25 June 2025

**VELOCITY COMPOSITES PLC**

("Velocity", the "Company", the "Group")

**Unaudited Half Year Results for the six months ended 30 April 2025**

*On track to achieve profitability and be cash generative in H2 FY25*

Velocity Composites plc (AIM: VEL), the leading supplier of composite material kits to aerospace, is pleased to announce the Company's unaudited results for the six months ended 30 April 2025.

**Financial Highlights: Results confirm prior trading update in May 2025**

- Revenue of £10.4m (2024: H1 £10.7m)
- Gross margin of 29.0% (2024: 22.5%)
- Adjusted EBITDA of £0.3m (2024: £0.2m loss)
- Reduced loss before tax of £0.6m (2024: £1.1m loss)
- Cash at bank as at 30 April 2025 of £1.2m (30 April 2024: £1.8m)
- Net cash of £0.4m (H1 FY24: £0.6m)
- UK invoice discounting facility of £3m is undrawn (30 April 2024: undrawn)

**Operating Highlights:**

- Renewal of contract with leading UK defence contractor
- Sustained margin improvements with tight control of overheads and working capital
- Oliver (Olly) Smalley appointed as Chief Operations Officer
- Ongoing short-term supply chain disruptions have been closely managed with customers

**Outlook:**

- Company expects to achieve positive adjusted EBITDA and be cash generative in H2 FY25 – in line with current market expectations
- Limited impact from US tariffs, as all sales are made in the country of manufacture
- The Company is working on securing additional contracts and has focused efforts on the defence sector
- Separation and sale of Spirit Aerosystems into Airbus and Boeing businesses expected to complete in H2 FY25. Wider supply chain issues that have impacted A350 production ramp are expected to ease
- Although market conditions are difficult to forecast, with short-term customer demand volatility, long-term demand continues to point to significant growth opportunities

**Andy Beaden, Chairman, Velocity, said**: "This is a solid set of results, on the back of significant growth in the past two years and difficult current market conditions. Operational improvements are enabling the business to move into profitability and cash generation. The huge potential for future profitable growth is underpinned by our embedded technologies and published production ramp up plans from major end market OEMs.

The Board remains confident that Velocity's proposition for its customers will deliver shareholder value over the medium to long-term."

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**About Velocity Composites plc**
Based in Burnley, UK, Velocity is the leading supplier of composite material kits to aerospace, that reduce costs and improve sustainability. Customers include Airbus, Boeing, and GKN.

By using Velocity's proprietary technology, manufacturers can also free up internal resources to focus on their core business. Velocity has significant potential for expansion, both in the UK and abroad, including into new market areas, such as wind energy, urban air mobility and electric vehicles, where the demand for composites is expected to grow.

## Chairman's Statement

**Overview**
In the first half of FY25, Velocity delivered strong operational progress, despite revenue being slightly down. Encouragingly, our gross profit margin exceeded our long-term target of 25%, contributing to a positive adjusted EBITDA, the first for H1 since the pandemic. This performance reflects tighter cost control and has led to a significantly reduced pre-tax loss.

With a solid cash position and recent contract wins across both defence and civil aerospace sectors, the Group is well-positioned for future growth. While short-term delays in the ramp-up of A350 production and at our US operation, have tempered near-term revenue expectations (as noted in the trading update of 22 May 2025), the Board remains confident in the long-term outlook for the aerospace industry. This confidence is underpinned by the plans published by OEMs to increase their production rates to meet a growing backlog from their end customers.

Boeing's acquisition of Spirit AeroSystems is on track to complete in 2025 with certain sites transferring to Airbus. This should help resolve supply chain restrictions and distractions for both OEMs and accelerate the ramp up of production rates of key programmes to return to pre-pandemic levels. This will create further opportunities for Velocity, without the need for major new investment in kit cutting capacity. Boeing and Airbus both have significant order books now spanning over the next decade and therefore need to increase production through their supply chains remains compelling.

