



Financial Statements Release
January-December
2019

FOR FORWARD THINKERS

EXEL COMPOSITES PLC'S FINANCIAL STATEMENTS RELEASE 2019: “Profitability improved significantly”

Q4 2019 in brief

- Order intake increased by 8.7% to EUR 31.7 million (Q4 2018: 29.1).
- Revenue decreased by -0.5% to EUR 26.6 million (26.7).
- Adjusted operating profit increased to EUR 1.3 million (0.8), which is 4.9% of revenue (2.9).
- Operating profit increased to EUR 1.1 million (-1.2), which is 4.1% of revenue (-4.5).
- Net cash flow from operating activities was EUR 3.5 million (0.5).
- Earnings per share amounted to EUR 0.03 (-0.14).

Q1-Q4 2019 in brief

- Order intake increased by 9.9% to EUR 110.7 million (Q1-Q4 2018: 100.8).
- Revenue increased by 7.4% to EUR 103.8 million (96.6).
- Adjusted operating profit increased to EUR 7.2 million (5.0), which is 6.9% of revenue (5.2).
- Operating profit increased to EUR 5.1 million (2.2), which is 4.9% of revenue (2.3).
- Net cash flow from operating activities was EUR 9.0 million (0.9).
- Earnings per share amounted to 0.20 (0.03).

Dividend proposal

The Board of Directors proposes that a dividend of EUR 0.18 (0.18) per share be paid for the financial year 2019.

Guidance for the full year 2020

Exel Composites expects revenue and adjusted operating profit to increase in 2020 compared to 2019.

Exel Composites has manufacturing in Nanjing, China. The coronavirus outbreak has delayed ramping up production to full capacity after the Chinese New Year. This will impact production volumes in China in the first quarter 2020. Currently, it is too early to estimate the impacts of the outbreak on the company's business and financial performance.

President and CEO, Riku Kytömäki

2019 was a year of profitable growth for Exel Composites. Alongside with order intake growth, Group revenue continued to increase in 2019. The Construction & Infrastructure customer segment drove revenue growth, strongly supported by wind power. Wind power is a growing market and it has rapidly become Exel's largest customer industry. Revenue in Other Applications developed well in 2019, driven by growth in defense applications. Exel has long experience in developing defense products such as camouflage support poles. The Industrial Applications customer segment, on the other hand, declined mainly due to lower business volumes in telecommunications.

Despite the order intake growth in the fourth quarter of 2019, revenue in the quarter declined slightly. Revenue growth in wind power, transportation and defense was not quite enough to

compensate for the decline in telecommunications and construction and infrastructure.



Geographically, revenue increased in the region Rest of the World in 2019, supported by increased export from Exel's units in Europe and China to the North American market. Revenue both in the Asia-Pacific region and in Europe was approximately at last year's level. In the fourth quarter, revenue growth in Asia-Pacific region was not enough to offset the decline in the North American market, which was negatively impacted by fluctuations in wind power volumes.

Adjusted operating profit improved significantly in 2019, mainly due to profitable growth in wind power and due to the Group's cost savings program, which was completed in 2019 according to plan. The original target of the program was to achieve a total of EUR 3 million savings in 2020. In 2019 the cost savings

program already had an estimated EUR 2 million positive impact on Group profit. The full profit impact of the program in 2020, compared to the 2018 cost structure, will be approximately EUR 3 million. The most important actions implemented under the program were the closure of the production plant in Germany, the cost restructuring in Exel USA as well as operational improvements and synergy savings in China.

Actions to improve profitability of Exel USA progressed, but breakeven was not yet achieved in 2019. Although the implemented structural savings improved profitability, lower volumes compared to the previous year had an opposite impact. The streamlining of the cost structure and organization during 2019, however, gives a good start for Exel USA going forward in 2020.

In 2019, Exel Composites decided to expand its operations by investing in a new manufacturing facility in Austria. The capacity of the old facility has been limiting further

growth in Central Europe and the considerable capacity increase will improve Exel's ability to meet customer needs. The construction of the new facility is expected to be completed by the end of 2020.

Exel is well positioned as a leading player in the composites industry being the only pultrusion company with global presence. Interest towards composite materials is steadily growing, supported by global megatrends such as urbanization, sustainability and total life cycle cost management. For example, increased energy efficiency requirements within the transportation industry and the increased utilization of anti-corrosive materials in the construction industry drive the use of composites. The composites market is expected to grow 2%-5% during 2018-2023, mostly in Asia and North America. Exel's ambition is to leverage on these trends and offer our customers attractive products fitting that demand.

Consolidated key figures

EUR thousand	1.10.-31.12. 2019	1.10.-31.12. 2018	Change, %	1.1.-31.12. 2019	1.1.-31.12. 2018	Change, %
Order intake	31,650	29,108	8.7	110,693	100,757	9.9
Order backlog 1)	30,391	23,685	28.3	30,391	23,685	28.3
Revenue	26,585	26,711	-0.5	103,784	96,608	7.4
Operating profit	1,085	-1,194	190.8	5,087	2,217	129.5
% of revenue	4.1	-4.5		4.9	2.3	
Adjusted operating profit 2)	1,300	768	69.3	7,160	5,017	42.7
% of revenue	4.9	2.9		6.9	5.2	
Profit for the period	364	-1,606	122.7	2,397	386	520.3
Net cash flow from operating activities 3), 4)	3,502	534	556.3	9,030	868	940.3
Return on capital employed, %	6.9	-8.3		8.6	4.4	
Net gearing, % 3)	114.9	96.3		114.9	96.3	
Earnings per share	0.03	-0.14		0.20	0.03	
Equity per share, EUR	2.2	2.2	2.0	2.2	2.2	2.0
Employees on average	656	677	-3.2	660	647	1.9
Employees at end of period	648	675	-4.0	648	675	-4.0

1) As per the end of the period.

