



# Financial Statements 2014

## Exel Composites Plc

Riku Kytömäki, President and CEO

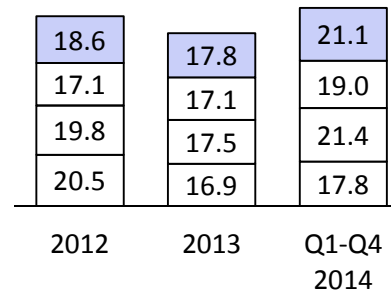
13 February 2015



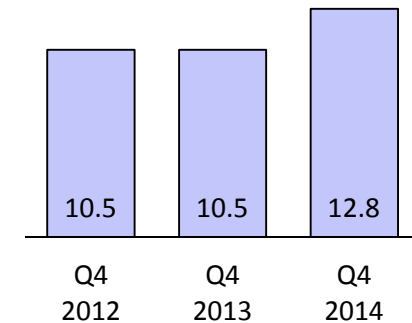
## Q4 Highlights: Performance in Q4 2014 continued to be strong: net sales up 18.6% and operating profit improved by 39.2%

- ◆ Net sales increased by 18.6%
- ◆ Order backlog up by 21.9%
- ◆ Operating profit improved to MEUR 2.1 (1.5), up by 39.2%
  - Improvement is due to increased sales, improved productivity, continued efficiency improvement and better cost control
- ◆ Net cash flow from operating activities was positive at MEUR +3.8 (+2.9)

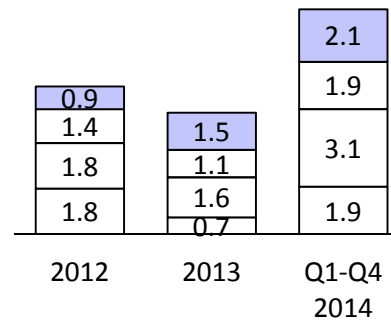
Net sales, MEUR



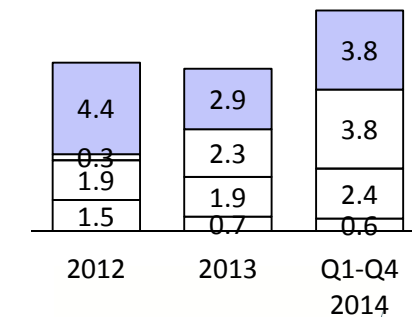
Order backlog, MEUR



Operating profit, MEUR



Net cash flow, MEUR



## 2014 was very successful for Exel Composites

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- ◆ The Company got back on growth track
- ◆ Group net sales developed positively
- ◆ Exel Composites' financial performance was greatly improved leading to a double digit operating profit margin
- ◆ Organization was strengthened especially in sales, R&D and operations development
- ◆ Order intake increased significantly
- ◆ Net operative cash flow was strongly positive at year end
- ◆ New growth strategy was developed and released
  - Expansion of Nanjing unit in China according to strategy
- ◆ Exel Composites is well on its way to becoming a truly global composite company with world-class operations and superior customer service

## Key figures Q4 2014 – Net sales increased to MEUR 21.1 and operating profit improved to MEUR 2.1

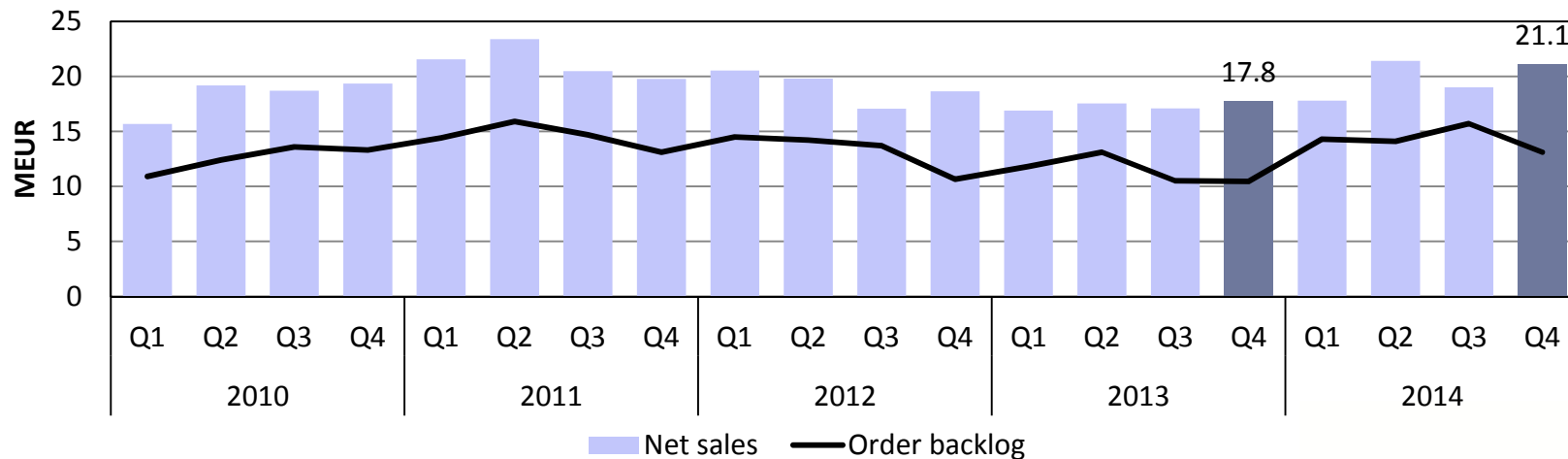
MEUR	Q4 2014	Q4 2013	Change-%
Net sales	21.1	17.8	18.6
Operating profit excluding non-recurring items	2.1	1.9	10.5
Operating profit	2.1	1.5	39.2
Operating profit, %	9.8	8.4	
Net cash flow from operating activities	3.8	2.9	31.3
Order backlog	12.8	10.5	22.7
Order intake	18.4	17.9	3.0
Return on capital employed, %	22.6	16.9	
Net gearing, %	-8.7	15.0	
EPS, EUR	0.12	0.07	

