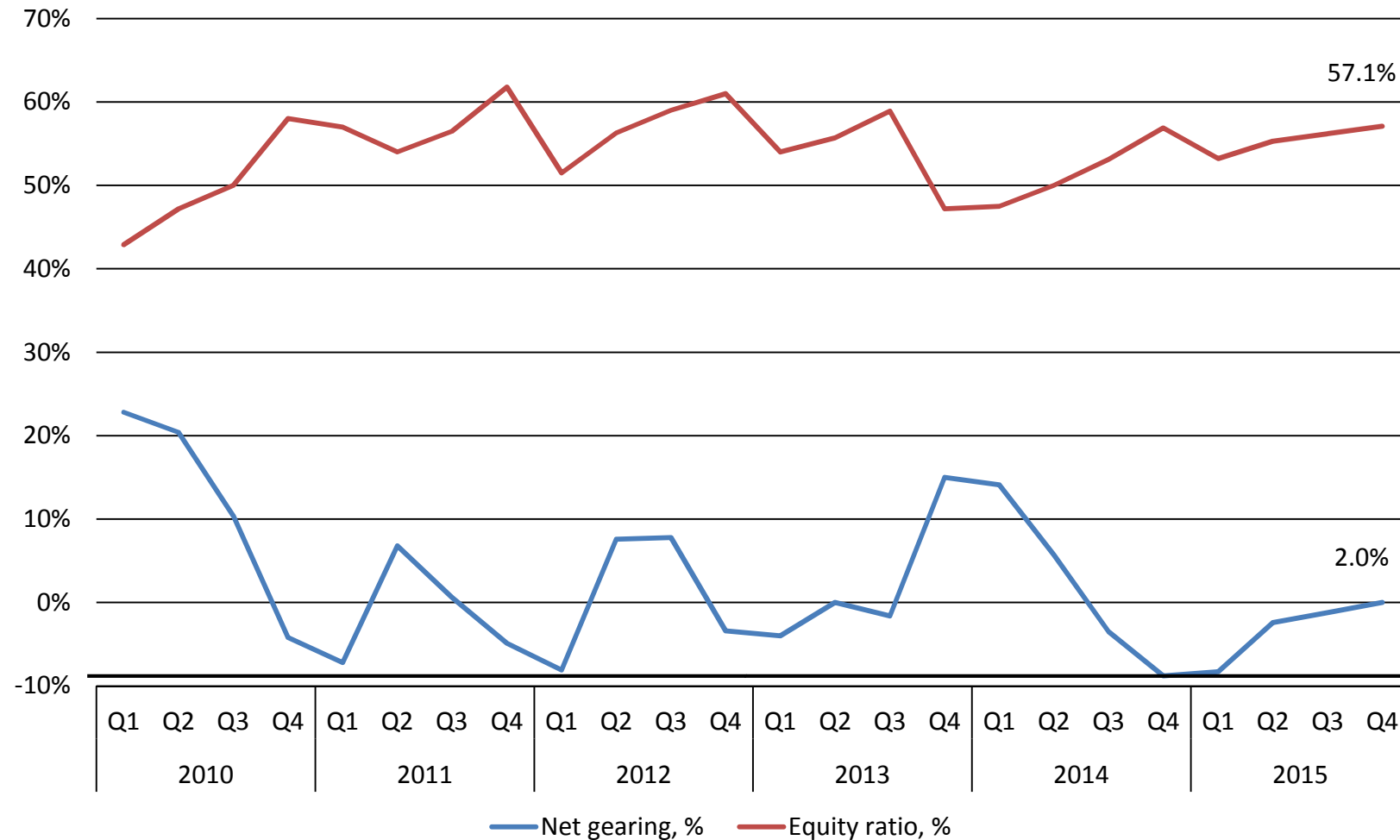


# In Q4 2015 net cash flow was MEUR +0.5 (+3.8)

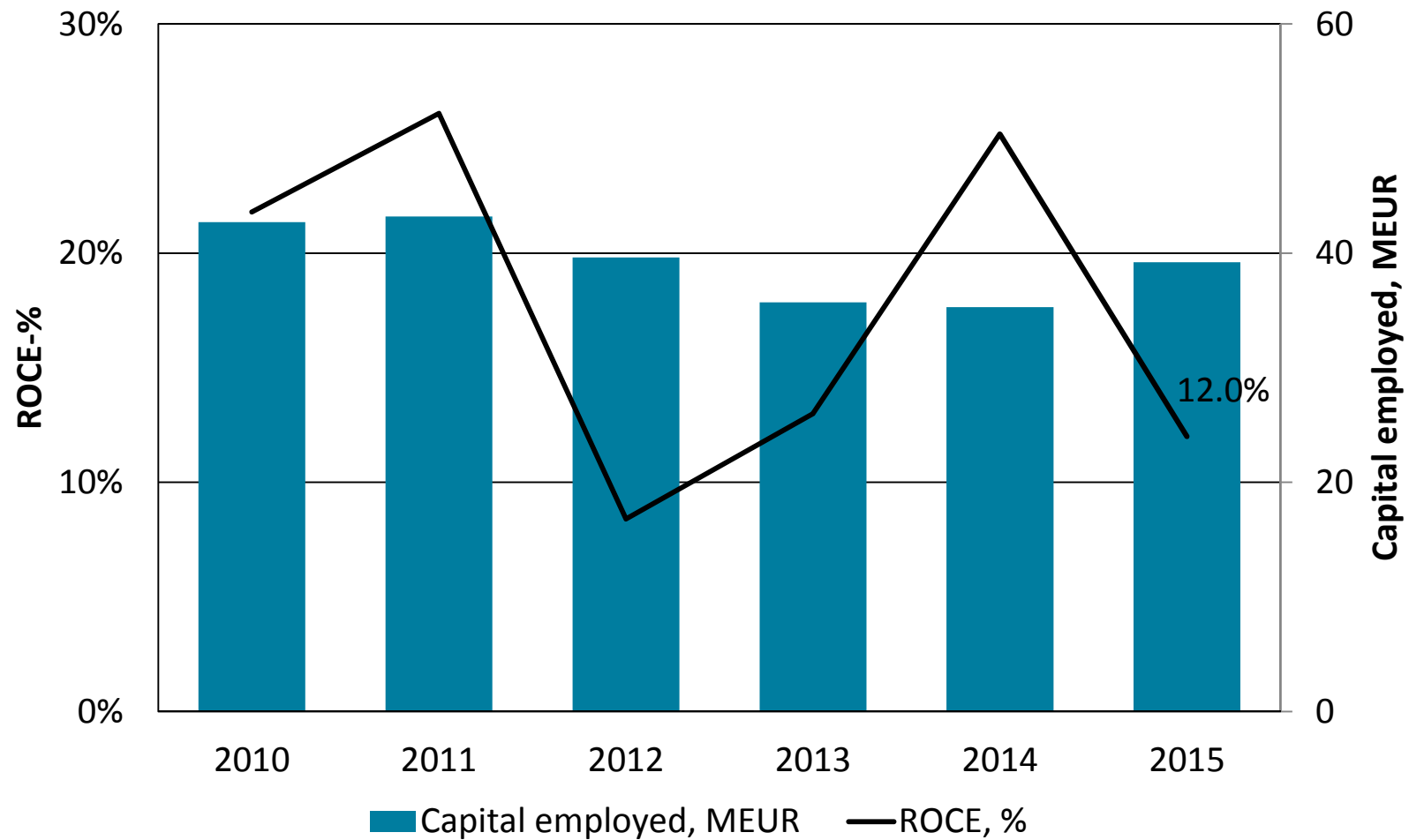
- Cash flow from operating activities was positive at MEUR +0.5 (+3.8)
- Capital expenditure was MEUR 4.3 (4.4)