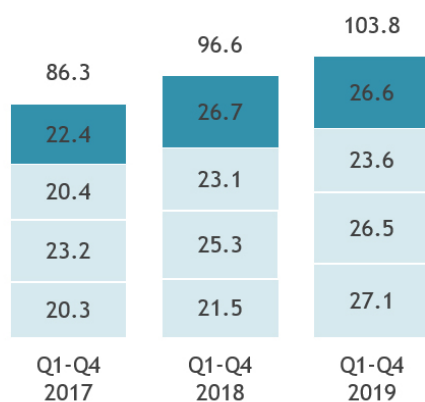
2) Excluding material items affecting comparability, such as restructuring costs, impairment losses and reversals, and costs related to planned or realized business acquisitions or disposals.

3) Exel Composites Plc has applied the IFRS16 -standard since 1.1.2019 according to the model where the comparative information of previous periods is not adjusted. Comparable net gearing ratio, assuming IFRS-16 standard would not have been applied, is estimated to have been 96.7% (96.3).

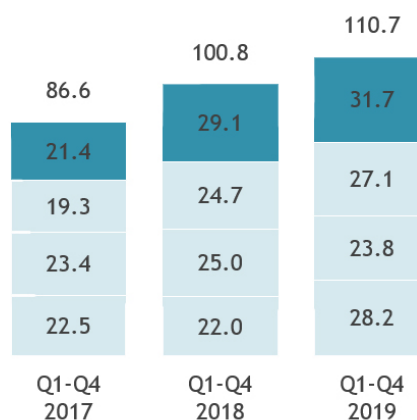
4) IFRS16 rental payments have been classified to financing activities in the cash flow statement. This impacted net cash flow from operating activities in Q4 with EUR 350 thousand, EUR 651 thousand in H2 and EUR 1,196 thousand in the full year 2019.

Key Figures January - December 2019

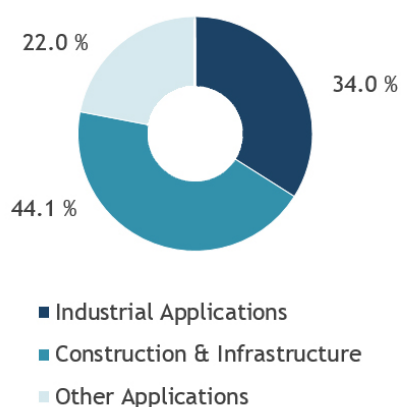
Revenue, EUR million



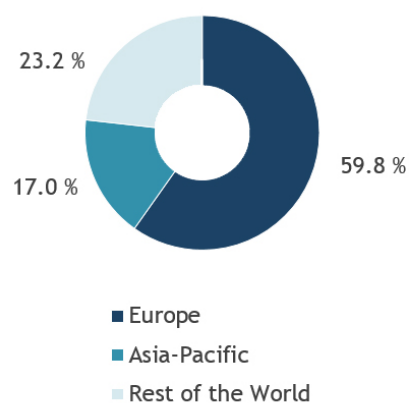
Order intake, EUR million



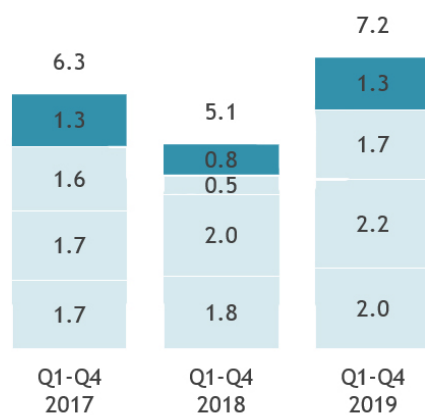
Revenue by customer industry, %



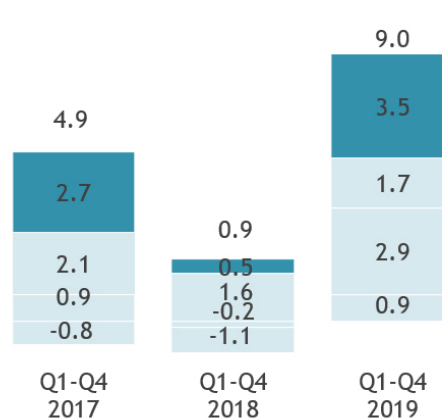
Revenue by region, %



Adjusted operating profit, EUR million



Net cash flow, EUR million



Business model

Exel Composites, a global technology company headquartered in Finland, is the world's largest manufacturer of pultruded and pull-wound composite products.

The company works closely together with its customers to design and manufacture **composite products using carbon fiber, fiberglass** and other high performance materials. The qualities of composites help reduce weight, improve performance, and decrease total life cycle costs, all while helping increase energy efficiencies and supporting environmental sustainability.

Exel Composites has a global sales, R&D and manufacturing footprint that **serves customers across a broad range of industries**. Exel identifies three customer segments: 1) Industrial Applications, which comprises telecommunication, paper, electrical, machine and transportation customer industries, 2) Construction & Infrastructure, which comprises building, construction and infrastructure as well as energy customer industries including wind power, and 3) Other Applications, which comprises cleaning and maintenance, sports and leisure as well as other industries. Our customers are typically original equipment manufacturers (OEM's), system integrators or distributors. Often the products produced by Exel are components that form a part of a customer's end product. The product portfolio includes for example **profiles, tubes and laminates**, which are typically customer tailored. Exel also produces some complete end products and systems.

