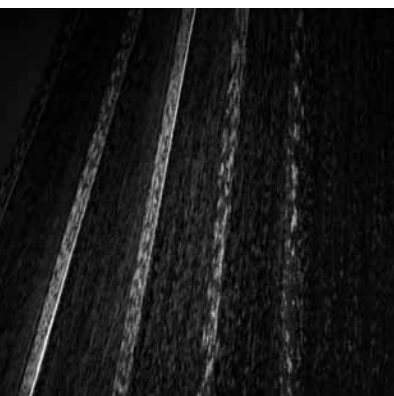


ANNUAL REPORT 2012



Information for investors

Annual General Meeting

The Annual General Meeting of Exel Composites Plc will be held at 10.30 a.m. on Wednesday 27 March 2013 at Kansallissali at Aleksanterinkatu 44, Helsinki, Finland. The Annual General Meeting will be conducted in Finnish, but interpretation into English will be provided.

To be eligible to attend the Annual General Meeting, shareholders must be on the Company's shareholder register maintained by the Finnish Securities Depository Ltd. by Friday 15 March 2013.

Registration

Registration of notices to attend ends at 4 p.m. Finnish time on Wednesday 20 March 2013. Prior notices of participation shall be received by the Company no later than on the above mentioned date. Any powers of attorney are also to be sent to the Company during the same registration period. A notice of participation can be given either:

- a) on the Company's website www.exelcomposites.com/agm; or
- b) by email to investor@exelcomposites.com; or
- c) by telephone at +358 20 7541 225 between 9 a.m. and 4 p.m. Monday to Friday; or
- d) by telefax at +358 20 7541 201; or
- e) by regular mail to the address Exel Composites Plc, Annual General Meeting, Mäkituvantie 5, 01510 Vantaa, Finland.

In connection with the notification, a shareholder should notify his/her name, personal identification number, address, telephone number and the name and personal identification number of a possible assistant or proxy representative. The personal data given is used only in connection with the Annual General Meeting and with the processing of related registrations.

A holder of nominee-registered shares has the right to participate in the Annual General Meeting by virtue of such share, based on which he/she on the record of the of the AGM, i.e. on 15 March 2013, would be entitled to be registered in

the shareholders' register of the Company held by Euroclear Finland Ltd. The right to participate in the AGM requires, in addition, that the shareholder on the basis of such shares has been temporarily registered into the shareholders' register held by Euroclear Finland Ltd at the latest by Friday 22 March 2013 at 10.00 a.m.

A holder of nominee-registered shares is advised to request from his/her custodian bank instructions regarding the temporary registration in the shareholders' register, issuing of proxy documents and registration for the AGM.

Dividend

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.30 per share be paid for the financial year 2012. Shareholders registered on the list of shareholders maintained by the Finnish Central Securities Depository on the record date of 3 April 2013 are entitled to a dividend, which will be paid on 10 April 2013.

Changes of address

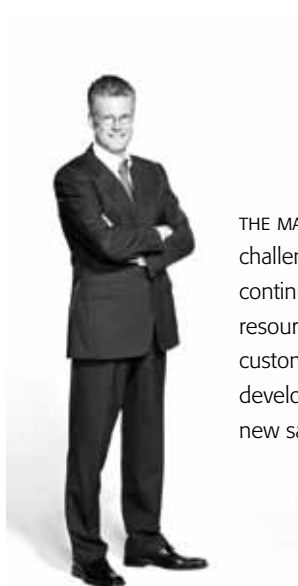
Shareholders should notify the bank in which they have a book-entry securities account of the Finnish Central Securities Depository of any change in their address.

Financial reporting in 2013

The publication dates for Exel Composites' financial reports in 2013 are as follows:

- Electronic Annual Report 2012: Wednesday 6 March 2013
- Interim report Q1/2013 Friday 3 May 2013
- Interim report Q2/2013: Thursday 25 July 2013
- Interim report Q3/2013: Thursday 31 October 2013

Exel Composites' annual report, interim reports and stock exchange releases will be available in Finnish and English on the Company website at www.exelcomposites.com. Stock exchange releases, annual and interim reports can be obtained in electronic format by joining our mailing lists on the Company website or by sending an email to investor@exelcomposites.com.



THE MARKET SITUATION WAS challenging in 2012. We continued to invest more resources in sales and customer driven product development to generate new sales.

06

12

ON 2013 WE WILL CONTINUE to invest in attractive market segments to pursue the strategy of long-term profitable growth.



26

DURING 2012 EXEL COMPOSITES¹ units in Austria, Belgium and the UK achieved ISO 14001 Environmental Management Status.



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CUSTOMER-ORIENTED LEADING PROVIDER OF COMPOSITES

EXEL COMPOSITES is a technology company which designs, manufactures and markets composite profiles and tubes for industrial applications. Exel Composites is the leading composite profile manufacturer in the world and concentrates on growing niche segments.

The core of the operations is based on proprietary, internally developed composite technology, product range based on it and

a strong market position in selected segments with a strong quality and brand image. Profitable growth is pursued by a relentless search for new applications and development in co-operation with customers. The personnel's expertise and high level of technology play a major role in Exel Composites' operations. Exel Composites has 9 production units in 7 countries. The Group employs some 430 persons. Exel Composites' share is listed in the Small Cap segment of the NASDAQ OMX Helsinki Ltd. •

www.exelcomposites.com



Group structure

EXEL COMPOSITES PLC

- Joensuu, Finland
- Mäntyharju, Finland

EXEL GMBH

- Voerde, Germany

EXEL COMPOSITES N.V.

- Oudenaarde, Belgium

EXEL COMPOSITES GMBH

- Kapfenberg, Austria

EXEL COMPOSITES AUSTRALIA PTY. LTD.

- Melbourne, Australia
- Brisbane, Australia

EXEL COMPOSITES NANJING LTD.

- Nanjing, China

EXEL COMPOSITES UK LTD.

- Runcorn, UK



Exel Composites is the world's largest international pultrusion company, with manufacturing sites in seven countries: Australia, Austria, Belgium, China, Finland, Germany and the United Kingdom.

A record number of new applications were developed in

2012

CEO'S REVIEW

Our target is to be in the forefront of sustainable development.



IN 2012 EXEL COMPOSITES' performance was disappointing. The weak market situation affected the sales of our main customers, which resulted in declining sales for Exel Composites. Net sales decreased on the previous year, ending the year at EUR 76.0 (85.1) million, a decrease of 10.7 per cent. Sales declined especially during the second and third quarters of the year. The decline in net sales slowed down in the fourth quarter of 2012 compared to the previous year.

Sales decreased especially in telecommunication products and in the building, construction and infrastructure market compared to the previous year. The decrease in sales was partly due to certain main customers' destocking.

Despite a sales decline in 2012 Exel Composites developed a record number of new products and acquired numerous new customers. In the long run these new products are estimated to strengthen top line. Exel Composites remains in a strong position to benefit when market growth resumes.

We continued to reinforce sales, technical sales and customer-driven product development to generate new sales to compensate for the lower volumes of key customers. This led to increased sales in the transportation, cleaning and maintenance, windows and doors as well as electrical market segments compared to 2011.

Turnaround actions started in our Chinese unit in 2011 to improve efficiency continued to show positive results. The financial performance of the Australian and UK business units weakened during the fourth quarter of 2012 in spite of corrective actions taken. The market conditions remain challenging in 2013. An impairment of EUR 2.5 million was recorded in the results of the fourth quarter of 2012 in the Australian and UK business units. Business plans and further corrective actions have been developed to improve the profitability in both units.

The Group's operating profit before impairment in 2012 decreased on 2011 and was EUR 5.9 (11.1) million, down by 46.5 per cent on the previous year. Operating profit including the impairment for the financial year 2012 was EUR 3.4 million. Both material and personnel costs increased proportionally in 2012. Productivity work is ongoing to compensate for increasing costs whilst a part of the rising costs needed to be passed to product prices. Development costs relating to new products led to lower yield and margin. Temporary lay-offs and permanent personnel reductions took place in several units of the Group in 2012.

Exel Composites' competitive position is strong due to solid balance sheet and positive cash flow. Exel Composites' cash

flow was strongly positive at EUR +8.2 (+9.6) million and net gearing was -3.4 (-5.0) per cent at the end of 2012.

The ExelWay-project was continued throughout 2012. It targets improving co-operation and harmonizing processes between the units to drive productivity and synergies. The project aims at identifying best practices throughout Exel Composites and creating new global functions and efficient business processes. New processes and best practices are being implemented. Group-wide practices are supported by our global ERP and CRM systems, which are now widely in use. Harmonization is bringing improvements in cross-site cooperation and will be continued in 2013.

During 2012 Exel Composites' units in Austria, Belgium and the United Kingdom achieved ISO 14001 Environmental Management status. The target is to have all the units of the Group certified. Exel Composites is committed to minimizing the environmental impact of the Company's operations and products. We want to be in the forefront of sustainable development. Exel Composites is an active member in the composites industry driving recycling and environment-friendly solutions. Key driver for composite materials in addition to superior physical properties - such as light weight, stiffness, and being corrosion free - is in many applications the lower environmental impact and lower lifetime energy costs of the material compared to metals like aluminium and steel.

In 2013 our focus will be on sales, efficiency and yield improvement and turnaround measures in our Australian and the UK unit. Additional contingency actions may be undertaken which may impact the short-term profits, but protect long-term cash flow and profitability. Our strategic focus areas include developing balanced product and customer portfolios, selected segments as well as driving process and equipment harmonization in order to develop our global operations platform.

Exel Composites continues to have a strong position in the pultrusion industry. Maintaining the number one position requires continuous innovation in close co-operation with existing and new customers. We will take the necessary actions to improve profitability and to continue the profitable growth Exel Composites has delivered in the past.

I would like to thank all our employees for excellent teamwork during 2012. My thanks go also to our customers, partners and shareholders for their continued support. •

FEBRUARY 2013

VESA KORPIIMIES, PRESIDENT AND CEO

YEAR 2012 WAS MARKED WITH CHALLENGES

The market situation was challenging in Exel Composites' main market areas. The European economic situation impacted the results negatively. Net sales decreased from EUR 85.1 million in 2011 to EUR 76.0 million in 2012. Net sales declined especially during the second and third quarters of the year. The decline in net sales slowed down in the fourth quarter of 2012 compared to the previous year.