# Strong balance sheet allows potential investments and acquisitions



## ROCE in 2015 was 12.0% (25.2%)

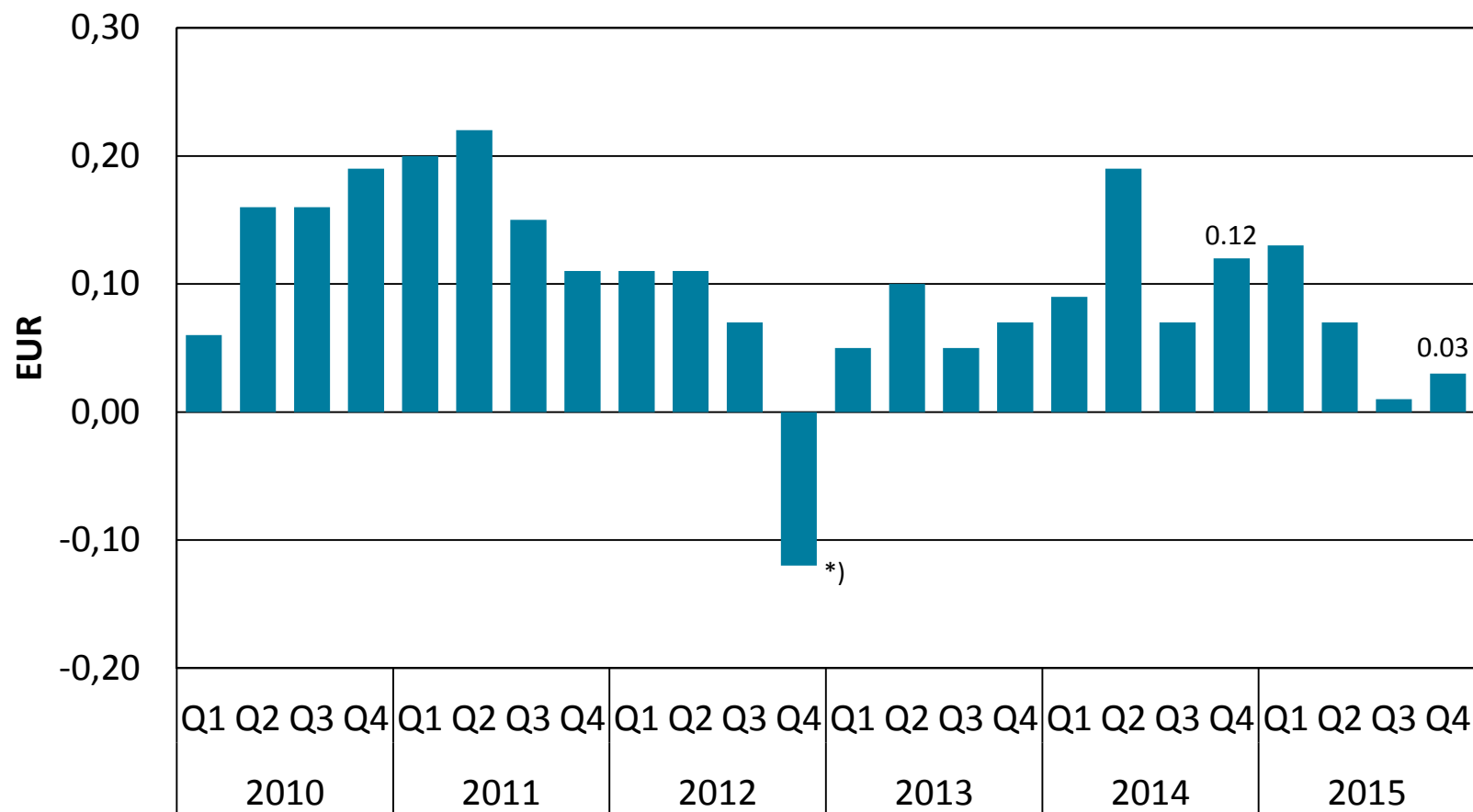


# Major near-term risks and uncertainties

- 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

# Earnings per share were EUR 0.03 (0.12) per share

## Quarterly EPS

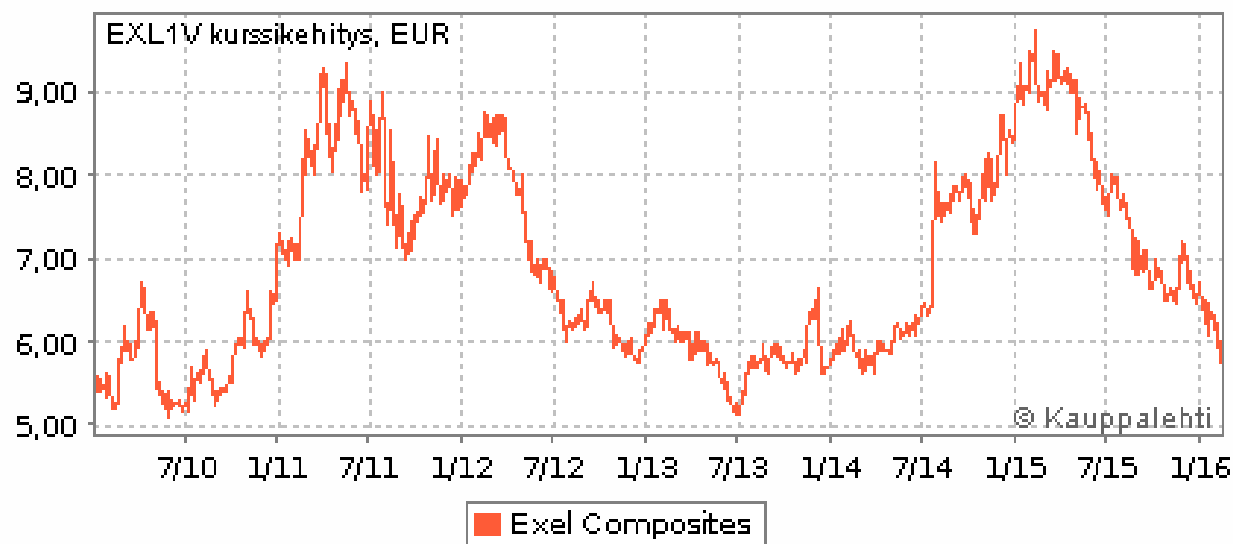


\* Q4 2012 EPS was negative due to impairment of MEUR 2.5

## In 2015 highest share quotation was EUR 9.85 (8.80) and the lowest EUR 6.32 (5.56)

### Exel Composites share price development

January 2010 – February 2016



20.6 (49.1%) % of  
shares outstanding  
were traded in 2015

In 2015 the highest  
share quotation was  
EUR 9.85 (8.80) and the  
lowest EUR 6.32 (5.56)

Market capitalization on  
31 Dec. 2015 was EUR  
77.7 (99.8) million

#### Price/earnings

31.12.2015:	27.2
31.12.2014:	17.5
31.12.2013:	22.2
31.12.2012:	34.6
31.12.2011:	11.5

Source: Kauppalehti



# Board proposal for 2016 AGM - dividend EUR 0.22

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.

Financial year	Dividend	Dividend payout ratio
2015	EUR 0.22*	92%
2014	EUR 0.20	42%
2013	EUR 0.00	No dividend, but capital repayment of EUR 0.50/share was paid, payout ratio 192%
2012	EUR 0.30	176%
2011	EUR 0.50	75%
2010	EUR 0.50	88%
2009	EUR 0.25	45%
2008	EUR 0.00	0%
2007	EUR 0.20	118%
2006	EUR 0.20	333%
2005	EUR 0.40	51%

\*Board proposal for 2016 AGM

# Strategy implementation continues at full speed

- Full implementation of the long-term growth strategy started in 2015. The cornerstones of the strategy are:
  - Accelerate growth in China
  - Penetrate new applications
  - Create true local footprint
  - Grow in new technologies
- We want to differentiate from our competitors by providing
  - Clear value propositions