**Key figures January – December 2014: Net sales increased by 14.4% to 79.3 MEUR, operating profit improved by 83.5% to MEUR 8.9**

<b>MEUR</b>	<b>1-12/2014</b>	<b>1-12/2013</b>	<b>Change-%</b>
Net sales	79.3	69.3	14.4
Operating profit excluding non-recurring items	9.4	5.5	70.9
Operating profit	8.9	4.8	83.5
Operating profit, %	11.2	7.0	
Net cash flow from operating activities	10.7	7.8	37.1
Order backlog	12.8	10.5	22.7
Order intake	82.3	69.8	18.0
Return on capital employed, %	25.2	13.0	
Net gearing, %	-8.7	15.0	
EPS, EUR	0.48	0.26	

## Order intake increased by 18.0% in 2014 and order backlog increased to MEUR 12.8 (10.5) on 31 December 2014

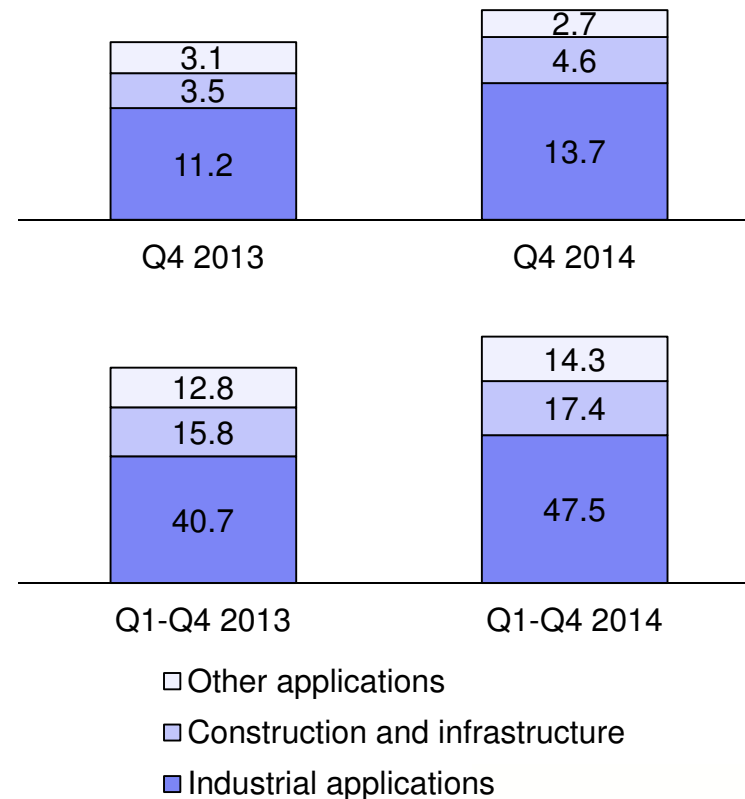
- ◆ Net sales increased to MEUR 79.3 (69.3)
- ◆ In 2014 order intake increased by 18.0% to MEUR 82.3 (69.8)
  - Q4 2014 order intake increased by 3% to MEUR 18.4 (17.9)
- ◆ Order backlog increased to MEUR 12.8 (10.5) on 31 December 2014



## In 2014 all customer industries grew over 10 per cent

- ◆ Net sales of Industrial applications increased by 16.7% to MEUR 47.5 from MEUR 40.7 in 2013
- ◆ Net sales of Construction and Infrastructure applications increased by 10.0% to MEUR 17.4 from MEUR 15.8 in 2013
- ◆ Net sales of Other applications decreased by 12.3% to MEUR 14.3 from MEUR 12.8 in 2013
- ◆ In Q4 2014 the fastest relative growth was achieved outside Europe
- ◆ In 2014 the biggest sales growth in absolute terms came from Europe