THE FINANCIAL PERFORMANCE of the Australian and UK business units weakened during the fourth quarter 2012 in spite of corrective actions undertaken. An impairment of EUR 2.5 million was recorded in the results of the fourth quarter in the Australian and UK business units. Business plans and further corrective actions have been developed to improve the profitability in both units.

Operating profit before impairment decreased on 2011 and was EUR 5.9 (11.1) million, down by 46.5 per cent on the previous year. Operating profit including the impairment for the financial year 2012 was EUR 3.4 million.

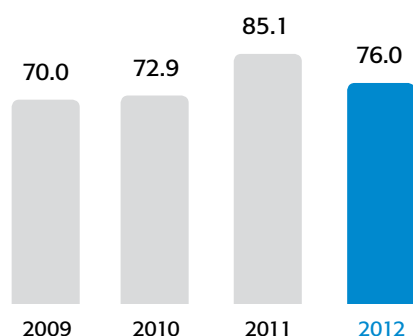
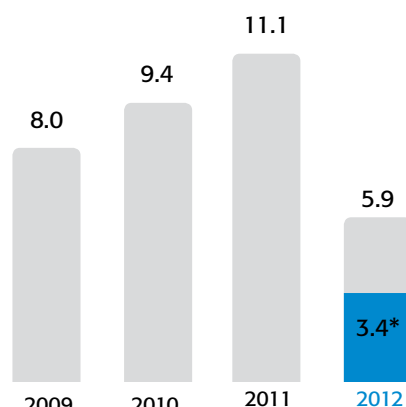
Despite the difficult economic situation we maintained our focus on customer-driven product development and organizational development in 2012. We continued the ExelWay-project that was launched in 2011. It targets improving co-operation and harmonizing processes across the units. New processes and practices are being put into practice at present.

Exel Composites wants to be in the forefront of sustainable development. Our efforts were recognized also in 2012 when the Group's units in Austria, Belgium and the United Kingdom achieved ISO 14001 environmental management status. Our aim is to have all the units of the Group certified. •

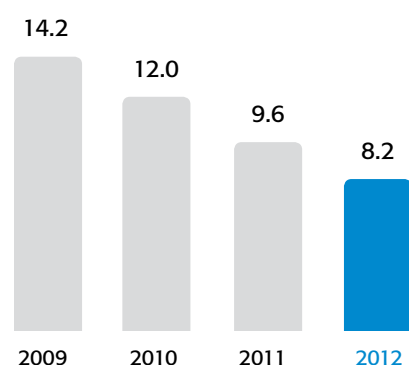
CONSOLIDATED KEY FIGURES

	2012	2011	2010	2009
Net sales, EUR million	76.0	85.1	72.9	70.0
Operating profit, EUR million	5.9 (3.4)*	11.1	9.4	8.0
% of net sales	4.5	13.0	12.9	11.4
Profit for the period, EUR million	2.0	8.1	6.8	5.9
Shareholders' equity	31.4	35.1	32.5	25.6
Net interest-bearing liabilities, EUR million	-1.1	-1.7	-1.4	6.1
Capital employed, EUR million	39.6	43.2	42.7	44.1
Return on equity, %	6.1	23.5	23.3	31.3
Return on capital employed (ROCE), %	8.4	26.1	21.8	20.9
Equity ratio, %	61.0	61.6	57.4	44.6
Net gearing, %	-3.4	-5.0	-4.3	23.7
Earnings per share, EUR	0.17	0.67	0.57	0.50
Equity/share, EUR	2.64	2.95	2.73	2.15

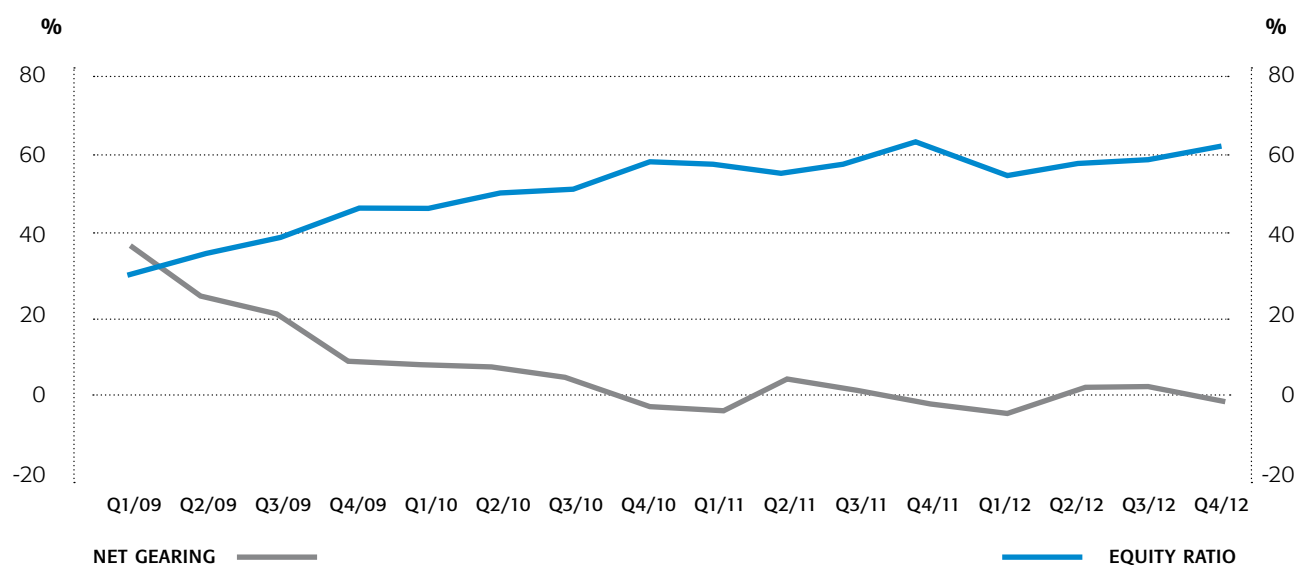
*Operating profit in 2012 was EUR 5.9 million excluding impairment and EUR 3.4 million including impairment.

NET SALES, EUR MILLION**OPERATING PROFIT, EUR MILLION**

*Operating profit in 2012 was EUR 5.9 million excluding impairment and EUR 3.4 million including impairment.

CASH FLOW FROM BUSINESS OPERATIONS, EUR MILLION

Our competitive position is strong due to solid balance sheet and positive cash flow.

NET GEARING AND EQUITY RATIO

2012 IN QUARTERS

October – December 2012 highlights

- Net sales in the fourth quarter of 2012 were EUR 18.6 (19.8) million, down by 5.7 per cent on the previous year
- Impairment of EUR 2.5 million of goodwill and other non-current assets was recorded in the fourth quarter
- Operating profit in the fourth quarter of 2012 excluding impairment was EUR 0.9 million or 5.0 (8.9) per cent of net sales
- Operating loss of the fourth quarter of 2012 including impairment was 1.6 million (operating profit EUR 1.8 million including EUR +0.2 million non-recurring items), or -8.6 (8.9) per cent of net sales
- Net operative cash flow was positive at EUR +4.4 (+3.1) million
- Fully diluted earnings per share were EUR -0.12 (0.11)

July – September 2012 highlights

- Net sales decreased to EUR 17.1 (20.5) million in the third quarter of 2012, down by 16.7 per cent on the previous year
- Operating profit was EUR 1.4 (2.6 including +0.1 non-recurring items) million in the third quarter of 2012, or 8.0 (12.5) per cent of net sales
- Net operative cash flow was positive at EUR +0.3 (+2.5) million
- Fully diluted earnings per share were EUR 0.07 (0.15)

Q4

Q3

Q1

January – March
2012 highlights

- Net sales were EUR 20.5 (21.5) million in the first quarter of 2012, down by -4.8 per cent on the previous year
- Operating profit was EUR 1.8 million in the first quarter of 2012 compared to EUR 3.1 million in the first quarter of 2011, or 8.9 (14.6) per cent of net sales
- Net operative cash flow was positive at EUR +1.5 (+1.6) million
- Fully diluted earnings per share were EUR 0.11 (0.20)

Q2

April – June
2012 highlights

- Net sales decreased to EUR 19.8 (23.4) million in the second quarter of 2012, down by 15.3 per cent on the previous year
- Operating profit was EUR 1.8 (3.6 including EUR +0.2 million one-off items) million in the second quarter of 2012, or 9.2 (15.5) per cent of net sales
- Net operative cash flow was positive at EUR +1.9 (+2.3) million
- Fully diluted earnings per share were EUR 0.11 (0.22)

Outlook
for 2013

Major uncertainties relating to general growth prospects in the economy continue. Visibility is low and the market pressure is expected to continue in 2013. The Company will continue to work on sales development and on adjusting costs to market conditions. Additional contingency actions may be undertaken which may impact the short-term profits, but protect long-term cash flow and profitability.

CO-OPERATION CREATES INNOVATIONS

We aim to build close co-operation relationships with our customers, benefiting both parties with innovative solutions. As a result, Exel Composites' products and services are always tailor-made to meet the specific needs of each customer.





Continuous development throughout the Company

Basis for our profitable growth strategy is high customer satisfaction. Our strong knowledge, expertise and innovativeness combined with close cooperation with our customers have allowed us to rightfully claim and keep our position as the clear forerunner of the pultrusion industry.

Exel Composites' vision

Exel Composites is a customer-driven, leading provider of advanced composite solutions; being dynamic and innovative we reinforce your business.

Customer satisfaction is the key element of our vision. We focus on OEM customers and deliver advanced and niche solutions. We are professionals providing added value for our customers and good returns for our shareholders. We encourage our customers', employees', suppliers' and shareholders' business.

Exel Composites' profitable growth strategy

Basis for profitable growth is formed by Exel Composites' total service, customer-oriented operations and close cooperation with customers. Besides innovative and high-quality products, Exel Composites' total service consists of expertise in sales and customer service, technical support and long-term partnerships. Exel Composites targets to be perceived as the global green leader in the pultrusion industry.