  - Local presence globally
  - Top-quality service
  - World-class operations
- We advanced the strategic initiatives by
  - Strengthening the organization
  - Developing competencies
  - Improving processes
  - Adding flexibility and increasing production capacity

# Factory expansions in China and Austria are in permitting and design phase

- New factory expansions were initiated in China and Austria
  - Permitting and design of the China unit expansion are ongoing, but we no longer foresee that building would be completed in 2016
  - Land reservation and permitting are ongoing in Austria, but the expansion is postponed to 2017 due to weaker than estimated market situation in Central Europe
- 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

# 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

# Major Shareholders on 31 December 2015

	Number of shares	Percentage of share capital
Skandinaviska Enskilda Banken AB (nominee reg.)	2,321,225	19.5
Nordea Bank Finland Plc (nominee reg.)	1,784,049	15.0
Nordea Fennia Fund	610,000	5.1
Försäkringsaktiebolaget Pensions-Alandia	476,559	4.0
OP-Finland Small Firms Fund	458,259	3.9
Fondita Nordic Micro Cap	450,000	3.8
Danske Invest Finnish Small Cap Fund	443,234	3.7
Svenska Handelsbanken AB (publ.), Branch Operation in Finland (nominee reg.)	357,049	3.0
OP-Delta Fund	300,000	2.5
Evli Finnish Small Cap Fund	278,500	2.3

Exel Composites had a total of 2,987 (2,686) shareholders on 31 December 2015

# 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



# More information is available on Exel Composites website

- Exel Composites website: [www.exelcomposites.com](http://www.exelcomposites.com)
- For further information please contact

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