Net sales by customer industry, MEUR



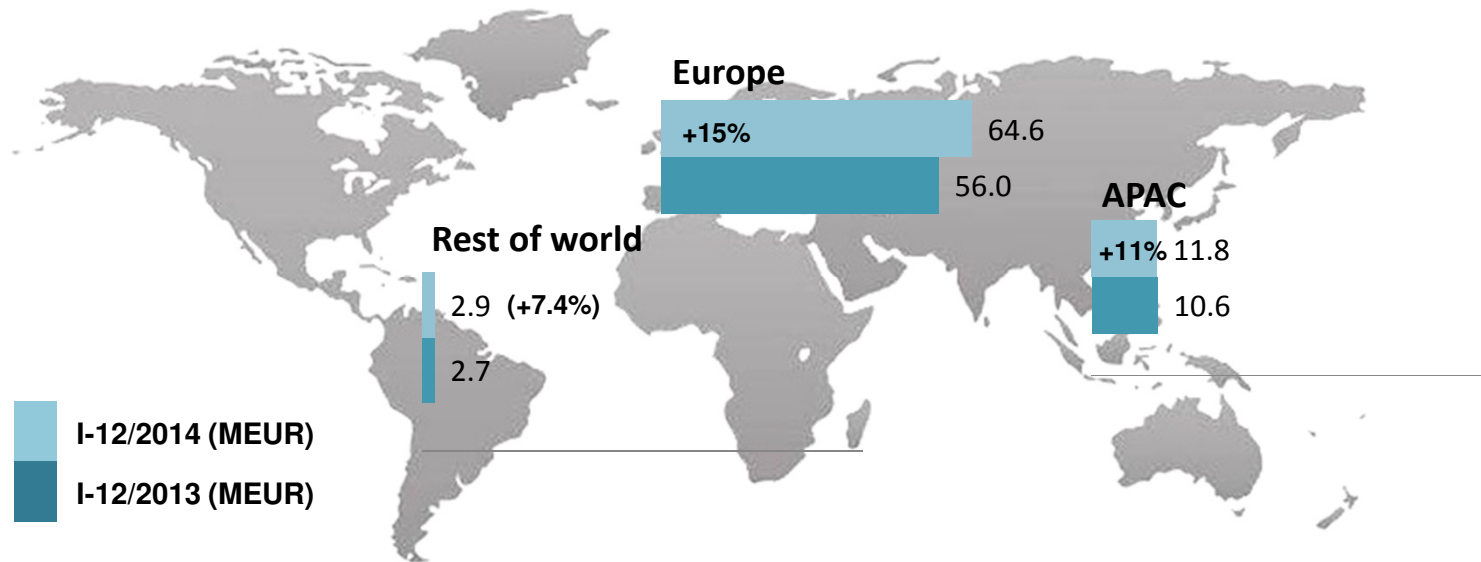
Note: Customer industries include the following markets:

Construction and infrastructure = Building, Construction & Infrastructure, Energy industry

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

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

# European market growth drove increase in net sales. APAC grew by 54.2% in Q4 2014



## Europe

General increase in the market demand was seen

Europe grew by 10.6% in Q4 2014

## APAC

Weak performance in the Australian market was compensated by the demand in North Asia













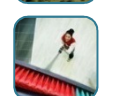

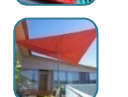





APAC grew by 54.2% in Q4 2014

## Rest of world

Rest of world grew by 75.0% in Q4 2014



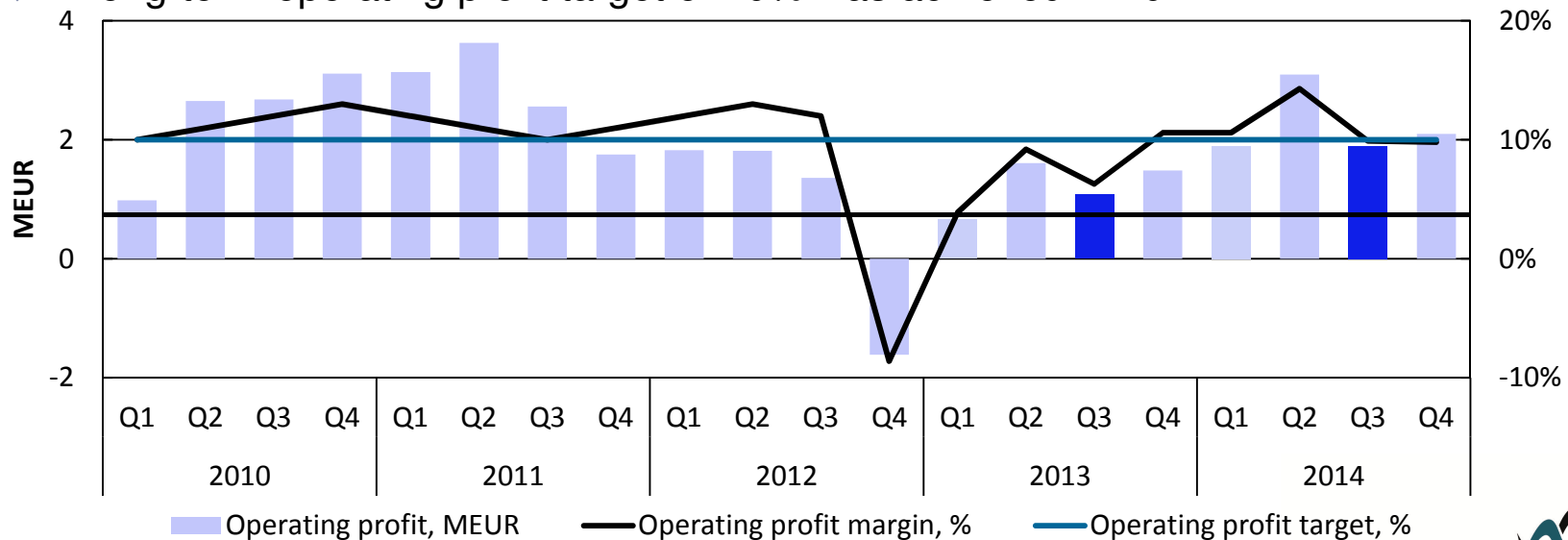
## Demand in some markets of Exel Composites is picking up