Exel Composites' strategy consists of three key elements:

1 BALANCED BUSINESS PORTFOLIO

- Continue organic growth and selected acquisitions
- Build sustainable customer portfolio of OEM-customers
- Focus on attractive segments with growth potential

2 OPERATIONAL DEVELOPMENT

- Improve process efficiency and yield
- Harmonize processes across units
- Drive environmental standards

3 ORGANIZATIONAL DEVELOPMENT

- Invest in technical sales and development
- Boost innovation
- Move towards a more integrated organization



"In developing new products with our customers, we always aim for lasting performance and very long-term relations."

ERIC MOUSSIAUX, GENERAL MANAGER EXEL BELGIUM

To achieve a balanced business portfolio, Exel Composites focuses on developing a sustainable customer portfolio and prioritizing selected segments and expanding the product platform and technology base. Additionally, Exel Composites offers value-adding services and solutions to its customers.

Acquisitions may be used to strengthen Exel Composites' competences and market position globally or locally.

Operational development focuses on improving process efficiency and yield, environmental sustainability as well as driving more efficient sales. We also aim at harmonizing our processes and ways of working across units. Organizational development prioritizes moving into a more integrated organization and forming global functions. The goal is to ensure continuous improvement of costs and productivity through benchmarking and sharing best practices in the Group.

To meet the targets of the growth strategy, Exel Composites invests in product and technology development and in technical sales organization. The objective behind innovative product and technology development is to generate competitive advantages for Exel Composites' customers. •



FINANCIAL TARGETS

Exel Composites Group's financial targets over a business cycle are as follows:

GROWTH	OPERATING PROFIT	DIVIDEND POLICY
The objective is that Exel Composites Group's average organic growth annually exceeds market growth of the industry. Growth achieved through acquisitions is part of Exel Composites' strategy.	Exel Composites' target is the operating profit to exceed 10 per cent of net sales.	Exel Composites aims to distribute at least 40 per cent of net income in dividends, as permitted by the financial structure and growth opportunities.



EXCELLENCE THROUGH TEAMWORK

Seamless and stirring teamwork without organizational boundaries leads to innovations and excellence. Understanding the force of working together, we have organized our operations in accordance with the principles of teamwork. Striving to achieve team objectives, our employees are the key to Exel Composites' success.





Innovation and know-how combined

Exel Composites' position as the number one pultrusion company in the world is a result of a unique formula, where the customers' expertise on applications is coupled with Exel's unrivalled knowledge and experience on composites. Through such cooperation, true innovation is born.

INTRODUCTION

Leading pultrusion company

Exel Composites specializes in the developing, designing, manufacturing and marketing of strong, durable and lightweight composite profiles. There are already over 1,000 glass and carbon fiber profile applications, all of which are the result of customer-focused product development. Work on replacing other materials, such as aluminum, steel and wood, with composite materials is ongoing and new applications are regularly being found. The unrivalled lightweight and mechanical qualities of composite materials make them unbeatable in terms of durability and functionality. It is Exel Composites' main objective to create superior competitive edge for its customers.

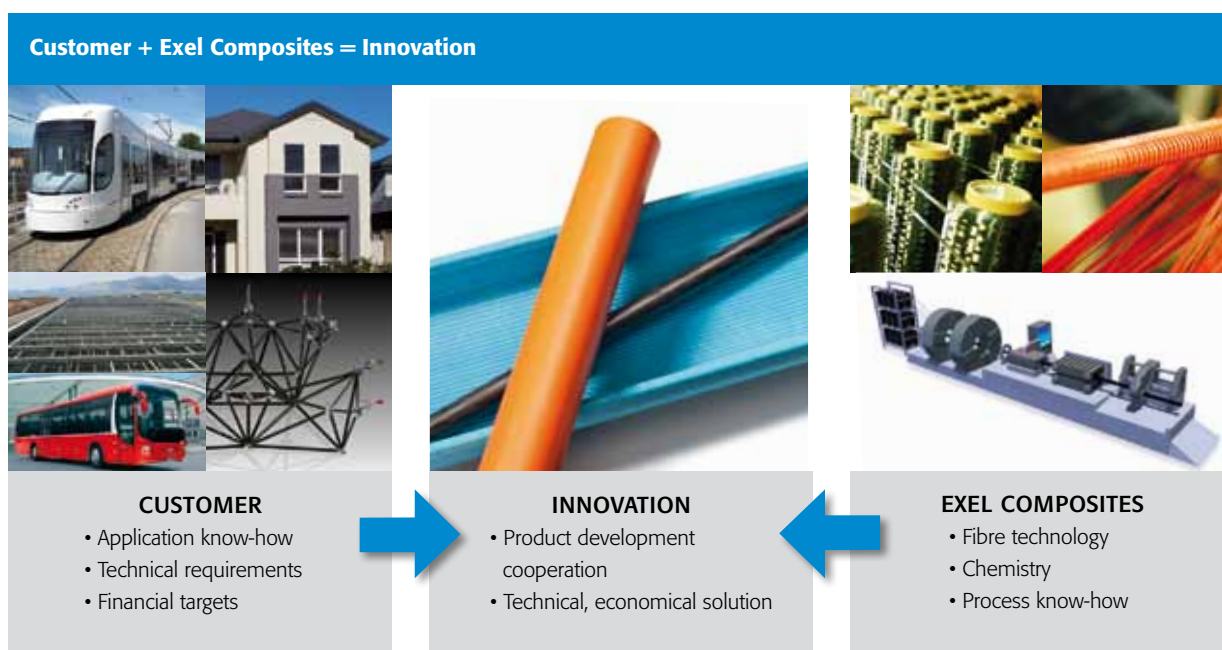
Unique platform to drive growth in a multi-application business

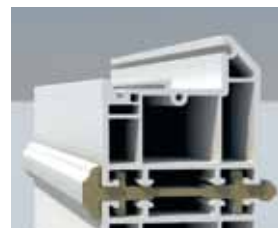
The core of the innovation business is a unique platform where customers' special know-how on their applications and Exel's special know-how in chemistry, fiber-technology and manufacturing are brought together. This enables a new level of product development which results in a new generation of innovative solutions utilizing composites' best features.

Exel Composites invests considerable financial and human resources with key partners in strategic areas of product development.

Demands for differentiation, functionality, energy efficiency and cost-savings are just a few of the reasons why composite products are gaining ground over other materials.

The business grows through new applications in new industries. Composite is the solution of the future. It delivers added value, helps to differentiate and creates one element of the brand.



**TUBES**

- *Exel Composites is the world's largest manufacturer of thin-walled pullwound tubes*
- *Pullwinding technology enables the optimization of the final product's structure.*

PROFILES

- *Exel Composites is the leading manufacturer of demanding, customer-tailored profiles for industrial applications.*

LAMINATES

- *Laminates are manufactured e.g. for construction, sporting goods and transportation industries.*

WINDOWS AND DOORS

- *Insulating and thermally stable composite profiles for window and door industries*
- *Good insulation properties, durability and low maintenance needs.*

EXEL COMPOSITES' PRODUCTS

**TOOLHANDLES AND TELESCOPIC POLES**

- *Products for demanding professional tools*
- *Materials for consumer toolhandles.*

AIRPORT PRODUCTS

- *Frangible structures include approach lighting systems, weather measuring systems, anemometers, ILS-localizers, and fencing.*

MACHINE INDUSTRY

- *Pultruded composite profiles for different segments of machine industry.*

ELECTRICAL INDUSTRY

- *Wide range of composites solutions for electrical industry*
- *Material properties – like insulation or conductivity – are selected based on customer requirements.*

IMPROVED PERFORMANCE WITH COMPOSITES

Throughout the world, composites are revolutionizing the way things are done. Applicable to a variety of uses, composites are the modern solution for enhancing performance in both business and leisure.

APPLICATIONS AND MARKETS

Transportation

Composites are widely used in transportation industry, e.g. in automotive industry and in trucks and trains, where lower weight helps vehicles use less fuel. Composite profiles are corrosion resistant requiring less maintenance and lasting longer.

Continuous improvement
remains the name of the
game in transportation.

Exel Composites provides external and internal body parts for trains and trams as well as buses and coaches. Products include cant rails, skirts and luggage door panels. Internal body parts include air conditioning/heating ducts, ceiling profiles, sidewalls and luggage rack parts. A wide array of composite profiles is supplied also to the truck and trailer industry.

In 2012, despite the difficult economical environment, we managed to consolidate the good growth figures of the previous year. Continuous improvement remains the name of the game in this challenging segment with ever more demanding customers, not only on the quality of the products but all the service and logistics to go with them. The need for good public transport and the new European regulations on energy savings are the main drivers for new product development by our customers. Composites respond very well to these demands.

Building, construction and infrastructure

Lasting performance is a prerequisite for any application in building, construction and infrastructure applications. Pultruded composite profiles outperform other plastic materials on mechanical properties. High performance reinforcements, such as carbon fibers, can even match competition with metals. Durability in very corrosive environments, low weight, easy installation, thermal insulation, and electrical insulation, are only a few of the valuable benefits of composite profiles. Combinations of these

characteristics have led to a wide array of very different niche applications in the construction market.

Window and door market is driven by new energy efficiency regulations that give greater importance to thermal insulation. At Exel Composites we see a continuing positive trend in both turnover and customer acquisition, but also an evolution to more challenging products in an increasingly competitive environment.

The difficult financial situation in Europe led to both postponements and freezing of project schedules not only in Europe but also in other market areas. Price competition in realized projects was typical during the whole year. The trend is likely to continue also in 2013. For Exel Composites significant matters included the continuation of a global partnership agreement with Safegate Group and signing a new agreement with ADB Group. These form a solid ground for the sales growth of global airport product sales in the future.

Energy industry

New and innovative solutions are being developed by Exel Composites to meet the demands of the global energy sector. Exel Composites is involved in the major energy sectors (solar, oil and gas, tidal etc.), where the use of composites materials through lightweight but strong materials can bring real benefits in providing a cost-effective solution.

Telecommunication

Products for the telecommunication industry include antenna radomes and tubes as well as optical cable tension members. Although various options are available for the protective covers on base station antennas, the most effective solution is the use of pultruded glass fiber composite profiles and tubes.

