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Velocity Composites plc
("Velocity" or the "Company")

Intention to Float on AIM
and
Successful Placing Expected to Raise £14.4 million

Velocity Composites plc, the manufacturer of advanced composite products to the aerospace industry, is pleased to announce its intention to seek admission of its entire issued and to be issued share capital to trading on AIM, a market operated by London Stock Exchange plc ("Admission"), following a successful institutional placing (the "Placing"). Application has been made for the admission of the Company's shares to trading on AIM and Admission is expected to occur at 8.00 a.m. on 18 May 2017 under the TIDM 'VEL'.

Velocity was founded in October 2007 by three career composite engineers to manufacture kits of raw materials to be used in composite aircraft parts. The Company operates out of two UK facilities, one in Burnley, Lancashire, where it is also headquartered, and one in Fareham, Hampshire, and currently employs a total of 97 staff.

The Placing, which is conditional on Admission, comprises a placing of 12,270,739 new and 4,705,885 existing ordinary shares of 0.25 pence each ("Ordinary Shares") at 85 pence each (the "Placing Price") with institutional and other investors to raise gross proceeds of approximately £14.4 million.

On Admission, Velocity Composites will have a market capitalisation at the Placing Price of approximately £30.4 million.

The Company will also today publish its Admission Document which will be available on its website at www.velocity-composites.com. The full terms and conditions of the Placing are set out in the Admission Document.

finnCap Ltd (“**finnCap**”) is acting as nominated adviser and sole broker to the Company in relation to the Placing and Admission.

Highlights

A business focused on reducing cost and saving time for the aerospace industry

- Velocity uses its process knowledge, business processes and proprietary software to reduce the amount of material required by its customers and associated material waste when making aircraft parts
- It helps aircraft manufacturers reduce costs and increase production rates, allowing its customers to more readily meet the significant increases in aircraft build rates
 - Savings made by customers when using Velocity’s services include material spend reduction of approximately 10-53% and a significant increase in productivity
- Demand from the aerospace industry for composite aircraft is driven by the need to reduce cost per passenger mile (in part by reducing weight, increasing range) as well as the regulatory requirement to reduce emissions

Well positioned in a growing and attractive market

- Aerospace is currently an important end market for composites, using between 65-70% of composite material production
- The aerospace market is a global industry with annual revenues estimated to be approximately US\$700 billion
- Market comprises of two primary sectors, commercial and defence. Strong growth in the aerospace sector over the last ten years achieving record production and profit levels with a predicted CAGR of approximately 9.1% per annum between 2016 and 2024
 - Global commercial airline industry anticipates achieving a profit of approximately \$29.8bn in 2017 and is dominated by the two largest manufacturers of commercial aircraft, Boeing and Airbus
 - Value of the global military aircraft market is expected to increase at a CAGR of 3.64% during the forecast period, to reach \$87.5bn by 2025

Longstanding and growing international client base

- Velocity’s clients include multi-national aerospace manufacturers of composite parts and assemblies, who in turn deliver to the world’s leading civil and military aircraft manufacturers.
- Relationships with both end clients and raw material suppliers enables Velocity to procure materials directly from suppliers on behalf of its customers and cost the price of this into the kits it supplies

Clear strategy to drive growth

- Business model is replicable
- Accelerate the rate of customer wins
- Continue to source contracts on aircraft programmes with increasing production profiles
- Obtain further industry approvals as required

- Number of key potential aerospace manufacturing main hubs and satellite hubs in Europe identified, capitalising on growth in the sector

Strong visibility of revenue for FY 2017 and confident outlook

- Approximately 85% of forecast revenue is already contracted with existing customers for year ended October 2017
- Current trading in line with management expectations, exceeding the previous four months and also exceeding the comparable first four months of the previous financial year
- FY2016 Revenue of £14.6m (FY2015: £14.5m) and adjusted PBT of £0.3m (FY2015: £0.9m)
- New facility in Fareham allows Velocity to access new business and increases operating leverage