A high level of technology plays a major role in the company's operations and the company has already 60 years of composites experience. Exel's core expertise lies in chemistry, materials science as well as cost-efficient and repeatable manufacturing processes. The main manufacturing technology utilized by Exel is **pultrusion**, where resin-impregnated fibers are pulled through a mold and hardened with heat. Other most important methods include **pullwinding**, which is a combination of pultrusion and filament winding, as well as **continuous lamination**.

In all these technologies production is continuous and the product gets its final shape in a mold. The final products are cut to a specified length or wound on a roll at the end of the production line. These manufacturing technologies are applicable to any shapes from poles and tubes to profiles with complex shapes and cavities. Exel also has **further processing capabilities** to supply complete composite solutions including machining and coating. The company's strategy includes expanding into new and growing production technologies. The company also wants to expand into new and growing applications where composite materials can be used and where their unique characteristics are beneficial.

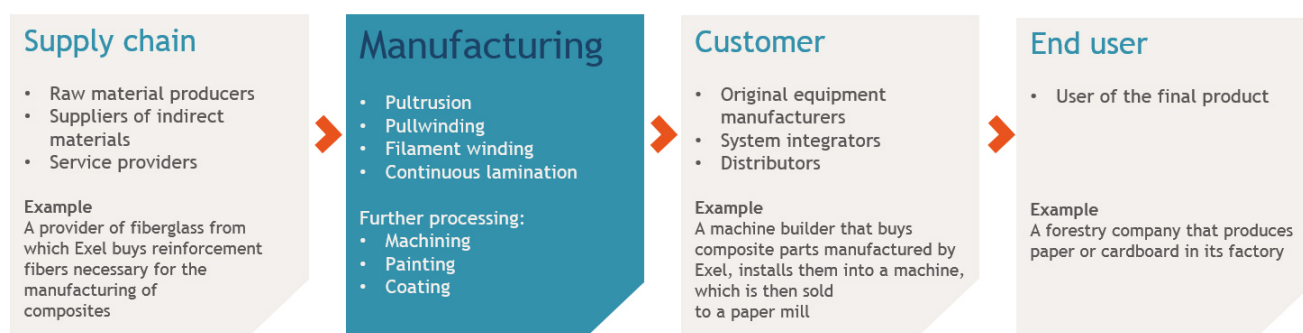
Exel Composites' **global supply chain** sources its raw materials from multiple sources from various countries and continents. The main raw material categories are fiber reinforcements and matrix systems. Fiber reinforcements typically are carbon fiber and fiberglass. Matrix systems include for example polyester, epoxy and vinyl ester resins.

Market environment

The composites market is fragmented. Whereas Exel Composites is not a large company, it is nevertheless a leading player and the only pultrusion company with significant presence on all major markets: Europe, Asia and North America. This global presence differentiates Exel from other pultrusion companies and enables head to head competition with global suppliers of traditional materials. According to industry associations, such as JEC and Lucintel, composites represent only 1% of the global materials market, which is dominated by steel, plastic and aluminum. Furthermore, pultruded composites market, with an estimated size of 3 billion dollars, represents less than 5% of the total composites market. Exel Composites sees growth potential for composites as a material as well as for pultrusion as a production technology within the composites market.

Annual growth rate estimated for the global composites market vary, according to industrial segment, market area

Exel Composites in the value chain



and source, between approximately 2%-5% during 2018-2023.

Exel Composites estimates that during 2019 the company's market position within the global pultrusion market has improved. Exel's revenue has increased particularly in the North American market where the company has been physically present since the acquisition of Diversified Structural Composites, DSC, in April 2018.

Exel Composites' strategy is to focus on high growth industries, such as wind power, transportation as well as building and construction industries. Transportation, including aerospace, is currently the largest market in terms of value, while energy industry shows the strongest growth.

Geographically, Asia is the largest and the fastest-growing market globally. China alone is expected to represent over half of the global growth. The North-American market is the second largest composites market globally in terms of value and growth. Growth is expected to be slower in the mature European market, which already today is behind Asia and North-America in size.

Interest towards composite materials is steadily growing, supported by global megatrends such as urbanization, sustainability and total life cycle cost management. For example, increased energy efficiency requirements within the transportation industry and the increased utilization of anti-corrosive materials in the construction industry drive the use of composites. Exel's ambition is to leverage on these trends by offering its customers attractive products that fit the demand.

Order intake and order backlog

Order intake for the fourth quarter of 2019 amounted to EUR 31.7 million (29.1), and increased by 8.7% in comparison to 2018.

Order intake for the financial year 2019 was EUR 110.7 million (100.8), which is an increase of 9.9% compared to 2018. The Group's order backlog on 31 December 2019 increased to EUR 30.4 million (23.7).

Revenue

Group revenue in the fourth quarter of 2019 amounted to EUR 26.6 million (26.7), which is a decrease of -0.5% in comparison to previous year.

Group revenue for the financial year 2019 amounted to EUR 103.8 million (96.6) and increased by 7.4% compared to previous year. Revenue was impacted by effects of delivery volumes by 2.1 %, sales mix by -0.1 %, acquisitions by 4.8 % and exchange rates by 0.6 %.

In 2019 revenue growth continued in the Construction & Infrastructure customer segment supported by wind power and increased by 24.0% to EUR 45.7 million (36.9). Also Other Applications grew by 14.8% to EUR 22.8 million (19.9) driven by growth in defense applications. Revenue in Industrial Applications declined by -11.6% to EUR 35.3 million (39.9) mainly due to lower business volumes in telecommunications. The share of Exel's largest customer, which represents wind power industry, increased in 2019 to 19.0%, of Group revenue.