**Financial Review**
Revenue for H1 FY25 was £10.4m (H1 FY24: £10.7m), building on the growth achieved in 2024, but reflecting slower-than-anticipated A350 production increases and delays in the qualification of our US contract. Despite this, operational performance improved, driven by enhanced use of data and technology.

Despite this, operational performance improved, driven by enhanced use of data and technology gross profit margin rose to 29.0% (H1 FY24: 22.5%), benefiting from inflation-related pricing adjustments implemented in FY24 and improved operational efficiencies—particularly in the US, where our labour utilisation strategy is bearing fruit.

These gains enabled the Group to report a positive adjusted EBITDA of £0.3m (H1 FY24: loss of £0.2m), despite the revenue being broadly flat. Administrative expenses remained well-controlled at £3.4m (H1 FY24: £3.3m), aided by a more stable inflationary environment. As a result, the pre-tax loss narrowed to £0.6m (H1 FY24: £1.1m).

Looking ahead, while A350 production rates are expected to remain flat in H2 FY25, we are actively working to convert a strong pipeline of opportunities. Airbus plans to double A350 production by 2028, the B737 is expected to clear regulatory controls and B777x is completing its test programme with first deliveries expected in 2026. These programmes present significant growth opportunities, and we are well-prepared to meet this future demand.

Our positive EBITDA and disciplined working capital management have preserved a healthy cash position. This has translated into operating cash flow being a positive inflow of £0.6m (HY24 outflow (£0.5)m). The Group also retains access to a £3m UK invoice discounting facility, which remained unused during the period.

As of 30 April 2025, cash at bank stood at £1.2m (30 April 2024: £1.8m), with net cash of £0.4m (H1 FY24: £0.6m). Outstanding CBILS debt has reduced to £0.7m (H1 FY24: £1.2m), with final repayments due in 2026.

**New Contracts**
We were pleased to announce the renewal of a long-standing contract with a key UK defence customer, reinforcing our growing presence in a sector seeing increased investment across Europe and the US.

We continue to pursue new opportunities, with active bids in progress across both the US and European markets.

**US Operations**

The Board is encouraged by the progress at our Alabama facility. We have been working closely to manage qualification delays with our US customer for kitting of parts for a major US aero-engine manufacturer. The kits concerned are for safety critical parts and the qualification process is both detailed and complex, coupled with some unrelated issues between the OEM and our customer. Our US team has shown leadership and professionalism in driving the process forward. Demand for these kits is strong and will help drive sales and profitability when the process is complete.

Recent US tariffs have not directly impacted Velocity. In fact, our US-based manufacturing presence may offer strategic advantages as OEMs and Tier 1 suppliers increasingly localise production. Our US kits are supplied exclusively to US customers, aligning with this trend.

Our growing reputation in the US is opening doors, with OEMs introducing us to new Tier 1 manufacturers within their supply chains.

**Management Changes**

In February, we welcomed Oliver (Olly) Smalley as Chief Operations Officer. Olly brings deep aerospace experience and a strong focus on driving operational efficiency and continuous improvement.

**Outlook**

Demand for civil aerospace remains robust, with OEMs forecasting long-term growth. However, some of the key programmes that we support are still operating below pre-pandemic levels, and certain anticipated short-term production increases have been delayed. Despite this, the Company expects to achieve positive adjusted EBITDA and be cash generative in H2 FY25 – in line with current market expectations.

The well publicised increased state investment in defence programmes, particularly in Europe and the US, is generating significant new opportunities and we are in discussions with a number of contactors, both existing and new customers, with a growing pipeline of new opportunities.

Despite near-term challenges, the Board remains confident in the Group's strategic direction and long-term prospects. With a strong operational foundation, a healthy balance sheet, and growing momentum in both defence and civil markets, Velocity is well-positioned to capitalise on the recovery and expansion of the global aerospace industry.