Exel Composites leads the way in this market by producing profiles to a high specification. Exel Composites' advanced technology allows us to manufacture thin wall profiles, yet still maintain maximum strength and rigidity, which are essential criteria as the main antenna support. Other features ensure maximum wave transfer, good weather durability and UV stability.

Composite optical tension members provide the essential



load protection to these vital signaling elements during the manufacturing, installation and service life of the fiber optic cable. In 2012, telecommunication suffered from low demand and sales decreased on the previous year.

Paper industry

Exel Composites has developed a wide range of customer products for paper industry applications. These include for example doctor blades and fabric guiding poles. New applications will be developed within the product group with extensive product development both for doctoring and other applications where characteristics specific to composites such as specific strength, controlled wearing properties, light weight or corrosion resistance are needed.

Electrical industry

Glass fiber reinforced composites have outstanding electrical insulation properties. Furthermore, they demonstrate ideal mechanical properties in low, ambient and elevated temperatures. Based on many years of experience, Exel Composites provides a wide range of specific solutions for this market segment.

Products for the electrical industry include epoxy rods for insulators and arresters, insulated rail joint systems for railways and metros, 3rd rail covers, insulation rings and tubes, profiles for electrical machines such as transformers, generators and electric motors as well as conduit rods.

Numerous new applications were developed for electrical industry in 2012.

Cleaning and maintenance

Exel Composites continue to develop and expand its tool handle and telescopic pole range as a system supplier for numerous applications for professional use. The new innovations were positively received by the customers and the focus on serving the leading OEM partners in the main application areas increased sales in 2012. Sales were continuously expanded into new geographic areas and new applications with success.

Sports and leisure industry

Thanks to excellent mechanical properties and light weight,

composite tubes, profiles and laminates are manufactured for OEM customers in the sporting goods industry such as skis, ski poles, floorball sticks, surfing masts, snowboards, skateboards, kiteboards and ice hockey sticks. There are also increasing numbers of applications in the leisure area including caravan awnings, tent structures, sailing masts, fishing rods, archery products, furniture and components for boats and snowmobiles.

Machine industry

Exel Composites has long manufacturing experience of demanding state-of-the-art pultruded composite profiles used in different segments of the machine industry. Within machine industry there is a need to reduce the weight of the components to improve the performance of fast moving machines for better efficiency. Composites' low thermal expansion combined with low weight and high stiffness and strength make them an ideal alternative.

Composites provide a
unique combination of
excellent properties.

An increasing number of applications in mechanical engineering is benefiting from these advantages: textile machine parts, printing machines, robotic and manipulator parts, packing machines, processing machines and measuring devices.

General industries

Composite materials can be used in many different applications in different industries. The unique combination of excellent properties – light weight, high corrosion-resistance and high stiffness – are the properties that make composites the best choice compared to many traditional materials. Exel Composites has a long experience in the development of products for the defense sector. These include both customer-specific and non-customer-specific defense products; camouflage support poles but also a number of customer-tailored solutions in defense industry. •



"Exel Composites' continuous lamination technology (CLT) is opening new, interesting application areas especially in Transportation, Building and Construction and Sports & Leisure market segments."

JUKKA JUSELIOUS, BUSINESS SEGMENT MANAGER





CASE



Startlink lightweight building system

Exel Composites UK took part in an R&D project the goal of which was to engineer a lightweight energy-efficient building system. This lightweight building system has been developed by a consortium of companies with additional funding from the British Technology Strategy Board. It is intended that both Passivhaus and Sustainability Code 6 criteria for overall thermal resistance and air-tightness would be met by the external envelope of the prototype Startlink house.

THE TERM **PASSIVE HOUSE** (Passivhaus in German) refers to the rigorous, voluntary, Passivhaus standard for energy efficiency in a building, reducing its ecological footprint. It results in ultra-low energy buildings that require little energy for space heating or cooling. Sustainability Code 6 refers to the UK government's target to make all new homes zero carbon from 2016. It demands that all emissions from the house and the activities that take place within it must be net zero over the course of a year.

Startlink is a pultruded glass reinforced composite component kit which can be rapidly assembled into a wide variety of low-rise building forms, without metal fastenings. The inherent dimensional stability of pultruded profiles means that air-tightness is easily achieved.

The Startlink lightweight building system is stable, inert and impervious to moisture, requiring only the addition of insulation to build houses. The system is intended for use with a "green" roof which retains water for evaporative cooling. Furthermore, organic fibre insulation is placed behind robust, vapour permeable linings to control internal temperature and humidity. The system also has a natural ventilation heat recovery (NVHR) system, which is used in tandem with a 'combi' hot water heater. •





CASE

Exel odour cover system for settled sewage channels

In 2012 Exel Composites Australia was awarded the contract to supply pultruded glass fibre composite Odour Covers as part of the upgrade of the Eastern Treatment Plant in Victoria, Australia. The plant, which was built in 1975, will be transformed into one of the most sophisticated facilities of its kind in the world.

IMPLEMENTED BY THE MELBOURNE WATER CORPORATION, the project required a system of durable, high strength covers to capture foul and corrosive air from 700 lineal metres of 5.3 m wide settled sewage channels for extraction to existing biofilters.

To achieve this, Exel Composites Australia developed a fully integrated cover system incorporating multicell, hollow, interconnecting pultruded profiles for optimum stiffness that safely withstand load requirements in compliance with Australian Standards. The system was designed to effectively seal against the existing infrastructure and tested to a vacuum rating of -1000 Pa.

The covers are aesthetically pleasing, lightweight and typically supplied in modules consisting of 500 mm panels. All individual panels have a lifting handle built into the external frame for easy installation and removal.

The fully integrated cover system provides a complete solution for Melbourne Water and wastewater treatment plants worldwide where durability, sealing performance, resistance to corrosive sewer gasses and UV are key performance drivers.

The client, Water Resources Alliance, is a Joint Venture between Melbourne Water, Baulderstone, SKM, UGI, MWH and Beca. •



Quality in every aspect

The world's most renowned composites are born through the commitment of skillful and knowledgeable personnel – the core of Exel Composites' success. In addition to recognizing the needs and wellbeing of its workforce, Exel Composites is dedicated to continuous development in quality, environmental policies and safety.



PERSONNEL

Human resources

Supporting the attainment of the key targets of the Group strategy was the main focus of the Human Resources function also in 2012. Special attention was paid to recognizing and developing change needs within the sales and technical sales organization.

During the period under review, we continued to build a common corporate culture for Exel Composites with the aim of making the best use of the different lines of operation and processes based on the best practices of the Group. The ExelWay-project that was launched in the latter half of 2011 was continued. The project aims at improving co-operation and harmonizing processes between the units. Project findings including new and efficient business processes and best practices are being implemented.



Personnel policy

Highly skilled personnel and state-of-the-art technology play a key role in Exel Composites' operations. A knowledgeable workforce is Exel Composites' most important resource and the prerequisite for our existence, growth and development. The management sees to it that expertise and motivation are constantly developed. Personnel development is indeed one of the primary cornerstones of Exel Composites' personnel policy. Annual development discussions and training needs analysis are used to support personal development and to clarify where knowledge is needed.

Equality issues

Together with employee representatives, an equality program has been created for Exel Composites that emphasizes the responsibility of leadership actions in equality



"Our state-of-the-art pullwinding technology together with value adding services give our customers a leading position in their businesses."

SAMI HEIKKINEN, BUSINESS DEVELOPMENT MANAGER, TOOLHANDLES AND TELESCOPES



issues and that supports the equal development of all employees, as well as the rotation of tasks and use of family leave. Current personnel have priority in recruitment. The salary policy motivates employees equally and fairly.

Incentive programs

Exel Composites' performance-based incentive program covers all employees. Salaried employees receive a monthly salary and an annual bonus tied to the attainment of annually established goals emphasizing growth and profitability. Non-salaried employees are also eligible for incentive compensation, but their annual bonus is based on productivity. The management is additionally covered by a program designed to enhance their long-term commitment.

Personnel

The number of Exel Composites Group employees on 31 December 2012 was 427 (2011: 428), of whom 201 (199) worked in Finland and 226 (229) in other countries. The average number of personnel during the financial year was 431 (428).

QUALITY, ENVIRONMENT AND SAFETY

Quality, environment and safety are an essential part of management and are developed according to objectives based on the Exel Composites Group's operating principles.

Quality management system

Exel Composites Group has a multi-site ISO 9001 certificate admitted by Bureau Veritas Certification covering all the sites of the Group. Exel Composites Group measures the performance of the sites with uniform indicators. The management follows the indicators and defines the areas for improvement based on the indicator.





Enterprise Resource Planning (ERP) is a vital part of a quality system. It has an important role in managing the information flow inside and between the business processes. A common ERP was taken use the in Exel Composites Group in 2008. The system is now in use in all the units of the Group.

Environment and safety

Exel Composites Group's Austrian, Belgian, British, Chinese and Finnish units have an ISO 14001 environmental certificate. The procedures of the certified environmental management system are used as blueprint in the implementation of the system at the other sites. The long-term target is to have all the units of the Group certified.

Significant environmental aspects and risks have been assessed in all the units of the Group. The Group's environmental program is based on the identified risks and legislative requirements. Environmental monitoring and measuring are carried out at most of the sites. Regular audits and follow-up are an important part of measuring progresses in continuous improvement.

Occupational and safety issues are an integral part of management. Exel Composites is committed to continuous development of work safety. The core of Exel Composites' safety efforts lies on preventive measures such as risk assessment, safety training as well as internal and external evaluations. All the sites of the Group have a safety organization with defined responsibilities.

Exel Composites continues to remain vigilant to ensure our site operations are aware of all local and regional controls. A safe environment for our employees and surrounding neighborhoods is a priority at Exel Composites.

Exel Composites plays a leading role in industry associations such as EuCIA (European Composites Industry Association). This helps us stay at the leading edge of awareness of the latest developments in environmental matters including advances in environmental technology and new regulatory measures.

Safety comes first.

Exel Composites remains committed to re-using composite wastes and is an active participant in programs such as the work done by the European Composites Recycling Services Company (ECRC). The ECRC is developing new applications for using composite waste and influencing European legislation as part of the European composites industry. •

EXELWAY

improves co-operation
and harmonizes processes
between units.