Geographically, revenue increased during 2019 by 33.1% to EUR 24.1 million (18.1) in the region Rest of the World. Revenue growth was supported by increased export from Exel's units in Europe and China. Revenue in the Asia-Pacific region increased slightly by 1.0% to EUR 17.6 million (17.4). In Europe, revenue increased by 1.6% to EUR 62.1 million (61.1).

Exel Composites' customer segments and industries

Industrial Applications

- Telecommunication
- Paper industry
- Electrical industry
- Machine industry
- Transportation industry

Construction & Infrastructure

- Buildings, Construction and Infrastructure
- Energy industry, including wind power

Other Applications

- Cleaning & Maintenance
- Sports & Leisure
- Other industries

Revenue by customer segment

EUR thousand	1.10.-31.12. 2019	1.10.-31.12. 2018	Change, %	1.1.-31.12. 2019	1.1.-31.12. 2018	Change, %
Industrial Applications	8,520	8,629	-1.3	35,254	39,885	-11.6
Construction & Infrastructure	12,579	12,850	-2.1	45,718	36,855	24.0
Other Applications	5,486	5,231	4.9	22,812	19,868	14.8
Total	26,585	26,711	-0.5	103,784	96,608	7.4

Revenue by region

EUR thousand	1.10.-31.12. 2019	1.10.-31.12. 2018	Change, %	1.1.-31.12. 2019	1.1.-31.12. 2018	Change, %
Europe	14,727	14,649	0.5	62,076	61,073	1.6
Asia-Pacific	5,178	4,720	9.7	17,600	17,430	1.0
Rest of world	6,681	7,342	-9.0	24,108	18,106	33.1
Total	26,585	26,711	-0.5	103,784	96,608	7.4

Operating profit

The Group's operating profit amounted to EUR 1.1 million (-1.2) in the fourth quarter of 2019 and was 4.1% (-4.5) of revenue. Adjusted operating profit* was EUR 1.3 million (0.8) and 4.9% (2.9) of revenue.

Operating profit during the financial year 2019 increased to EUR 5.1 million (2.2), 4.9% (2.3) of revenue. Adjusted operating profit* was EUR 7.2 million (5.0), 6.9% (5.2) of revenue. Adjusted operating profit improved significantly in 2019 mainly due to profitable growth in wind power as well as well as the cost savings program.

Items affecting comparability amounted to a total of EUR 2.1 (2.8) million. A one-time cost of EUR 1.0 million was related to the closing of production in Germany. EUR 0.7 million of the one-off costs related to the deferred variable component of the total purchase price of Nanjing Jianhui Composite Materials, acquired in 2017, and a further EUR 0.2 million to the layoffs in Finland.

Group's net financial expenses in 2019 were EUR -1.2 million (-0.5). Profit before taxes was EUR 3.9 million (1.7) and profit after taxes EUR 2.4 million (0.4).

Adjusted operating profit*

EUR thousand	1.10.-31.12. 2019	1.10.-31.12. 2018	1.1.-31.12. 2019	1.1.-31.12. 2018
Operating profit	1,085	-1,194	5,087	2,217
Restructuring costs	0	10	1,259	10
Impairment losses and reversals	0	1,584	0	1,584
Costs related to planned or realized business acquisition and disposal	216	368	814	1,206
Sale of intangible and tangible assets				
Expenses related to changes in legislation or legal proceedings				
Adjusted operating profit	1,300	768	7,160	5,018

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

Financial position

Net cash flow from operating activities for 2019 was EUR 9.0 million (0.9). The capital expenditure on fixed assets amounted to EUR 6.3 million (9.6). Net cash flow from investing activities amounted to EUR -6.1 million (-12.8)

and net cash flow before financing activities amounted to EUR 2.9 million (-11.9). EUR 1.0 million of the investments were related to the construction of the new manufacturing facility in Austria. At the end of the financial year, the Group's liquid assets stood at EUR 6.9 million (4.8). Total depreciation, amortization and

impairment of non-current assets during the financial year amounted to EUR 5.6 million (5.5).

The Group's consolidated total assets at the end of the financial year were EUR 85.4 million (74.6). Interest-bearing liabilities, including lease liabilities, amounted to EUR 37.2 million (29.6). Net interest-bearing liabilities were EUR 30.2 million (24.8). Current interest-bearing liabilities totaled EUR 22.4 million, of which EUR 18 million were commercial papers. To secure the payment of commercial papers, the company had at the end of the financial year unused, non-current (over 12 months) revolving credit facilities for EUR 20 million.

Equity at the end of 2019 was EUR 26.3 million (25.8) and equity ratio 30.9% (34.7). Fully diluted total earnings per share were EUR 0.20 (0.03). Return on capital employed in 2019 was 8.6% (4.4). Return on equity was 9.2% (1.4).

Net gearing ratio was 114.9% (96.3). Exel Composites has applied the IFRS16 -standard since 1.1.2019 according to the model where the comparative information of previous periods is not adjusted. Comparable net gearing ratio, assuming IFRS-16 standard would not have been applied, is estimated to have been 96.7% (96.3).

The company paid total dividends of EUR 2.1 million (3.5) in 2019 for the financial year of 2018 calculated for the outstanding number of shares. Dividend per share for the financial year 2018 was EUR 0.18 (0.30), which was more than 40% of net income and thus in line with the dividend policy.

Exel Composites launched a EUR 50 million domestic commercial paper program in July 2019. Within the framework of the contract, the company may issue commercial papers with maturities of under one year.

Exel Composites also signed EUR 20 million worth of revolving credit facility agreements in September 2019.