Strong and experienced management team and Board

- Founded by three composite engineers, Velocity's board of directors has extensive experience within the advanced composites, aerospace and manufacturing industries, together with City expertise
- Jon Bridges, CEO, co-founded Velocity in October 2007 and has over 25 years' experience within the advanced composites industry and is an experienced composite engineer
- Alan Kershaw joined Velocity as CFO in March 2016 having previously held senior roles in other AIM quoted companies
- Mark Mills, appointed Non-Executive Chairman in February 2016, brings over 25 years of City and commercial experience to the Company. Mark was Founder and Chief Executive of Cardpoint plc, where he launched one of the first UK independent cash machine deployers
- Peter Turner joined as Non-Executive Director in 2016 and has over 38 years' experience in the aircraft industry, beginning his career at Brookhouse Patterns Ltd, an aircraft tool making company that he co-founded
- Board is supported by a strong senior management team including the two co-founders; Gerard Johnson and Christopher Banks; Darren Ingram (Chief Operating Officer); and Matthew Archer (Chief Commercial Officer) who collectively have over 65 years in the composite and aerospace sectors

Commenting on today's announcement, Jon Bridges, Chief Executive Officer of Velocity, said:

"Velocity was founded in 2007 based on the simple premise of deploying our industry knowledge and expertise to make the supply chain more efficient and less expensive for our customers within the aerospace composites industry. Velocity has grown significantly since our inception and we are delighted to be pursuing a potential IPO to enable our UK based business to become a manufacturing leader.

"We believe that Velocity's IPO will enhance our public profile and provide the Company with the platform to expand into new territories and invest into new product development to ensure we are able to take advantage of the strong market dynamics and our established position. We are confident that we have the right team, expertise and strategy to grow the Company and deliver value to customers and shareholders."

Ends

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Board of Directors

Mark Mills – Non-Executive Chairman

Mark joined Velocity in January 2015 and became Chairman in February 2016. Mark has been non-executive Chairman of Mini-Cam Enterprises Limited since 2013, a Lloyds Development Capital backed company that manufactures drainage and sewerage inspection systems in the UK and exports to over 30 countries worldwide. From 1999 to 2007, Mark was (the founder and) chief executive officer of Cardpoint plc, an AIM quoted deployer of cash machines. Prior to founding Cardpoint, Mark successfully started, developed, acquired and subsequently sold a number of businesses with multiple site operations.

Jonathan Bridges – Chief Executive Officer

Jon co-founded Velocity in October 2007. Jon has over 25 years' experience within the advanced composites industry and is an experienced composite engineer. Previously, Jon was an Aerospace and Lean Solutions Specialist at Cytec Process Materials where he was responsible for direct sales support of UK and European based clients. From 2003 to 2005, Jon was a manufacturing engineer for Safran Nacelles where he was responsible for the manufacturing function for a growing, highly loaded aerospace unit supplying multiple assembly lines. Jon was appointed Chief Executive Officer in June 2016.

Alan Kershaw – Chief Financial Officer

Alan joined Velocity as Chief Financial Officer in March 2016 having previously held senior roles in other AIM quoted companies. Alan was finance director of Ultrasis plc from June 2014 to October 2015 and Finance & Operations director of WH Ireland Group plc from 2010 to 2014. Alan is a chartered accountant in England and Wales (ICAEW) who qualified with Pricewaterhouse Coopers.

Peter Turner – Non-Executive Director

Peter has over 38 years' experience in the aircraft industry and began his career at Brookhouse Patterns Ltd, an aircraft tool making company that he co-founded. Soon after, the company formed an additional composites company which supplied components to the aircraft industry. The Brookhouse group of companies with over 500 employees was sold between 2004 and 2006. Peter joined the Board of Velocity in 2016 as Non-Executive Director.

Senior Management Team

Gerard Johnson – Chief Strategy Officer

Gerry is a co-founder of Velocity and has been a member of senior management since 2007. Today, he focuses on the strategic growth of the Company. Gerry has over 30 years' experience in the composites and aerospace industries. Prior to Velocity, Gerry was a Manufacturing Engineer at Safran Nacelles, Terma and Boeing.

Christopher Banks – Head of Special Projects

Chris is a co-founder of Velocity and has been a member of senior management since 2007. Chris has over 25 years' experience within the composites manufacturing industry. Before Velocity, Chris held the position of Lead Composite Manufacturing Engineer at Hurel Hispano. Prior to this, Chris has held numerous positions as a composite manufacturing engineer in companies situated in various countries including, Terma Industries Denmark, GKN Westland Aerospace and Boeing.