A young boy with dark hair, wearing a light green polo shirt, is shown from the chest up, looking upwards with a hopeful expression. He is holding a small, white model airplane with blue and black details in his right hand, positioned as if he is about to launch it. The background is a clear, bright blue sky. The text "Future materials made today" is overlaid in a blue, sans-serif font on the right side of the image.

Future materials made today

INNOVATOR. DEVELOPER. MANUFACTURER. LEADER.

Our ability to offer cutting-edge solutions is built on constant development of our products and operations. By actively seeking new ideas for composite applications we maintain our position as the forerunner of the industry.



Corporate Governance Statement

EXEL COMPOSITES' CORPORATE GOVERNANCE complies with the Finnish Companies Act, the legislation covering the securities markets and other official regulations related to the governance of public joint stock companies. The principles set out here complement the applicable legislation.

Furthermore, Exel Composites complies with the Finnish Corporate Governance Code ("the code") issued by the Securities Market Association and which came into effect on 1 October 2010. This Corporate Governance Statement has been prepared in accordance with the Recommendation 54 of the Code. The code is available at www.cgfinland.fi.

This Corporate Governance Statement has been reviewed by the Exel Composites Board of Directors, and it is issued separately from the Board of Directors' report. Exel Composites' auditors, Ernst & Young Oy, have checked that a corporate governance statement has been issued and that the description of the main features of the internal control and risk management systems in relation to the financial reporting process is consistent with the financial statements.

Exel Composites deviates from the Corporate Governance Recommendation 9 regarding the representation of both genders on the Board of Directors. Explanation for the deviation is provided under the heading Board of Directors.

Further information concerning Exel Composites' Corporate Governance matters is available on the Group's website at www.exelcomposites.com.

The Board of Directors

According to the Articles of Association, the Board comprises at least three and no more than eight full members, elected by the Annual General Meeting for one year at a time. The Board shall elect a Chairman from its midst and a Vice Chairman if necessary.

In addition to the Finnish Companies Act, other applicable legislation and the Articles of Association, Exel Composites' Board of Directors has confirmed a written charter that specifies the Board's duties, matters to be handled, meeting practice and decision-making process. The charter is reviewed and updated annually in the first meeting following the election of the Board in the AGM. Board meetings are attended by the President and CEO and the CFO, who acts as the secretary of the Board.

The Board of Directors is responsible for the management of the Company and the proper organization of its activities in accordance with the Finnish Companies Act and the Company's Articles of Association. The Board's principal duties include confirmation of the corporate strategy and budget by function, and decisions on funding agreements, major investments and the purchase or sale of assets. The Board draws up interim reports, the financial statements and the report on operations, appoints and dismisses the President and CEO and decides on the President and CEO's salary.

The Board monitors the Company's financial position with the help of information provided by the Group Management Team. Sufficient information including the agenda for the Board meetings with all relevant information on the Company's structure, operations and markets is distributed at least 7 days before the meeting.

The Board of Directors holds at least seven ordinary meetings per year:

- one meeting to be held for approving the annual accounts;
- a formative meeting to be held after the Annual General Meeting;
- three meetings to be held for approving the interim accounts;
- one meeting to be held to discuss and approve the strategy and the budget process; and
- one meeting to be held for discussing and approving the budget for the next financial year.

The Board of Directors is evaluated within the framework of the Nomination Board's work. In addition, the Board performs an annual self-evaluation of its organization, working methods and fulfillment of its duties.

The Board evaluates the independence of each member of the Board at the first meeting following the AGM.

According to the Corporate Governance Code Recommendation 9, both genders shall be represented on the Board. The Nomination Board did not propose any changes to the Board in 2012, and the all-male Board was elected to continue one more year. The Nomination Board is searching for female candidates that have industrial experience from businesses similar to Company's main lines of business. The Company aims at complying with the recommendation in the long run.

According to the Corporate Governance Code Recommendation 27, the Board of Directors shall establish an Audit Committee if the extent of the Company's business requires that a group with a more compact composition than the Board deals with the preparation of matters pertaining to financial reporting and control. In consideration of the Board of Directors' small size, the Company has decided not to have any permanent Board committees. In compliance with the Corporate Governance Code Recommendation 27, the Board of Directors carries out the duties of the Audit Committee. These duties include, amongst others, review and supervision of financial reporting process, monitoring the efficiency of the Company's internal control and risk management systems, review of auditor's reports as well as preparation of auditor's election.

According to the Recommendation 28 of the Corporate Governance Code, the Board may establish a Nomination Committee to improve the efficient preparation of matters pertaining to the nomination and remuneration of directors. However, Exel Composites' shareholders have considered it essential that the Annual General Meeting establishes a Shareholders' Nomination Board for the preparation of a proposal for election of Board members and fees to be paid to the Board members to be presented to the Annual General Meeting. The Nomination Board comprises the Chairman of the Board and the persons selected by the four largest shareholders (as of the shareholder register situation on 1 November preceding the Annual General Meeting).

In 2012, the Shareholders' Nomination Board comprised Tomas Billing as chairman (Nordstjernan AB), Matti Rusanen (Ilmarinen Mutual Pension Insurance Company), Samuli Sipilä (OP Fund Management), Erkki Myllärniemi (Ulkomarkkinat Oy) and Peter Hofvenstam, the Chairman of the Board of Directors, acting as an expert member. The Nomination Board met three times in 2012.

Tomas Billing was born in 1963. He holds an M.Sc. in Economics. He is CEO of Nordstjernan AB.

Matti Rusanen was born in 1961. He holds an M.Sc. in Agriculture and Forestry. He is Head of Listed Securities of Ilmarinen Mutual Pension Insurance Company.

Samuli Sipilä was born in 1968. He holds an M.Sc. in Economics & Business Administration. He is Managing Director of OP Fund Management Company Ltd.

Erkki Myllärniemi was born in 1948. He is Managing Director of Umo Capital Oy.

Peter Hofvenstam was born in 1965. He holds an M.Sc. in Economics. He is Senior Vice President of Nordstjernan AB.

Members of the Board

On 29 March 2012 the Annual General Meeting re-elected all the members: Heikki Hiltunen, Peter Hofvenstam, Göran Jönsson, Reima Kerttula and Heikki Mairinoja to the Board of Directors. At the formative meeting of the Board of Directors held after the Annual General Meeting, the Board of Directors re-elected from among its members Peter Hofvenstam as its Chairman. There is no specific order for the appointment of directors.

Peter Hofvenstam was born in 1965. He holds an M.Sc. in Economics. He is Senior Vice President of Nordstjernan AB.

Heikki Hiltunen was born in 1962. He holds a B.Sc. in Engineering. He is Executive Vice President and Deputy to CEO of Vacon Plc.

Göran Jönsson was born in 1947. He holds an M.Sc. in Economics. He retired in 2008 from the position of President and CEO of Exel Plc. He is currently actively involved in board work and management consulting.

Reima Kerttula was born in 1955. He holds an M.Sc. in Engineering. He is President of Metso Fabrics Inc.

Heikki Mairinoja was born in 1947. He holds an M.Sc. in Engineering and a B.Sc. in Economics. He retired in 2007 from the position of President and CEO of Oy G.W. Sohlberg Ab. He is currently actively involved in board work and management consulting.

In 2012, Exel Composites' Board of Directors has evaluated the Board members' independence of the Company in accordance with Recommendation 15 of the Corporate Governance Code. Heikki Hiltunen, Reima Kerttula and Heikki Mairinoja are independent Board members. Peter Hofvenstam is considered as independent from the Company, but non-independent from a major shareholder, since he is the Vice President of Nordstjernan AB. Göran Jönsson is considered as independent from major shareholders, but as non-independent from the Company as former President and CEO of the Company. The Board was considered to comply with the Corporate Governance independence rules.

The term of the current Board members will expire at the end of the AGM 2013.

Further information on the Board (biographical details and holdings) is presented separately under the heading "Board of Directors" on page 38 in this Annual Report and on the Company website at www.exelcomposites.com.

Work of Board of Directors in 2012

The Board of Directors convened 11 times in 2012 and the average attendance rate at these meetings was 96 per cent.

Besides the regular annual Board work during the financial year 2012, the key priorities in 2012 included continued measures to protect the financial fundamentals and to reinforce the financial position with the weakening of the market environment and the deepening of the global recession, to reinforce the focus on the core composite business, to develop the Group organization, to accelerate the sales force activities and to refine the Group strategy.

President and CEO

The President and CEO is appointed by the Board to run the Company on a day-to-day basis in compliance with existing laws and regulations, as well as instructions and decisions given by the Board. Since duties of the Board include supervision of managing director, Exel Composites' President and CEO shall not be elected as member of the Board. The areas of responsibility of the President and CEO include, in addition to the above mentioned legal requirements, and implementing the Board's decisions, specifically also securing growth of the business, acquisitions and strategic projects, the increase in shareholder value, profitability and efficiency of operations, and investments within the limits defined by the Board.

The Board of Directors has adopted Rules of Procedure for the Managing Director containing guidelines and instructions regarding the Company's day-to-day management. In fulfilling his duties the Managing Director shall be assisted by the members of the Group Management Team of Exel Composites and any other corporate bodies established by the Board of Directors.

Vesa Korpimies is Exel Composites' President and CEO. He was born in 1962 and holds an M.Sc. in Economics.

The 2012 information on the President and CEO (biographical details and holdings) is presented separately under the heading "Group Management Team" on page 40 of this Annual Report.

Internal control and risk management pertaining to the financial reporting

Exel Composites' internal control framework and roles and responsibilities for internal control have been defined in Internal Control Policy approved by the Board of Directors.

Exel Composites' system of internal control and risk management related to financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with applicable laws and regulations, generally accepted accounting principles and other requirements for listed companies.

Exel Composites has established a Controller's manual (accounting and reporting rules), which is regularly updated and communicated throughout the organization. Other internal poli-

cies and rules related to the financial reporting process include Treasury Policy, Code of Conduct and Fraud Policy, as well as Decision Making and Signature Policies.