	Market	Demand	
	Transportation industry		Increased demand with new applications
	Building, Construction & Infrastructure		Recovery in demand
	Energy industry		<i>New projects opening up*)</i>
	Telecommunication industry		4G network building increases demand
	Paper industry		<i>Exel product portfolio is renewed. Growth expected*)</i>
	Electrical industry		No major market discontinuity seen - growth potential unclear
	Cleaning & Maintenance		<i>Exel grows faster than market*)</i>
	Sports & Leisure		<i>Exel position strong in selected segments*)</i>
	Machine industry		Lightness and stiffness are becoming increasingly important
	General industry		General increase in demand

\*) Updated since last reporting

## Q4 2014 operating profit improved by 39.2% to MEUR 2.1 (1.5) and Q1-Q4 2014 operating profit was up by 83.5% to MEUR 8.9 (4.8)

- ◆ Q4 2014 operating profit improved by 39.2% to MEUR 2.1 (MEUR 1.5). Operating profit margin was 9.8% (8.4%) of net sales
- ◆ Q1-Q4/2014 operating profit improved by 83.5% to MEUR 8.9 (4.8). Operating profit margin was 11.2% (7.0%) of net sales
- ◆ Improvement was mainly due to increased sales, improved productivity, continued efficiency improvement, and better cost control
- ◆ Long-term operating profit target of 10% was achieved in 2014

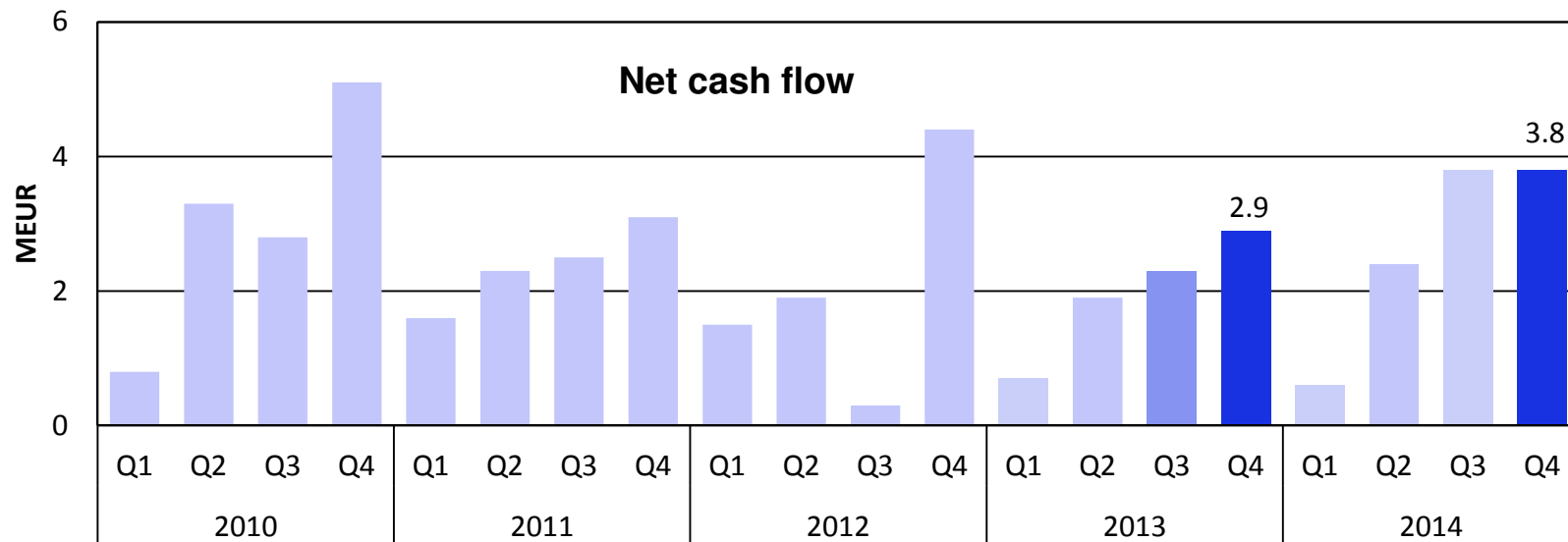


In January - December 2014 operating profit improvement was mainly due to increased sales, improved productivity, continued efficiency improvement, and better cost control