Financial targets

In June 2019, the Board of Directors of Exel Composites confirmed the company's strategy for 2019-2022, which largely remained unchanged. At the same time Exel introduced net gearing as a long-term financial target, which was revised after the financial year on 18 February 2020.

Exel Composites' long-term financial targets are:

- **Growth:** Revenue growth exceeding twice the market growth
- **Profitability:** Adjusted operating profit margin exceeding 10%
- **Capital efficiency:** Return on capital employed exceeding 20%
- **Financial position:** Net gearing approximately at 80% (previously 60%) or below

Financial targets are considered over a business cycle. Potential acquisitions may impact the long-term financial

targets. The dividend policy remained unchanged. Exel Composites' ambition is to distribute a minimum of 40% of net income in dividends, when permitted by the financial structure and growth opportunities.

Business development and strategy implementation

Exel Composites' strategy is based on five pillars:

- Protect and grow our stronghold customers
- Create true global footprint
- Build leadership in China
- Penetrate growing/ new applications
- Grow in new technologies

Exel Composites has decided to focus especially on **high growth industries** such as wind power, transportation, and building and construction. Focused growth initiatives in these areas continued during the year.

In addition to organic growth, Exel Composites seeks **growth through acquisitions**. M&A screening activities continued in 2019 in line with the company's strategy.

In 2019, Exel made **structural changes in its production network**. During the financial year, the production plant in Voerde, Germany, was closed.

In June 2019, Exel Composites announced the decision to expand its operation by **investing in a new manufacturing facility in Kapfenberg, Austria**. The capacity of the old facility has been limiting further growth in Central Europe and the considerable capacity increase will improve Exel's ability to meet customer needs. The new facility is expected to be completed by the end of second half of 2020. The leasing agreement of the current facility will terminate at the same time at the end of 2020. The total cost of the project is estimated to be EUR 7 million.

During 2019, Exel started the process to **consolidate production and organization in China**. At the end of the year, Exel started production at a new manufacturing location near the city of Nanjing, where both of the previous factories are located. The new leased site is better suited for composite production than the previous ones. There is enough space to accommodate, if need be, all production capacity of the old factories.

Exel Composites continued in 2019 its active development work for **new composites applications**, such as the carbon fiber based rope system designed to replace an elevator's steel cabling. This patented rope system for its manufacturing and design lasts longer and saves energy due to reduced weight, while also reducing the challenges presented by cable sway in long reach elevators.

In 2019, the rollout of the **Group-wide ERP system** continued according to plan to the company's unit in North America. The implementation continues in the Asia-Pacific region during 2020.



Group-wide cost savings program

The Group's cost savings program initiated in 2018, was completed according to plan during 2019.

The most important actions implemented under the program were the closure of the production plant in Germany, the cost restructuring in Exel USA as well as operational improvements and synergy savings in China. Actions to improve profitability of Exel USA progressed, but breakeven was not yet achieved in 2019. Although the implemented structural savings improved profitability, lower volumes compared to the previous year had an opposite impact. The streamlining of the cost structure and organization during 2019, however, gives a good start for Exel USA going forward in 2020.

The original target of the program was to achieve a total of EUR 3 million savings in 2020. In 2019 the cost savings program already had an estimated EUR 2 million positive impact on Group profit. The full profit impact of the program in 2020, compared to the 2018 cost structure, will be approximately EUR 3 million.

Research and development

Research and development costs for the financial year totaled EUR 2.9 million (2.8), representing 2.7% (2.9) of revenue.

Sustainability and corporate responsibility

Exel is committed to responsible and sustainable operations through its core business values: customer focused, integrity, One Exel, caring and innovative. Sustainability is an important part of Exel Composites' business, both in relation with its own operations as well as through its products and solutions.

Exel Composites' material sustainability topics are the following:

- **Environmental responsibility:** Responsible products, responsible operations
- **Social responsibility:** Responsible employer, health and safety, diversity and non-discrimination, human rights in own operations and supply chain
- **Corporate Governance:** Corporate responsibility governance and compliance, anti-corruption and bribery

Exel Composites discloses a statement on non-financial information as part of the Board of Directors' Report of the Annual Financial Report 2019 to be published on 28 February 2020.

Information on sustainability and corporate responsibility is available on the corporate website at www.exelcomposites.com.

Organization and personnel

On 31 December 2019, Exel Composites employed 648 (675) people, of whom 229 (238) in Finland and 419 (437) in other countries. The average number of employees during the financial year was 660 (647).

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 factory profitability and production related performance indicators.

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 program annually.

In February 2019, Exel Composites announced the continuation of a share-based long-term incentive program for the top management of the company. The 2019 performance-based plan is part of the share-based long-term incentive program published on 4 May 2017. Similarly to the previous programs within this plan, the performance targets applied to the plan that commenced at the beginning of 2019 are adjusted operating profit (EBIT) and the total shareholder return of the company's share (TSR).

Exel Composites' Remuneration Policy, which will be presented to the Annual General Meeting on 20 March 2020, is available at www.exelcomposites.com.

Share and shareholders

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

On 31 December 2019, Exel Composites' share capital was EUR 2,141,431.74 and the number of shares was 11,896,843. There were no changes in the share capital during the financial year.

During the financial year, Exel Composites held a total of 77,000 of its own shares which are part of the share-based long-term incentive program for the top management.

On 31 December 2019, the share price closed at EUR 6.48. During the financial year, the average share price was EUR 4.54, the highest share price EUR 6.76 and the lowest share price EUR 3.92.

A total of 6,048,492 shares were traded at Nasdaq Helsinki Ltd., which represents 50.8% of the average number of shares. On 31 December 2019 Exel Composites' market capitalization was EUR 76.6 million (47.3). Total shareholder return (TSR) in 2019 was 69.2% (-36.1).