Darren Ingram – Chief Operating Officer

Darren has over 26 years' experience in supply chains and operations, whilst working for a number of complex engineering companies within both the aerospace and automotive sectors. Darren was appointed Chief Operating Officer of Velocity in 2015 and runs the day to day engineering operations within the Company. Prior to Velocity, Darren has held the positions of UK supply chain director and Plant Manager for Kaman Ltd, Safran Nacelles and GE Aviation.

Matthew Archer – Chief Commercial Officer

Matthew joined the Company as Chief Commercial Officer in February 2017 bringing extensive experience of the Defence and Aerospace sectors having worked for several of the world's leading companies in those industries. Matthew previously worked for GKN Aerospace where he led the introduction of a global strategy for composite procurement across Europe, North America and Asia. Prior to this Matthew worked at Defence industry prime contractors and the UK Ministry of Defence.

History and Background

Velocity was established in October 2007 by Jonathan Bridges, Gerard Johnson and Christopher Banks (the "Founders"), three career composite engineers, to manufacture kits of raw materials to be used in the manufacture of composite aircraft parts. The Founders recognised that there was a market opportunity to make the supply chain more efficient and less expensive by operating between the raw material suppliers and the aircraft part manufacturers and converting the materials into a usable form.

Initially Velocity operated from the premises of its first customer in order to prove the concept and demonstrate that, by using Velocity's processes, material cost savings were achievable.

This trial was successful and in November 2008, the Company commenced occupation of a 11,000 square ft facility located in Blackburn and acquired its first cutting, welding and sewing machines enabling it to diversify its product range from simple manual-cut shapes towards more complex shapes and engineered products. The premises in Blackburn obtained AS9100 approval in October 2009.

Following further growth in July 2012 Velocity occupied new, purpose built premises in Burnley and continues to operate from this 26,000 square ft facility. At that time, the premises included floor space of 18,000 square ft, including 15,000 square ft of cleanroom space, which the Blackburn facility did not have. During 2013 and 2014 the Company invested in increasing floor space at the Burnley site so that it now operates from 32,500 square ft of floor space in total, including 20,000 square ft of cleanroom space.

Following further contract wins Velocity has opened a second site in Hampshire, UK to service customers in the south of England and mainland Northern Europe. This facility mirrors the manufacturing capability of our Lancashire HQ with all requisite approvals.

Historically, aircraft manufacturers have had to prepare and process materials for part manufacture in-house and this has generally been performed in high overhead/labour rate facilities. Savings made by the customer when using Velocity's services include:

- material spend reduction of approximately 10-53 per cent.;
- reduction in indirect support staff costs;
- reduction in cost of non-quality products;
- reduction in stock going 'out of life'; and
- reduction in capital equipment spend.

In addition to these savings, customers also gain the following:

- material increase in productivity;
- increase in productive cleanroom floor space;
- full material traceability and regulatory compliance; and
- better payment terms resulting in improved cashflow.

Reasons for Admission

The Directors believe that Admission will represent an important step in the Company's development and will enhance its growth potential by the injection of additional growth capital and by the increased profile attaching to its new status as a publicly quoted company. The Company believes that the main reasons for becoming a public quoted company are as follows:

- there is an opportunity to establish a market leading position in multiple regions;
- it will assist in receiving additional approvals;
- provides future access to capital;
- working capital management;
- customers and suppliers expect the governance associated with becoming a PLC; and
- the credibility of becoming a PLC, especially with Primes and Tier 1 manufacturers.

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The anticipated timetable for Admission, including the publication of the Admission Document and/or the date of Admission, may be influenced by a range of circumstances, including market conditions. There is no guarantee that the Admission Document will be published or that Admission will occur and

investors should not base their financial decisions on the Company's intentions in relation to the Placing and Admission at this stage.

The price of shares and any income expected from them may go down as well as up and investors may not get back the full amount invested upon disposal of the shares. Past performance is no guide to future performance, and persons needing advice should consult an independent financial adviser.

Neither the content of the Company's website nor any website accessible by hyperlinks on the Company's website is incorporated in, or forms part of, this announcement.

Certain figures in this announcement, including financial information, have been subject to rounding adjustments. Accordingly, in certain instances, the sum or percentage change of the numbers contained in this announcement may not conform exactly with the total figure given.