**Andy Beaden**
Non-Executive Chairman
25 June 2025

## Condensed consolidated statement of total comprehensive income for the 6 months ended 30 April 2025

| | Note | 6 months ended 30 April 2025 (unaudited) £'000 | 6 months ended 30 April 2024 (unaudited) £'000 | 12 months ended 31 October 2024 (audited) £'000 |
|---|---|---|---|---|
| **Revenue** | 3 | 10,442 | 10,745 | 23,006 |
| Cost of sales | | (7,409) | (8,331) | (17,045) |
| **Gross profit** | | 3,033 | 2,414 | 5,961 |
| Administrative expenses | | (3,430) | (3,325) | (6,978) |
| Other operating income | | - | 50 | 86 |
| **Operating loss** | | (397) | (861) | (931) |
| Operating loss analysed as: | | | | |
| Adjusted EBITDA profit/(loss) | | 258 | (157) | 374 |
| Depreciation of property, plant and equipment | | (201) | (192) | (382) |
| Amortisation | | (140) | (120) | (240) |
| Depreciation of right-of-use assets under IFRS 16 | | (271) | (269) | (540) |
| Share-based payments | | (43) | (123) | (143) |
| Finance income and expense | | (177) | (219) | (413) |
| **Loss before tax** | | (574) | (1,080) | (1,344) |
| Corporation tax recoverable | | - | 400 | 499 |
| **Loss for the period and total comprehensive loss** | | (574) | (680) | (845) |
| **Loss per share - Basic (pence per share)** | 4 | (1.06p) | (1.27p) | (1.58p) |
| **Loss per share - Diluted (pence per share)** | 4 | (1.06p) | (1.27p) | (1.58p) |

## Condensed consolidated statement of financial position at 30 April 2025

| | Note | As at 30 April 2025 (unaudited) £'000 | As at 30 April 2024 (unaudited) £'000 | As at 31 October 2024 (audited) £'000 |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Intangible assets | | 1,082 | 953 | 987 |
| Property, plant and equipment | | 1,811 | 1,935 | 1,854 |
| Right-of-use assets | | 2,198 | 1,833 | 1,826 |
| **Total non-current assets** | | 5,091 | 4,721 | 4,667 |
| **Current assets** | | | | |
| Inventories | | 2,374 | 2,096 | 2,500 |
| Trade and other receivables | | 2,719 | 3,463 | 3,977 |
| Corporation tax recoverable | | - | 450 | - |
| Cash and cash equivalents | | 1,165 | 1,786 | 1,663 |
| **Total current assets** | | 6,258 | 7,795 | 8,140 |
| **Total assets** | | 11,349 | 12,516 | 12,807 |
| **Current liabilities** | | | | |
| Loans | | 503 | 503 | 503 |
| Trade and other payables | | 2,848 | 3,468 | 3,933 |
| Obligations under lease liabilities | | 705 | 489 | 561 |
| **Total current liabilities** | | 4,056 | 4,460 | 4,997 |
| **Non-current liabilities** | | | | |
| Loans | | 231 | 719 | 468 |
| Obligations under lease liabilities | | 1,469 | 1,325 | 1,258 |
| Provisions | | 256 | - | 218 |
| **Total non-current liabilities** | | 1,956 | 2,044 | 1,944 |
| **Total liabilities** | | 6,012 | 6,504 | 6,941 |
| **Net assets** | | 5,337 | 6,012 | 5,866 |
| **Equity attributable to equity holders of the company** | | | | |
| Share capital | 5 | 135 | 134 | 134 |
| Share premium | | 4,870 | 4,870 | 4,870 |
| Share-based payments reserve | | 560 | 601 | 517 |
| Retained earnings | | (228) | 407 | 345 |
| **Total equity** | | 5,337 | 6,012 | 5,866 |

The financial statements were approved and authorised for issue by the Board of Directors on 25 June 2025 and were signed on its behalf by:

**Rob Smith**
Company Secretary Company Number: 06389233

**Condensed consolidated statement of changes in equity for the 6 months ended 30 April 2025**

| | Share capital £'000 | Share premium £'000 | Retained earnings £'000 | Share-based payments reserve £'000 | Total equity £'000 |
|---|---|---|---|---|---|
| **As at 31 October 2023** | 133 | 4,870 | 1,087 | 478 | 6,568 |
| Loss for the period | - | - | (680) | - | (680) |
| | 133 | 4,870 | 407 | 478 | 5,888 |
| **Transactions with shareholders:** | | | | | |
| Share-based payments | 1 | - | - | 123 | 124 |
| **As at 30 April 2024** | 134 | 4,870 | 407 | 601 | 6,012 |
| Loss for the period | - | - | (166) | - | (166) |
| | 134 | 4,870 | 241 | 601 | 5,846 |
| **Transactions with shareholders:** | | | | | |
| Share-based payments | - | - | - | 20 | 20 |
| Vesting of share options | - | - | 104 | (104) | - |
| **As at 31 October 2024** | 134 | 4,870 | 345 | 517 | 5,866 |
| Loss for the period | - | - | (573) | - | (573) |
| | 134 | 4,870 | (228) | 517 | 5,293 |
| **Transactions with shareholders:** | | | | | |
| Share-based payments | 1 | - | - | 43 | 44 |
| **As at 30 April 2025** | 135 | 4,870 | (228) | 560 | 5,337 |

The notes below form part of this interim report.

**Condensed consolidated statement of cash flows**
**for the 6 months ended 30 April 2025**

| | 6 months ended 30 April 2025 (unaudited) | 6 months ended 30 April 2024 (unaudited) | 12 months ended 31 October 2024 (audited) |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| **Operating activities** | | | |
| Loss for the period | (573) | (680) | (845) |
| Taxation | - | (450) | (528) |
| Loss on disposal of assets | 16 | - | - |
| Finance costs | 177 | 219 | 413 |
| Amortisation of intangible assets | 140 | 120 | 240 |
| Depreciation of property, plant and equipment | 201 | 192 | 382 |
| Depreciation of right-to-use assets | 271 | 269 | 540 |
| Share-based payments | 43 | 123 | 143 |
| **Operating cash flows before movements in working capital** | 275 | (207) | 345 |
| Decrease/(Increase) in trade and other receivables | 1,128 | 204 | (180) |
| Decrease/(Increase) in inventories | 126 | 647 | 243 |
| (Decrease)/Increase in trade and other payables | (1,084) | (1,119) | (654) |
| Increase/(Decrease) in Provisions | 38 | - | 218 |
| **Cash (outflow)/inflow from operations** | 483 | (475) | (28) |
| Tax received | 130 | - | 398 |
| **Net cash inflow from operating activities** | 613 | (475) | 370 |
| **Investing activities** | | | |
| Purchase of property, plant and equipment net of intercompany transfers | (206) | (6) | (212) |
| Purchase of development expenditure | (255) | (183) | (372) |
| **Net cash used in investing activities** | (461) | (189) | (584) |
| **Financing activities** | | | |
| Finance costs paid | (177) | (219) | (413) |
| Loan repayment | (237) | (248) | (502) |
| Repayment of lease liabilities capital | (322) | (261) | (497) |
| **Net cash used in financing activities** | (736) | (728) | (1,412) |
| **Net Decrease in cash and cash equivalents** | (584) | (1,392) | (1,626) |
| Cash and cash equivalents at beginning of period/year | 1,663 | 3,178 | 3,178 |
| Effect of foreign exchange rate changes | 86 | - | 111 |
| **Cash and cash equivalents at end of period/year** | 1,165 | 1,786 | 1,663 |

The notes below form part of this interim report.