Group accounting maintains a common chart of accounts that is applied in all units. A common enterprise resource planning system and customer relationship management system (CRM) are in use in all the units of the Group. Subsidiaries submit their figures to group reporting system for consolidation purposes. The reported figures are reviewed both in the subsidiaries and in group accounting.

The consolidated financial statements of Exel Composites have been prepared in compliance with International Financial Reporting Standards (IFRS), applying IAS and IFRS standards, as well as SIC and IFRIC interpretations, valid on 31 December 2012. The notes to the consolidated financial statements are also in compliance with the Finnish Accounting and Companies Acts.

The ultimate responsibility for the appropriate arrangement of the control of the Company accounts and finances falls on the Board of Directors. In accordance with the Charter of the Board of Directors, the Board performs the duties of an Audit Committee. These duties include overseeing of the accounting and financial reporting process, audit of the financial statements, and review of internal control procedures as well as communication with Company's auditors. The President and CEO is responsible for the implementation of internal control and risk management processes and ensuring their operational effectiveness. The President and CEO is also responsible for ensuring that the Company accounting practices comply with the law and that financial matters are handled in a reliable manner. Group's management assigns responsibility for the establishment of more specific internal control policies and procedures to personnel responsible for the unit's functions. Management and employees are assigned with appropriate levels of authority and responsibility to facilitate effective internal control over financial reporting.

Exel Composites has established objectives for reliable financial reporting in order to identify financial reporting risks. Within the risk assessment process, Exel Composites identifies and analyses risks to the achievement of financial reporting objectives as a basis for determining how the risks should be managed. The risk assessment process also considers the potential for material misstatement due to fraud.

Control activities are linked to risk assessment and specific actions are taken to address risks to the achievement of financial reporting objectives. The identified risks related to financial reporting are managed through control activities that are set throughout the organization, at all levels and in all functions. Control activities are defined and selected considering their cost and effectiveness in mitigating risks to the achievement of financial reporting objectives. Exel Composites' common controls include variety of activities such as approvals, authorizations, verifications, reconciliations, reviews of operating performance, safeguarding of assets and segregation of duties.

In financial reporting, the Controller's manual sets the standards of financial reporting as well as accounting rules and procedures within the Group. The Group controller function assists the business units and functions in setting up adequate control activities in cooperation with the business controllers. The Group controller function is also responsible for ensuring that external financial reporting is correct, timely and in compliance with applicable regulations.

Ongoing monitoring activities include the follow-up of monthly financial reports in relation to budget and targets, follow-up of business plans, monitoring of new plans and follow-up of internal and external projects. The scope and frequency of separate evaluations depend primarily on an assessment of risks and the effectiveness of ongoing monitoring procedures such as business unit self-assessments of control effectiveness. Internal control deficiencies are identified and communicated in a timely manner to those parties responsible for taking corrective action, and to management and the Board as appropriate. Implementation and control of financial and other business tar-

gets are monitored through Group-wide financial reporting, and through regular management meetings in each of the business units.

In 2011 Exel Composites launched ExelWay-project, which was continued in 2012. The project targets improving co-operation between units and harmonizing and developing processes between the units. The project aims at identifying, sharing and taking into use best practices from the different units of the Group. The first improved practices were taken into use in 2012 and the development work will continue in the years to come.

Sales process evaluation started in 2012 with the identification of key risks and definition of appropriate control measures followed by unit level reviews aimed at establishing the current status and adequacy of controls as well as establishing improvement actions when necessary. Guidance was reviewed to avoid credit risks and contract liabilities. Group Controller function will monitor the progress of and drive internal control improvements in line with the action plans in the course of financial reporting controls reviews. •

BOARD OF DIRECTORS

Peter Hofvenstam



- Born 1965
- M.Sc. (Econ.)
- Senior Vice President, Nordstjernan AB
- Member of the Board since 2001
- Chairman of the Board since 2008
- Holdings: 1,662 Exel Composites shares
- Swedish citizen

PREVIOUS MAIN POSITIONS

- Financial Analyst, Proventus AB
- Financial Manager, AB Aritmos
- Partner, E. Öhman J:or Fondkommission AB

KEY POSITIONS OF TRUST

- Chairman of the Board, Ramirent Plc.
- Member of the Board, Rostistella AB and Rosti A/S
- Member of the Board, Active Biotech AB

INDEPENDENCE

Independent of the Company, but dependent of the major shareholders as Senior Vice President of Nordstjernan AB

Heikki Hiltunen



- Born 1962
- B.Sc. (Eng.)
- Executive Vice President and Deputy to CEO of Vacon Plc
- Member of the Board since 2011
- Holdings: 782 Exel Composites shares
- Finnish citizen

PREVIOUS MAIN POSITIONS

- Vice President Sales, Marketing & Service, Vacon Plc
- Managing Director of Tellabs Oy and Vice President & General Manager for Europe, Middle East and Africa of Tellabs International

KEY POSITIONS OF TRUST

- Chairman of the Board, Hockey-Team Vaasan Sport Oy

INDEPENDENCE

Independent of the Company and its major shareholders

Göran Jönsson



- Born 1947
- M.Sc. (Econ.)
- Member of the Board since 2008
- Holdings: 3,782 Exel Composites shares
- Swedish citizen

PREVIOUS MAIN POSITIONS

- President and CEO, Exel Plc
- Partner, Senior Partners
- General Manager of Industrial Coatings, Akzo Nobel

INDEPENDENCE

Independent of major shareholders, but dependent of the Company as former President and CEO of Exel Plc

Reimo Kerttula



- Born 1955
- M.Sc. (Eng.)
- President, Metso Fabrics Inc.
- Member of the Board since 2009
- Holdings: 782 Exel Composites shares
- Finnish citizen

PREVIOUS MAIN POSITIONS

- President and CEO, Tamfelt Corporation
- Senior Vice President, Metso Paper Inc, Paper and Board Business Line, Paper and Board Machines
- Managing Director, Metso Paper Inc, Rautpohja Paper and Board Machinery

INDEPENDENCE

Independent of the Company and its major shareholders

Heikki Mairioja



- Born 1947
- M.Sc. (Eng.), B.Sc. (Econ.)
- Member of the Board since 2008
- Holdings: 782 Exel Composites shares
- Finnish citizen

PREVIOUS MAIN POSITIONS

- President and CEO, Oy G.W. Sohlberg Ab
- CEO, Uponor Group
- Executive Vice President, Uponor Group

KEY POSITIONS OF TRUST

- Member of the Board, EM Group Oy
- Member of the Board, Ensto Oy
- Member of the Board, Lindström Invest Oy
- Member of the Board, Suominen Corporation

INDEPENDENCE

Independent of the Company and its major shareholders

GROUP MANAGEMENT TEAM

Vesa Korpimies



- Born 1962
- M.Sc. (Econ.)
- President and CEO since 2008
- Member of the Group Management Team since 1996
- Joined the Company in 1987
- Holdings: 106,074 Exel Composites shares
- Finnish citizen

AREAS OF RESPONSIBILITY

- Creation of added value to the Group and shareholders
- Managing and developing the Group's business operations to achieve profitable growth
- Developing the corporate strategy
- Implementing the Board of Directors' decisions
- Developing and maintaining a well-functioning organization
- Customer and investor relationships
- Other responsibilities of the President and CEO

Ilkka Silvanto



- Born 1951
- M.Sc. (Econ.), Master of Laws
- Senior Vice President, CFO and Administrative Director
- Joined the Company in 2004
- Member of the Group Management Team since 2004
- Holdings: 15,143 Exel Composites shares
- Finnish citizen

AREAS OF RESPONSIBILITY

- Controlling and finance functions
- Administration and legal matters
- Maintenance and development of IT systems
- Secretary to the Company's Board of Directors

PREVIOUS MAIN POSITIONS:

- CFO, Finnforest Oyj
- Director, Finance and Controlling, Metsä-Serla, Mechanical Wood Industry
- Controller, Huhtamäki Oy Marli

Callum Gough



- Born 1960
- M.Sc.(GM)
- Senior Vice President, Operations
- Joined the Company in 2006
- Member of the Group Management Team since 2007
- Holdings: 16,261 Exel Composites shares
- British citizen

AREAS OF RESPONSIBILITY

- Strategic site planning
- Investments
- Strategic purchasing
- Quality, environment and safety

PREVIOUS MAIN POSITIONS:

- Managing Director, Exel Composites UK
- Operations Director, Motherwell Bridge Aerospace
- General Manager/Operations Director, Motherwell Bridge Plastics

Kim Sjödahl



- Born 1974
- M.Sc. (Eng.)
- Senior Vice President, Product and Technology Development
- Joined the Company in 1997
- Member of the Group Management Team since 2012
- Holdings: 10,000 Exel Composites shares
- Finnish citizen

AREAS OF RESPONSIBILITY

- Group-wide development of products, product platforms, product technology and tooling
- Leading, coordinating and developing technical sales and product development activities in the Group
- Leading R&D and IPR management activities

PREVIOUS MAIN POSITIONS

- VP Product Development, Finnish and German units, Exel Composites Plc



General Managers of Business Units

Callum Gough

Australia

Josef Lanzmaier

Austria

Eric Moussiaux

Belgium

Mason Wang

China

Tarmo Karhapää

Finland

Michael Lorenz (Procurist)

Germany

Richard Thomas

UK

Remuneration Statement

THIS REMUNERATION STATEMENT is prepared in accordance with the Finnish Corporate Governance Code, section 7, "Remuneration".

Principles of remuneration and the decision making process

Exel Composites' remuneration principles are developed to promote the competitiveness and long-term financial success of the Company and to contribute to the favourable development of the Company's shareholder value. Another aim of the remuneration principles is to increase the commitment of the Board, the President and CEO and the Group Management Team to promote the interests of the Company and its shareholders as well as to attract, retain and motivate key personnel globally.

To ensure the alignment of compensation with the Company's financial performance, remuneration principles are based on predetermined and measurable performance and result criteria. Exel Composites' remuneration components include fixed base salary, short-term performance-based bonus and a long-term incentive share-based compensation.

The Annual General Meeting determines annually the re-

muneration of the Board members on the basis of the Nomination Board's proposal. According to the decision of the Annual General Meeting held in 2012, 60 per cent of the yearly remuneration is paid in cash and 40 per cent in Exel Composites Plc shares.