<b>MEUR</b>	<b>1-12/2014</b>		<b>1-12/2013</b>		Change in % of net sales
	Value	% of net sales	Value	% of net sales	
<b>Net sales</b>	79.3	100%	69.3	100%	
Materials and services	-29.1	36.8%	-26.0	37.6%	-0.8%
Employee expenses	-22.7	28.6%	-21.1	30.5%	-1.9%
Depreciation and impairment	-3.1	3.9%	-2.7	3.9%	0.0%
Other operating expenses	-16.1	20.4%	-15.3	22.0%	-1.6%
Other operating income	0.7	0.9%	0.7	1.0%	-0.1%
<b>Operating profit</b>	8.9	11.2%	4.8	7.0%	+4.2%

## In Q4 2014 net cash flow increased to MEUR +3.8 (+2.9) due to improved operating profit

- ◆ In Q4 2014 net cash flow from operating activities was positive at MEUR +3.8 (+2.9) due to improved operating profit
- ◆ Capital expenditure was MEUR 4.4 (2.8)
  - The increase was mainly due to investments in production lines and capacity expansion



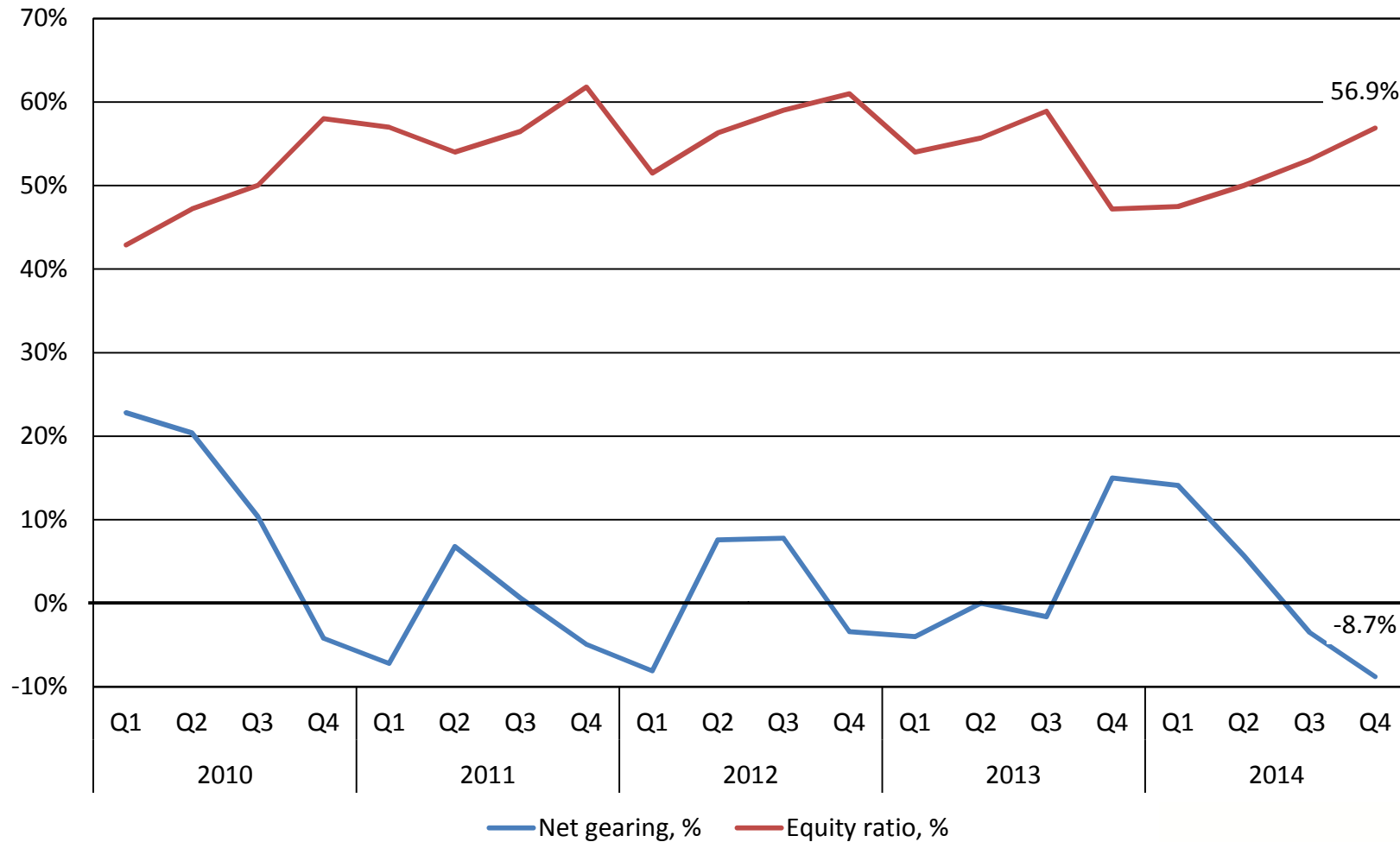
**In Q4 2014 net cash flow improved due to higher profit and lower working capital**