Exel Composites had a total of 5,506 (3 723) shareholders on 31 December 2019.

During the financial year Exel Composites received three flagging notifications in accordance with the Finnish Securities Market Act regarding changes in shareholdings as well as one incorrect flagging notification, which was subsequently reversed.

Information on the company's shareholders is available on the corporate website at www.exelcomposites.com.

Events after the reporting period

Exel Composites continues the long-term incentive program for top management

In February 2020, the Board of Directors of Exel Composites decided on the continuation of the share-based long-term incentive program for the top management of Exel Composites. The 2020 performance based plan is part of the share-based long-term incentive program published on 4 May 2017. Similarly to the previous programs within this plan, the performance targets applied to the plan commencing at the beginning of 2020 are adjusted operating profit (EBIT) and the total shareholder return of the company's share (TSR).

Exel Composites revises its target for net gearing

Exel Composites revises its long-term financial target for net gearing to be approximately at 80% or below. The new net gearing target takes into account the impact of IFRS 16-standard to Group net gearing. Previously the target was at approximately 60% or below.

Guidance for the full year 2020

Exel Composites expects revenue and adjusted operating profit to increase in 2020 compared to 2019.

Exel Composites has manufacturing in Nanjing, China. The coronavirus outbreak has delayed ramping up production to full capacity after the Chinese New Year. This will impact production volumes in China in the first quarter 2020. Currently, it is too early to estimate the impacts of the outbreak on the company's business and financial performance.

Board proposal for dividend distribution

According to Exel Composites' financial targets, the company's ambition is to distribute a minimum of 40% of net income in dividends, when permitted by the financial structure and growth opportunities.

On 31 December 2019, Exel Composites Plc's distributable funds totaled EUR 11.6 million, of which profit for the financial period accounted for EUR 2.3 million.

The Board has decided to propose to the Annual General Meeting that a dividend of EUR 0.18 (0.18) per share be paid for the financial year 2019, which is 88.8% of net income.

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 Board of Directors has decided to propose the record date for dividends to be 24 March 2020. If the Annual General Meeting approves the Board's proposal, it is estimated that the dividend will be paid on 31 March 2020.

Financial reporting and Annual General Meeting 2020

Exel Composites publishes the following financial reports in 2020:

- Financial Statements Release 2019: 18 February 2020
- Business Review January-March: 6 May 2020
- Half-year Financial Report January-June: 21 July 2020
- Business Review January-September: 30 October 2020

The Annual Financial Report, Corporate Governance Statement and Remuneration Statement for 2019 will be available on 28 February 2020 in electronic format at the company's website www.exelcomposites.com.

The Annual General Meeting will be held on Friday 20 March 2020 at 10:00 EET at Radisson Blu Royal Hotel at the address Runeberginkatu 2, Helsinki, Finland.

Financial results briefing

Exel Composites will hold a financial results briefing regarding the financial statements on Tuesday 18 February 2020 at 12:30 EET at Nasdaq Helsinki Pörssitalo's Lehteri meeting room located at Fabianinkatu 14, Helsinki, Finland (registration at Nasdaq's reception on the second floor).

Vantaa, 18 February 2020

Exel Composites Plc
Board of Directors

For further information, please contact:

Mr. Riku Kytömäki, President and CEO
tel. +358 50 511 8288
riku.kytomaki@exelcomposites.com

Mr. Mikko Kettunen, CFO
tel. +358 50 347 7462
mikko.kettunen@exelcomposites.com

NOTES TO THE FINANCIAL STATEMENTS RELEASE

1 JANUARY-31 DECEMBER 2019

Accounting principles

This Financial Statements Release is based on Financial Statements that have been prepared in accordance with IAS 34, Interim Financial Reporting. The same accounting policies have been applied as in the previous 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 judgment 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.

IFRS 16 Leases

Exel Composites (Group) has applied the IFRS16 Leases - standard since 1 January 2019. Lease liabilities arising from lease and rental agreements along with corresponding right-of-use assets are stated in the balance sheet accordingly.

In the initial adoption of the standard, the Group used the modified method where comparative information was not adjusted and the lease liability was determined by the present value of remaining lease payments. The discount rate used is the average rate on the Group's external loans, which was 2.271% at the time of initial adoption or if stated in the lease contract the internal rate of the contract.

The Group has used the recognition exemption where lease contracts are not stated in the balance sheet, if the value of the underlying asset is less than approx. 5,000 euros and/or if the lease period is 12 months or less.

For lease contracts with no set end date and with termination or extension options, the Group has determined the lease term by making an assessment using best available information.

A significant part of the Group's lease liability stated in the balance sheet according to IFRS16 comes from lease contracts on factory buildings in Europe, China and USA. In addition to these, the Group's balance sheet has lease contracts on small production and office equipment and vehicles.

A total of EUR 4.7 million of right-of-use assets were included in the Group's balance sheet on 1 January 2019. Of this total buildings were EUR 4.4. million. Corresponding lease liabilities were included as noncurrent EUR 3.5 million and current EUR 1.2 million.