# Notes to Interim Report

## 1. General information

Velocity Composites plc (the 'Company') is a public limited company incorporated and domiciled in England and Wales. The registered office of the Company is AMS Technology Park, Billington Road, Burnley, Lancashire, BB11 5UB, United Kingdom. The registered company number is 06389233.

In order to prepare for future expansion in the Asia region, the Company established a wholly owned subsidiary company, Velocity Composites Sendirian Berhad, which is domiciled in Malaysia. The subsidiary company commenced trading on 18 April 2018. The Company also established a wholly owned subsidiary company, Velocity Composites Aerospace Inc. to prepare for future expansion in the United States of America. These subsidiaries, together with Velocity Composites plc, now form the Velocity Composites Group ('the Group').

The Group's principal activity is that of the sale of kits of composite material and related products to the aerospace industry.

The condensed consolidated interim financial statements are unaudited and do not constitute statutory financial statements within the meaning of Section 435 of the Companies Act 2006. The review report on these interim financial statements is set out below. The financial information for the year ended 31 October 2024 has been derived from the published statutory financial statements for the Company. A copy of the full accounts for that period, on which the auditor issued an unmodified report that did not contain statements under Section 498(2) or 498(3) of the Companies Act 2006, has been delivered to the Registrar of Companies.

These interim financial statements will be available from the Company's website at www.velocity-composites.com.

## 2. Accounting policies

### *Basis of preparation*

These condensed consolidated interim financial statements are for the six months ended 30 April 2025. This interim financial report has been prepared in accordance with International Accounting Standard 34, in accordance with UK-adopted international accounting standards, and has been prepared using consistent accounting policies as applied in the Company's full year accounts to 31 October 2024 and as expected to be applied in the full year accounts to 31 October 2025. They have therefore been prepared in compliance with the measurement and recognition criteria of UK-adopted international accounting standards.

These financial statements have been prepared on a going concern basis and using the historical cost convention, as stated in the accounting policies. These policies have been consistently applied to all periods presented, unless otherwise stated.

The financial statements are presented in sterling and have been rounded to the nearest thousand (£'000) except where otherwise indicated.

No new standards have been adopted for the first time in the current financial year.

### *Going Concern*

Management continues to undertake a significant level of cash flow forecasting and detailed financial projections for the period to 31 October 2026 have been prepared. A number of sensitivities have been performed to understand the cash flow impact of various scenarios which continue to show that the business has sufficient liquidity to continue trading as a going concern.

The aerospace sector lends itself to long-term planning due to the nature and length of customer programmes, typically a minimum of three years, but often five years or more. This has enabled the business to fully model the period to 31 October 2026 and incorporate more strategic, longer-term planning for growth as the industry continues its recovery from the pandemic.

Cash flow forecasts are reviewed monthly through Management's Integrated Business Planning (IBP) process and the assumptions updated for any new knowledge to ensure there is no change in the Group's liquidity outlook. This is linked in with Management's risk review and should the outlook change significantly with no mitigating actions, the Group's liquidity risk rating on the risk register will be adjusted to reflect this and subsequently discussed at Board level.

The latest financial projections incorporate revenue forecasts based on current contracted demand in both the UK and US. It is important that the business continues to move towards full rate production in the US in order to meet this customer demand, generating revenue and cash in the process. The cost base included in the projections is reflective of the operational efficiencies that have been achieved by the Group, but also realistic about the investment required to continue to implement growth.

It is this investment in growth and technological advancements that has resulted in the forecasts indicating that the Group's Invoice Discounting Facility, secured against Trade Debtors, will not be utilised during the going concern period. Whilst this facility is designed to be short-term and can be withdrawn with 3 months' notice, the latest discussions have reflected the bank's support for Velocity's growth strategy and as such we expect this facility will remain available for the foreseeable future. The Group is also reliant on the supply chain facilities and support offered by the current US customer as it continues to develop the Tallassee site and move towards full rate production and again, it is the expectation that this will remain in place.