The Board of Directors decides on the remuneration and other terms of employment of the President and CEO.

The President and CEO presents the remuneration of the other members of the Group Management Team to the Board, which approves the remuneration and the main terms of employment of the Group Management Team members.

Board remuneration

The AGM held in 2012 confirmed the following compensation for Board members:

Chairman of the Board: EUR 34,000 per annum and additionally EUR 1,500 per meeting.

Other Board members: EUR 16,000 per annum and additionally EUR 1,000 per meeting.

The above described meeting fee was also paid for Committee meetings and other similar Board assignments.

REMUNERATION RECEIVED BY THE BOARD IN 2012, EUR 1,000

Name	Position	Annual Fixed Fees 2012	Meeting Fees 2012	Total Fees 2012	Total Fees 2011
Peter Hofvenstam	Chairman	42.5	15	57.5	46
Heikki Hiltunen <i>as of 6 April 2011</i>	Member	20	10	30	19
Göran Jönsson	Member	20	10	30	24
Heikki Mairinoja	Member	20	9	29	24
Reima Kerttula	Member	20	11	31	24
Vesa Kainu <i>until 6 April 2011</i>	Member	-	-	-	5
TOTAL		122.5	55	178	140

In addition, travel expenses and other out-of-pocket expenses arising from the Board work were compensated in accordance with the Company's established practice and travel rules. Exel Composites has no such incentive program by which the Company rewards the Board members with shares or option rights. The Board members are neither entitled to a short-term performance-based bonus.

According to a decision of the Annual General Meeting held in 2012, 60 per cent of the yearly remuneration is paid in cash and 40 per cent in Exel Composites Plc shares, which were acquired directly for and on behalf of the members of the Board of Directors during 2 April – 10 April 2012 from the stock exchange in amounts corresponding to EUR 13,600 for the Chairman and EUR 6,400 for each of the other members. The yearly remuneration encompasses the full term of office of the Board of Directors.

The Board of Directors convened 11 times in 2012. The table on the opposite page describes the remuneration received by the Board in 2012 (EUR 1,000).

Remuneration and service contract of the President and CEO

According to the employment contract, the period of notice of the President is six months and the severance pay in the case of termination corresponds to 12 months' salary. In addition to monthly salary and fringe benefits, the President and CEO is eligible for a performance-based bonus on an annual basis and a long-term incentive share-based compensation. The President and CEO's pension is determined in accordance with the statutory Finnish employee pension scheme (TyEL) that links the benefits directly to the President and CEO's earnings. In line with TyEL the President and CEO's retirement is flexible from age 63 to age 68. The President and CEO has no separate pension agreement.

Remuneration of the Group Management Team and short-term compensation

Compensation for the members of the Group Management Team comprises a fixed monthly base salary, fringe benefits and an annual bonus. The amount of the bonus and the performance criteria are annually determined by the Board of Directors of Exel Composites. The Board also evaluates whether the performance criteria have been met. In 2012, the annual

financial performance criteria were turnover growth, EBIT and OWC turnover. In 2012, the maximum annual bonus for the President and CEO was a maximum of 50 per cent of his annual salary. For the other members of the Group Management Team the maximum annual bonus was 40 per cent of their respective annual salary.

There are no additional pension schemes for the Group Management Team members.

Long-term share-based compensation

In June 2012 the Board of Directors of Exel Composites Plc approved a new incentive program for the executives of the Company. The aim of the new program 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 based on holding the Company's shares. The new program includes matching shares and a long-term monetary performance reward, and the program is targeted at 18 executives for the earning period 2012 – 2014. The members of the Group Management Team are included in the target group of the new incentive program.

The new program includes one earning period, the calendar years 2012 – 2014. The prerequisite for the participation in the matching shares component is that the executive owns the Company's shares in accordance with the decision by the Board of Directors. The potential long-term monetary performance reward from the program for the earning period 2012 – 2014 will be based on the Group's cumulative Economic Profit and on the Group's Total Shareholder Return (TSR).

The potential reward from the earning period 2012 – 2014 will be paid in 2015. The maximum reward to be paid on the basis of the earning period 2012 – 2014 will correspond to the value of up to 900,000 EUR for the monetary performance reward and up to 30,000 Exel Composites Plc shares for the matching shares reward.

FINANCIAL BENEFITS OF THE PRESIDENT AND CEO AND GROUP MANAGEMENT TEAM, EUR 1,000

	Fixed annual base salary	Fringe benefits	Performance based bonus based on 2012 results*	Share-based compensation based on 2012 results*	Total 2012	Total 2011
President and CEO	251	13	-	-	263	532
Management Group	370	22	-	-	393	479
TOTAL	621	35	-	-	656	1,011

*No share-based compensation is paid for 2012.

Shares owned by the President and CEO and the other Group Management Team members can be seen at Exel Composites Plc's website at www.exelcomposites.com. •

Risk management

THE CENTRAL SHORT-TERM GOAL of Exel Composites is to distinctly improve the profitability and competitiveness and to secure the financial position of business demands. The primary task of Exel Composites' enterprise risk management concept is to support the realization of these goals. As part of corporate governance, risk management is a systematic tool for the Board of Directors and the operative management to monitor and assess the realization of the goals, threats and opportunities affecting the Company operations.

The task of Exel Composites' risk management is also to support in adapting to the changes in business and risk environment.

Principles of risk management

Risks are factors that threaten the Company in reaching its set goals. They are measured by their impact and the likelihood of them occurring.

The business units and the corporate functions identify and assess their risks.

Risk management is a continuous process, which is integrated in the corporate strategic process, operative planning, daily decision making and monitoring operations. Risk management is also part of the internal control system.

Exel Composites only considers taking risks after careful assessment of the risk in relation to its gain. The aim of risk management is to systematically identify and evaluate risks and to manage them in a cost-effective way by:

- Ensuring that all identified risks affecting personnel safety, customers, products, reputation, property, intellectual property and operation are always managed as required by law and otherwise in accordance to best knowledge and justifiable taking into consideration the prevailing financial situation

- Fulfilling the expectations of stakeholders (owners, customers, personnel, suppliers and the community)
- Securing the management of the total risk exposure and minimizing the total risk
- Secure continuous operation without interruptions
- Promoting the effective utilization of possibilities and profit potentials.

Exel Composites is
committed to continuous
development of work safety.

Exel Composites' Board of Directors has confirmed this risk management policy. The risk management policy is reviewed annually to ensure that it corresponds to the current conditions and changes that have occurred in the business environment.

The risks affecting our business activities can be categorized as: strategic, operational, finance and hazard risks; they can result from factors both external and internal to the organization. Some specific risks can have both external and internal drivers. Strategic and operational business risks are reviewed on unit and group level.

Strategic risks

Regarding strategic risks Exel Composites is exposed to the market situation in different industrial customer segments. The key raw materials, especially carbon fiber, are supplied by only a few suppliers and the balance between supply and demand may cause long periods of scarcity. There are also risks related to the

acquisitions where the realized level of benefits and synergies may differ from the planned.

Operational risks

In the operations the risks are identified in raw material price fluctuation in absolute terms as well as in relation to competing materials. The poor availability of skilled employees may locally impact in the quality and productivity of the business. The protection of self-developed proprietary technology is important and the risk of IPR violations is exceeding when the business is enlarging globally. Also the importance and risks related to the suppliers and sub-contractors have grown.

Financial risks

Financial risks consist of currency, interest rate, liquidity and funding risk, and credit and other counter party risk. Currency and interest rate risks are managed by hedging using different derivatives. Credit insurance is in place to cover risks related to trade receivables.

Currency risk

Most invoicing and purchases are carried out in euros. Possible changes in the exchange rates of the USD, GBP, AUD and RMB may affect the Company's result. The Company seeks to hedge itself against exchange rate risks by means of currency clauses in purchase and sales agreements, as well as hedging instruments.

Interest rate risk

Exel Composites' financing policy involves using a small number of banks as partners to secure its long-term needs for borrowed capital. Exel Composites' liquidity is based on long-term financial arrangements and on short-term financial products, such as

lines of credit and credit accounts. To balance interest rate risk, the Company strives to use both changing and fixed interest loans. Additionally, the Company uses interest swap agreements.

Credit risk

Exel Composites is exposed to credit risk mainly through accounts receivable. The Company has a global customer base, and there are no significant risk concentrations. Exel Composites normally uses credit insurance.

Hazard risks

Hazard risks include occupational health and safety-related risks, personnel security risks, environmental risks, fire and other disasters, natural events and security risks. Exel Composites has taken measures against these risks by using safety guidelines, certification principles, rescue planning and security instructions. The materialization of risks has been taken into account in the insurance policies.