Reconciliation of lease liabilities

Lease liabilities 31.12.2018	2,042
Lease liabilities which took effect on 1.1.2019	40
Rent for the closed factory in Voerde booked as one-off cost	-228
Short-term and/or low value asset leases	-79
Assessments for leases with no set end date or extension options	3,209
Other	10
	<hr/>
	4,993
Discounting	-267
Lease liabilities 1.1.2019	4,727

CONSOLIDATED COMPREHENSIVE INCOME STATEMENTS

For the financial year starting on 1 January and ending on 31 December

EUR thousand	1.10.-31.12. 2019	1.10.-31.12. 2018	Change, %	1.1.-31.12. 2019	1.1.-31.12. 2018	Change, %
Revenue	26,585	26,711	-0.5	103,784	96,608	7.4
Materials and services	-10,645	-12,085	-11.9	-41,398	-38,757	6.8
Employee benefit expenses	-7,462	-8,031	-7.1	-31,110	-29,332	6.1
Depreciation and impairment	-1,089	-2,376	-37.6	-4,302	-5,477	2.5
Depreciation of right-of-use assets 1)	-394			-1,314		
Other operating expenses	-6,397	-5,576	7.9	-22,265	-21,198	-1.1
Adjustment to lease expenses on capitalized contracts 1)	382			1,306		
Other operating income	105	162	-35.4	387	373	3.6
Operating profit	1,085	-1,194	190.8	5,087	2,217	129.5
Net financial items	-777	-300	169.4	-1,092	-512	135.0
Financial expenses on capitalized lease contracts 1)	-31			-110		
Profit before tax	277	-1,494	118.5	3,885	1,705	127.8
Income taxes	87	-112	-177.5	-1,488	-1,319	12.8
Profit/loss for the period	364	-1,606	122.7	2,397	386	520.3
Other comprehensive income to be reclassified to profit or loss in subsequent periods:						
Exchange differences on translating foreign operations	190	36	-425.5	529	56	-844.2
Income tax relating to components of other comprehensive income	0	0	0.0	0	0	0.0
Items that will not be classified to profit or loss:						
Defined benefit plan actuarial gains(+)/ loss (-), net tax	-40	0	0.0	-40	0	0.0
Other comprehensive income, net of tax	150	36	-314.1	489	56	-772.3
Total comprehensive income	514	-1,570	-132.7	2,886	442	552.2
Profit/loss attributable to:						
Equity holders of the parent company	364	-1,606	122.7	2,397	386	520.3
Comprehensive income attributable to:						
Equity holders of the parent company	514	-1,570	-132.7	2,886	442	552.2
Earnings per share, diluted and undiluted, EUR	0.03	-0.14		0.20	0.03	

1) Exel Composites Plc has applied the IFRS16 -standard since 1 January 2019 according to the model where the comparative information of previous periods is not adjusted.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at the end of the financial year

EUR thousand	31.12.2019	31.12.2018	Change
ASSETS			
Non-current assets			
Goodwill	12,972	12,756	216
Other intangible assets	4,313	4,209	104
Tangible assets	18,107	16,631	6,170
Right-of-use assets 1), 2)	4,693		
Deferred tax assets	1,379	747	632
Other non-current assets	104	89	15
Non-current assets total	41,567	34,432	7,136
Current assets			
Inventories	16,878	15,214	1,663
Trade and other receivables	19,978	20,111	-133
Cash at bank and in hand	6,930	4,801	2,129
Total current assets	43,785	40,126	3,659
Total assets	85,352	74,558	10,795
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	2,141	2,141	0
Other reserves	129	129	0
Invested unrestricted equity fund	2,539	2,539	0
Translation differences	2,516	1,987	529
Retained earnings	16,580	18,599	-2,019
Profit for the period	2,397	386	2,011
Equity attributable to holders of the parent company	26,302	25,782	520
Total equity	26,302	25,782	520
Non-current liabilities			
Interest-bearing liabilities	11,255	11,393	3,410
Non-current lease liabilities 1)	3,549		
Interest-free liabilities	553	487	66
Deferred tax liabilities	287	162	125
Total non-current liabilities	15,643	12,042	3,601
Current liabilities			
Interest-bearing liabilities	21,098	18,234	4,126
Current lease liabilities 1)	1,262		
Trade and other non-current liabilities	21,046	18,499	2,548
Total current liabilities	43,407	36,733	6,673
Total equity and liabilities	85,352	74,558	10,795

1) Exel Composites Plc has applied the IFRS16 -standard since 1.1.2019 according to the model where the comparative information of previous periods is not adjusted.

2) Buildings EUR 4,421 thousand, Machinery and equipment (incl.vehicles) EUR 272 thousand.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year starting on 1 January and ending on 31 December

EUR thousand	1.1.-31.12.2019	1.1.-31.12.2018	Change
Cash flow from operating activities			
Profit for the period	2,397	386	2,011
Adjustments 1)	8,411	7,535	876
Change in working capital	1,902	-4,085	5,987
Cash flow generated by operations	12,711	3,837	8,875
Interest paid	-737	-402	-335
Interest received	4	13	-9
Other financial items	-586	-146	-440
Income taxes paid	-2,362	-2,435	73
Net cash flow from operating activities	9,030	868	8,162
Cash flow from investing activities			
Acquisition of subsidiaries	0	-8,073	8,073
Purchases of non-current assets	-6,147	-4,787	-1,360
Proceeds from sale of non-current assets	60	82	-22
Net cash flow from investing activities	-6,087	-12,779	6,691
Cash flow before financing activities	2,943	-11,911	14,854
Cash flow from financing activities			
Share issue	0	0	0
Proceeds from long-term borrowings	1,000	5,670	-4,670
Instalments of long-term borrowings	0	-1,000	1,000
Change in short-term loans	1,511	8,300	-6,789
Instalments of lease liabilities 2)	-1,196	0	-1,196
Treasury shares		0	
Dividends paid	-2,216	-3,546	1,330
Net cash flow from financing activities	-901	9,424	-10,325
Change in liquid funds	2,042	-2,484	4,526
Liquid funds in the beginning of period	4,801	7,629	-2,828
Exchange rate fluctuations on liquid funds	87	-357	
Liquid funds through business acquisitions	0	13	
Liquid funds at the end of period	6,930	4,801	2,129

1) Depreciations and amortization EUR 5,740 thousand, Tax on income from operations EUR 1,488 thousand, Other financial income and expenses EUR 1,203 thousand, Other adjustments EUR -19 thousand.