Should alternative financing be required, the Group would preserve cash by delaying further investment activities until longer-term funding could be implemented, such as asset-based financing against new capital expenditure, new banking facilities or equity funding.

Having due regard for the latest deliverables and latest projections, together with the facilities available, it is the opinion of the Board that the Group has adequate resources to continue to trade as a going concern.

## 3. Segmental analysis

The Group supplies a single range of kitted products into a single industry and so has a single segment. Additional information is given below regarding the revenue receivable based on geographical location of the customer.

| | **6 months ended 30 April 2025 (unaudited)** £'000 | **6 months ended 30 April 2024 (unaudited)** £'000 | **12 months ended 31 October 2024 (audited)** £'000 |
|---|---|---|---|
| **Revenue** | | | |
| United Kingdom | 6,878 | 7,143 | 15,058 |
| Rest of Europe | 14 | 6 | 6 |
| US | 3,521 | 3,588 | 7,915 |
| Rest of World | 29 | 8 | 27 |
| | 10,442 | 10,745 | 23,006 |

Four customers of the Group are responsible for over 90% of the total revenue in each of the periods presented. The majority of revenue arises from the sale of goods. Where engineering services form a part of revenue it is only in support of the development or sale of the goods.

## 4. Reconciliation of reported earnings per share

| | 6 months ended 30 April 2025 (unaudited) £'000 | 6 months ended 30 April 2024 (unaudited) £'000 | 12 months ended 31 October 2024 (audited) £'000 |
|---|---|---|---|
| Loss for the period/year | (574) | (680) | (845) |
| **Weighted average number of shares** | **Shares** | **Shares** | **Shares** |
| Weighted average number of shares in issue | 53,865,028 | 53,433,561 | 53,454,166 |
| Weighted average number of share options | 2,176,044 | 1,648,430 | 1,829,734 |
| Weighted average number of shares (diluted) | 56,041,072 | 55,081,991 | 55,283,900 |

Share options have not been included in the diluted loss per share calculation as they would be anti-dilutive with a loss being recognised.

| | 6 months ended 30 April 2025 (unaudited) | 6 months ended 30 April 2024 (unaudited) | 12 months ended 31 October 2024 (audited) |
|---|---|---|---|
| **Loss per share** | | | |
| Basic & Diluted | (1.06p) | (1.27p) | (1.58p) |

## 5. Share capital of the Company

| | Number of shares | Share capital £ | Share premium £ |
|---|---|---|---|
| **Share capital issued and fully paid** | | | |
| Ordinary shares of £0.0025 each as at 31 October 2023 | 53,393,368 | 133,484 | 4,870,352 |
| Shares issued to satisfy exercise of share options on 6 March 2023 | 75,000 | 188 | - |
| Ordinary shares of £0.0025 each as at 30 April 2024 | 53,468,368 | 133,672 | 4,870,352 |
| Ordinary shares issued 7 October 2024 | 41,338 | 103 | - |
| Ordinary shares of £0.0025 each as at 31 October 2024 | 5,509,706 | 133,775 | 4,870,352 |
| Ordinary shares issued 24 December 2024 | 483,660 | 1,209 | - |
| Ordinary shares of £0.0025 each as at 28 March 2025 | 17,000 | 43 | - |
| Ordinary shares of £0.0025 each as at 29 April 2025 | 37,500 | 94 | - |
| Ordinary shares of £0.0025 each as at 30 April 2025 | 54,047,866 | 135,121 | 4,870,352 |

Ordinary shares carry the right to one vote per share at general meetings of the Company and the rights to share in any distribution of profits or returns of capital and to share in any residual assets available for distribution in the event of a winding up.

## 6. Capital commitments

At 30 April 2025 the Group had £Nil (2024: £158,000) of capital commitments relating to the purchase of leasehold improvements, plant and machinery and fixture and fittings.