<b>MEUR</b>	<b>Q4 2014</b>	<b>Q4 2013</b>	<b>Change</b>
<b>Profit for the period</b>	<b>1.5</b>	<b>0.8</b>	<b>+0.7</b>
Adjustments	1.5	1.2	+0.3
Change in working capital	1.8	0.8	+1.0
<b>Cash flow from operations</b>	<b>4.8</b>	<b>2.8</b>	<b>+2.0</b>
Interests and taxes paid/received	-1.0	0.2	-1.2
<b>Net cash flow from operating activities</b>	<b>3.8</b>	<b>2.9</b>	<b>+0.9</b>
Capital Expenditure	-1.9	-0.9	-1.0
Change in financing	-4.5	+5.7	-10.2
Dividends paid	0	0	0
<b>Change in liquid funds</b>	<b>-2.6</b>	<b>7.8</b>	<b>+10.4</b>
<b>Liquid funds at 31 December 2014</b>	<b>8.2</b>	<b>9.4</b>	<b>+1.2</b>

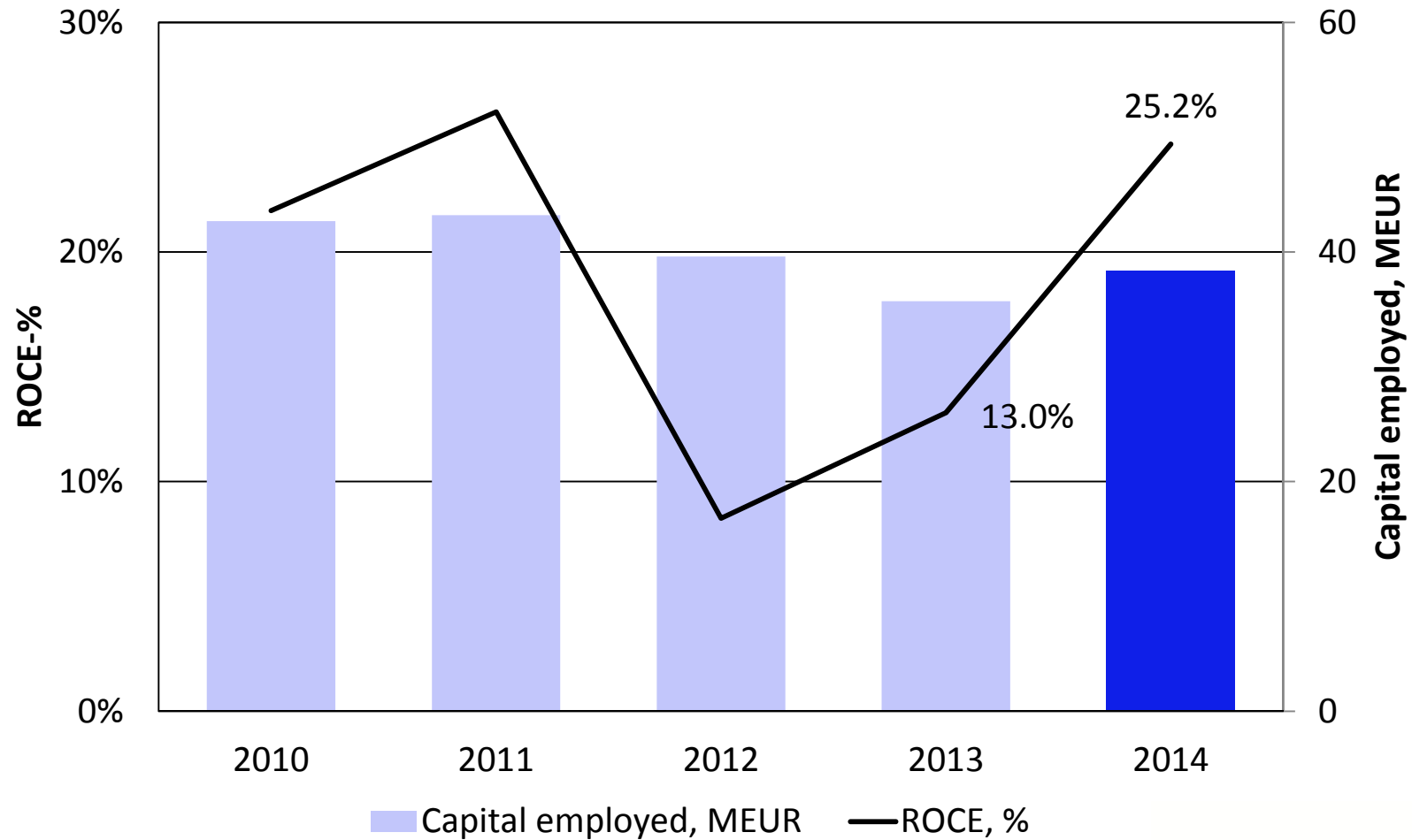
## January – December 2014 net cash flow improved due to better profit