2) Exel Composites Plc has applied the IFRS16 -standard since 1 January 2019 according to the model where the comparative information of previous periods is not adjusted.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

As at 31 December 2019

EUR thousands	Share capital	Invested unrestricted equity fund	Translation differences	Retained earnings	Total
2018					
Balance at the beginning of the financial year	2,141	2,668	1,931	22,075	28,816
Comprehensive result			56	386	442
Defined benefit plan actuarial gains (+) / loss (-), net of tax				0	0
Other items				-17	-17
Dividend				-3,546	-3,546
Treasury shares				0	0
Share-based payments reserve				0	0
Correction to previously issued financial statements 1)				88	88
Balance at the beginning of the financial year	2,141	2,668	1,987	18,986	25,782
2019					
Balance at the beginning of the financial year	2,141	2,668	1,987	18,986	25,782
Comprehensive result			529	2,397	2,926
Defined benefit plan actuarial gains (+) / loss (-), net of tax				-40	-40
Other items					0
Dividend				-2,131	-2,131
Treasury shares					0
Share-based payments reserve				66	66
Correction to previously issued financial statements 2)				-301	-301
Balance at the end of the financial year	2,141	2,668	2,516	18,977	26,302

1) Clearing a non-registered dormant subsidiary from consolidated books.

2) Corrections related to taxations and inventory valuations of previous years.

QUARTERLY KEY FIGURES

EUR thousand	2019 Q4	2019 Q3	2019 Q2	2019 Q1	2018 Q4	2018 Q3	2018 Q2	2018 Q1
Revenue	26,585	23,627	26,482	27,090	26,711	23,101	25,277	21,519
Materials and services	-10,645	-10,013	-9,752	-10,988	-12,085	-9,395	-9,740	-7,538
Employee benefit expenses	-7,462	-6,909	-8,059	-8,680	-8,031	-7,107	-7,535	-6,659
Depreciation and impairment	-1,483	-1,407	-1,373	-1,354	-2,376	-1,254	-972	-876
Operating expenses	-6,016	-3,892	-5,306	-5,746	-5,576	-4,921	-5,833	-4,868
Other operating income	105	47	152	82	162	35	123	52
Operating profit	1,085	1,454	2,144	405	-1,194	459	1,321	1,630
Net financial items	-808	34	-206	-223	-300	-20	218	-410
Profit before taxes	277	1,488	1,938	182	-1,494	439	1,540	1,220
Income taxes	87	-640	-289	-645	-112	-428	-478	-301
Profit/loss for the period	364	847	1,649	-463	-1,606	12	1,062	919
Earnings per share, diluted and undiluted, EUR	0.03	0.07	0.14	-0.04	-0.14	0.00	0.09	0.08
Average number of shares, diluted and undiluted 1,000 shares	11,820	11,820	11,820	11,820	11,820	11,820	11,820	11,820
Average number of personnel	656	641	652	689	677	631	652	575

COMMITMENTS AND CONTINGENCIES

EUR thousand	31.12.2019	31.12.2018
Commitments on own behalf		
Mortgages	0	2,783
Floating charges	0	12,500
Operating leases		
Not later than one year	32	1,304
1 - 5 years	0	738
Other liabilities	6	6

During 2019, the Group entered into a frame agreement with its primary banks. Based on the frame agreement the banks gave up all outstanding mortgages and floating charges.

DERIVATIVE FINANCIAL INSTRUMENTS NOMINAL VALUE

EUR thousands	31.12.2019	31.12.2018
Interest rate swaps	6,231	6,714

CONSOLIDATED KEY FIGURES

EUR thousand	1.1.-31.12.2019	1.1.-31.12.2018	Change, %
Revenue	103,784	96,608	7.4
Operating profit	5,087	2,217	129.5
% of revenue	4.9	2.3	
Adjusted operating profit 1)	7,160	5,017	42.7
% of revenue	6.9	5.2	
Profit before tax	3,885	1,705	127.8
% of revenue	3.7	1.8	
Profit for the period	2,397	386	520.3
% of revenue	2.3	0.4	
Shareholders' equity	26,302	25,782	2.0
Interest-bearing liabilities 2)	37,163	29,627	25.4
Cash and cash equivalents	6,930	4,801	44.4
Net interest-bearing liabilities 2)	30,234	24,827	21.8
Capital employed	63,466	55,409	14.5
Return on equity, %	9.2	1.4	550.2
Return on capital employed, %	8.6	4.4	93.6
Equity ratio, %	30.9	34.7	-10.8
Net gearing, % 2)	114.9	96.3	19.4
Capital expenditure	6,262	9,598	-34.8
% of revenue	6.0	9.9	
Research and development costs	2,851	2,835	0.6
% of revenue	2.7	2.9	
Order intake	110,693	100,757	9.9
Order backlog	30,391	23,685	28.3
Earnings per share, diluted and undiluted, EUR	0.20	0.03	520.3
Equity per share, EUR	2.2	2.2	2.0
Average number of shares, diluted and undiluted, 1,000 shares	11,820	11,820	0.0
Average number of employees	660	647	1.9
Personnel at year end	648	675	-4.0

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

2) Exel Composites Plc has applied the IFRS16 -standard since 1 January 2019 according to the model where the comparative information of previous periods is not adjusted. Comparable net gearing ratio, assuming IFRS-16 standard would not have been applied, is estimated to have been 96.7% (96.3).



Exel Composites in brief

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

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