MEUR	1-12/2014	1-12/2013	Change
<b>Profit for the period</b>	<b>5.7</b>	<b>3.1</b>	<b>+2.6</b>
Adjustments	7.4	4.1	+3.3
Change in working capital	0.5	1.7	-1.2
<b>Cash flow from operations</b>	<b>13.6</b>	<b>8.8</b>	<b>+4.8</b>
Interests and taxes paid/received	-2.9	-1.0	-1.9
<b>Net cash flow from operating activities</b>	<b>10.7</b>	<b>7.8</b>	<b>+2.9</b>
Capital Expenditure	-4.4	-2.8	-1.6
Change in financing	-7.5	+4.7	-12.2
Additional capital repayment	0.0	-5.9	+5.9
Dividends paid	0.0	-3.6	+3.6
<b>Change in liquid funds</b>	<b>-1.2</b>	<b>0.2</b>	<b>-1.4</b>
<b>Liquid funds at 31 December 2014</b>	<b>8.2</b>	<b>9.4</b>	<b>-1.2</b>

## Strong balance sheet allows potential investments and acquisitions. Net gearing reduced down to -8.7%



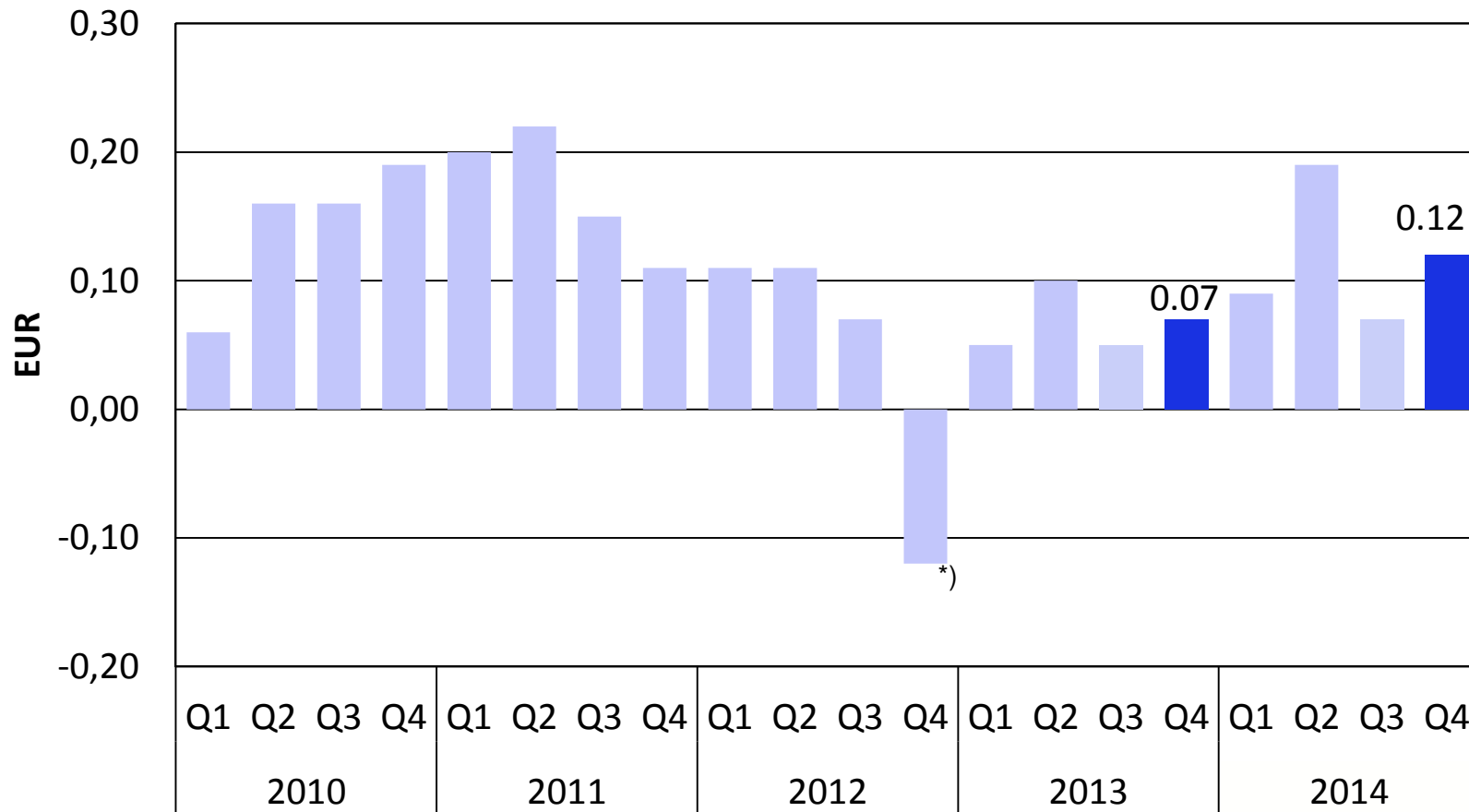
## ROCE improved to 25.2% due to increased operating profit





## Earnings per share increased to EUR 0.12 (0.07) per share

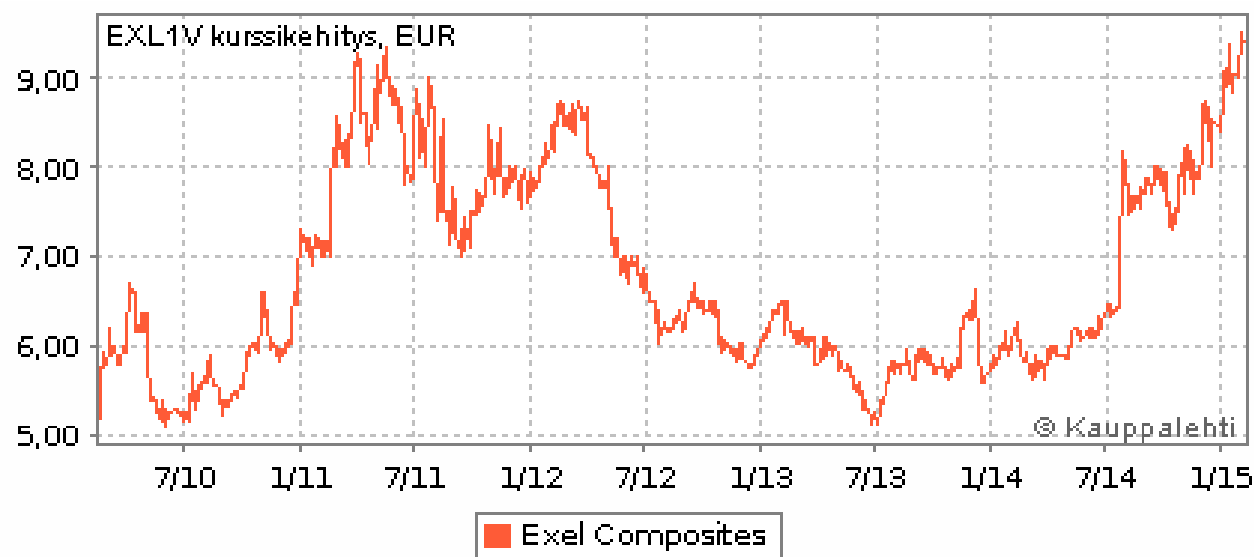
### Quarterly EPS



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

## Share price development: in 2014 the highest share quotation was EUR 8.80 (6.70) and the lowest EUR 5.56 (5.10)

### Exel Composites share price development January 2010 – February 2015



49.1 (17.0) % of shares outstanding were traded in Jan-Dec 2014

In Jan-Dec 2014 the highest share quotation was EUR 8.80 (6.70) and the lowest EUR 5.56 (5.10)

Market capitalization on 31 December 2014 was EUR 99.8 (68.4) million

#### Price/earnings

31.12.2014:	17.5
31.12.2013:	22.2
31.12.2012:	34.6
31.12.2011:	11.5
31.12.2010:	12.4

## Major Shareholders on 31 December 2014

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	Number of shares	Percentage of share capital
Skandinaviska Enskilda Banken AB (nominee reg.)	2,482,349	20.87
Nordea Bank Finland Plc (nominee reg.)	1,182,707	9.94
Nordea Fennia Fund	610,000	5.13
Danske Invest Finnish Small Cap Fund	481,567	4.05
Fondita Nordic Micro Cap	450,000	3.78
OP-Finland Small Firms Fund	439,551	3.69
Försäkringsaktiebolaget Pensions-Alandia	418,000	3.51
Svenska Handelsbanken AB (publ), Branch Operation in Finland (nominee reg.)	395,049	3.32
Evli Finnish Small Cap Fund	378,500	3.18
OP-Delta Fund	300,000	2.52

*Exel Composites had a total of 2,686 (2,752) shareholders on 31 December 2014*

## Exel Composites' new vision, strategy and long-term financial targets

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- ◆ New vision: 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 market segments
  - Creating a true global footprint
  - Growing through new technologies
- ◆ New financial targets reflect our new growth strategy:
  - Growth: Turnover growth 2x average market growth
  - Profitability: Operating profit margin over 10 per cent of net sales
  - Capital efficiency: Return on capital employed over 20 per cent

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  - 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.

## Strategy implementation continues

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- ◆ Expansion project to double the manufacturing capacity of the Nanjing unit to meet the increased demand has been started
  - Expansion is estimated to be completed during H1 2016
- ◆ Operations to be expanded in Austria
  - Target is to more than double the production capacity in Austria
  - Total cost estimate of the project is EUR 8 million
  - Expansion project will be launched in the first half of 2015 and is estimated to be completed during the second half of 2016
- ◆ Mikko Kettunen appointed SVP, CFO and member of Exel Composites' Group Management Team as of 7 April 2015
- ◆ Ilkka Silvanto appointed SVP, Strategic Projects as of 7 April 2015

## Major near-term risks and uncertainties

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- ◆ 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

## Outlook for full year 2015 – the Company implements its new strategy by reinforcing the organization and by increasing its capacity

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- ◆ 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

## More information is available on Exel Composites website

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

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**Q1 2015 published on 6 May 2015**