Internal control, risk management and internal audit

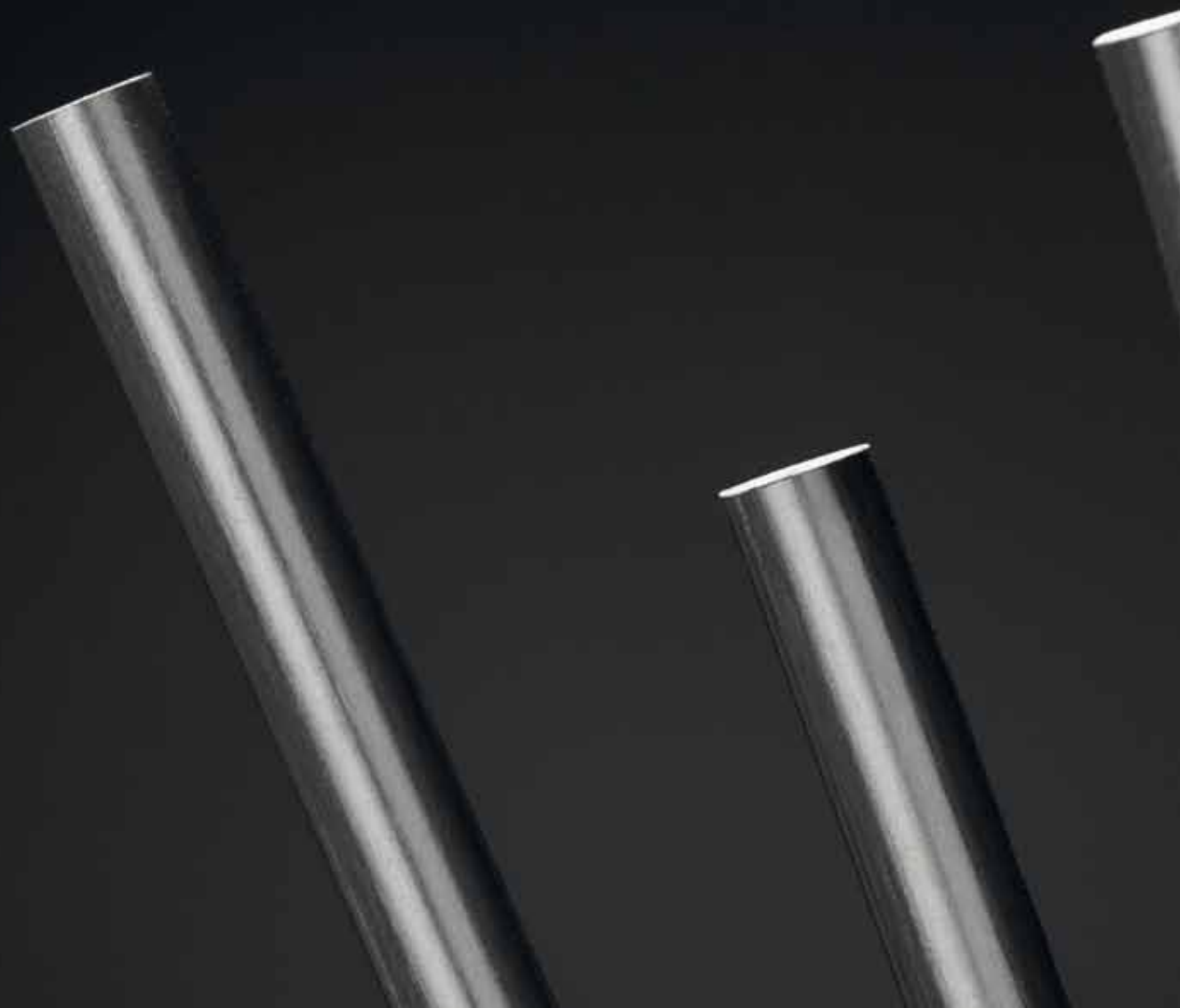
The ultimate responsibility for internal control falls on the Board of Directors.

The Group Management Team of the Company has adopted the risk management guidelines based on the principles approved by the Board. The business units are responsible for implementing risk management and identification of risks. The Group Management Team monitors the development of risks and risk concentrations.

Risks relative to assets, interruption and liability risks arising from operations have been provided for with appropriate insurances. •

WE ENCOURAGE TEAMWORK

Exel Composites' employees are dedicated to their work. They are the Company's competitive edge. Individuals' possibilities to influence decisions and to take responsibilities are emphasized throughout the Company.





Review by the Board of Directors

EXEL COMPOSITES IS A TECHNOLOGY COMPANY which designs, manufactures and markets composite profiles and tubes for industrial applications. The Group is the leading composite profile manufacturer in the world and concentrates on growing niche segments.

The core of the operations is based on proprietary, in-house developed composite technology, a broad and competitive product range and a strong market position in selected segments with a strong quality and brand image. Profitable growth is pursued by searching for new applications and development in co-operation with customers. The personnel's expertise and high level of technology play a major role in Exel Composites' operations.

Financial performance

In 2012 Exel Composites' performance was disappointing. In 2012, net sales for the Exel Composites Group decreased on the previous year, ending the year at EUR 76.0 (85.1) million. The weak demand that started during the third quarter of 2011 continued during the financial year 2012.

The Group's operating profit before impairment in 2012 decreased on 2011 and was EUR 5.9 (11.1) million, down by 46.5 per cent on the previous year. The declined operating profit is mainly due to decreased sales volumes and investments made in organizational development.

Exel Composites' operating profit for the financial year including impairment of EUR 2.5 million decreased to EUR 3.4 million (EUR 11.1 million including non-recurring items of EUR +0.5 million). The operating profit as a percentage of net sales was 4.5 (13.0) per cent. In 2011, other operating income included EUR 0.5 million of one-off items.

Exel Composites' units in Austria and Belgium achieved ISO

14001 Environmental Management status in spring 2012 and the British unit in December 2012. The Group's Chinese and Finnish units were granted ISO 14001 environmental certificate earlier. The target is to have all the units of the Group certified.

The Group's net financial expenses in 2012 were EUR -0.4 (-0.3) million. The net financial expenses in 2012 included exchange differences of EUR -0.2 (-0.1) million. The Group's profit before taxes was EUR 3.0 (10.8) million and profit after taxes EUR 2.0 (7.9) million.

Fully diluted total earnings per share were EUR 0.17 (0.67). Return on capital employed in 2012 was 8.4 (26.1) per cent. Return on equity was 6.1 (23.5) per cent.

Balance sheet and financial position

Cash flow from business operations was positive at EUR 8.2 (9.6) million. Cash flow before financing, but after capital expenditure, amounted to EUR 5.4 (6.4) million.

Capital expenditure was financed with cash flow from business operations. At the end of the financial year, the Group's liquid assets stood at EUR 9.2 (9.8) million.

The Group's consolidated total assets at the end of the financial year were EUR 51.5 (57.0) million. Impairment reduced the total assets by EUR 2.5 million.

Interest-bearing liabilities amounted to EUR 8.2 (8.1) million. Net interest-bearing liabilities were reduced to EUR -1.1 (-1.7) million.

Equity at the end of the financial year was EUR 31.4 (35.1) million and equity ratio 61.0 (61.6) per cent. The net gearing ratio was -3.4 (-5.0) per cent.

The Company paid total dividends during the financial year of EUR 5.9 (5.9) million. Dividend per share was EUR 0.50 (0.50).

Capital expenditure and depreciation

The capital expenditure on fixed assets amounted to EUR 2.8 (3.2) million.

Total depreciation of non-current assets during the year under review amounted to EUR 2.9 (2.7) million. An impairment of EUR 2.5 million was recorded in the results of the fourth quarter of 2012 in the Australian and UK business units. Impairment was recorded as EUR 1.0 million in goodwill and EUR 1.5 million in other non-current assets. As a result of the impairment the annual depreciations will be reduced in following years. Total depreciation and impairment amount to EUR 5.4 million.

Personnel

The number of Exel Composites Group employees on 31 December 2012 was 427 (428), of whom 201 (199) worked in Finland and 226 (229) in other countries. The average number of personnel during the financial year was 431 (428).

Temporary lay-offs and permanent personnel reductions have taken place in several units in 2012. Co-determination negotiations concerning the salaried employees working in the Finnish units of the Exel Composites Group were concluded in July 2012. In addition to permanent personnel reductions, the salaried employees of the Finnish units will be laid off temporarily for a maximum of 90 days between autumn 2012 and spring 2013. Co-determination negotiations concerning the non-salaried employees working in the Joensuu unit of the Group were concluded in November 2012. The personnel group in question will be laid off temporarily for a maximum of 90 days. Despite the challenging economic situation Exel Composites continues to invest in the technical sales organization to secure future growth.

The ExelWay project that was launched in the latter half of 2011 was continued. The project aims at improving co-operation and harmonizing processes between the units. Project findings including new and efficient business processes and best practices are to be implemented as the project proceeds.

Research and development

Product and technology development costs totaled EUR 1.6 (1.6) million, representing 2.1 (1.9) per cent of net sales. The main projects were connected with the development of new products and customer applications.

Risk management

The central short-term goal of Exel Composites is to distinctly improve the profitability and competitiveness and to secure the financial position of the business. The primary task of Exel Composites' enterprise risk management concept is to support the realization of these goals. As part of corporate governance, risk management is a systematic tool for the Board of Directors and the operative management to monitor and assess the realization of the goals, threats and opportunities affecting the Group's operations.

Risks are factors that threaten the Company in reaching its set goals. They are measured by their impact and the likelihood of them occurring.

Exel Composites has divided the risks in four categories: strategic, operational, finance and hazard risks. Strategic and operational business risks are reviewed on unit and group level. Regarding strategic risks Exel Composites is exposed to the market situation in different industrial customer segments. The business pattern may change over time e.g. vertical integration in the supply chain. The key raw materials, especially carbon fiber, are supplied by only a few suppliers and the balance between supply and demand may cause long periods of scarcity. There are also risks related to the acquisitions where the realized level of benefits and synergies may differ from the planned.

In the operations the risks are identified in raw material price fluctuations in absolute terms as well as in relation to competing materials. The poor availability of skilled employees may locally impact in the quality and productivity of the business. The protection of self-developed proprietary technology is important and the risk of IPR violations is increasing when the business is enlarging globally. Also the importance and risks related to the suppliers and sub-contractors have grown.

Risk management is a continuous process, which is integrated in the corporate strategic process, operative planning, daily decision making and monitoring operations. Risk management is also part of the internal control system.

Financial risks consist of currency, interest rate, liquidity and funding risks, and credit and other counter party risks. Currency and interest rate risks are managed by hedging using different derivatives. Credit insurance is in place to cover risks related to trade receivables.

The most significant near-term business risks are related to the general economic development, government regulations and continued financial crisis in the Euro area as well as to market demand in certain market segments. Success of corrective actions in the Australian and UK business units can have an impact on the profitability. Raw material prices, energy cost and other cost increases may continue to put pressure on profitability. 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.

Environment

Exel Composites continues to remain vigilant to ensure our site operations are aware of all local and regional controls. A safe environment for our employees and neighbors is a priority at Exel Composites. The Group plays a leading role in industry associations such as EuCIA (European Composites Industry Association). This helps us stay at the leading edge of awareness of the latest developments in environmental matters including advances in environmental technology and new regulatory measures.

Incentive programs

Exel Composites' performance-based incentive program covers all employees. Salaried employees receive a monthly salary and an annual bonus tied to the attainment of annually established goals emphasizing growth and profitability. Non-salaried employees are also eligible for incentive compensation, but their annual bonus is based on productivity.

In June 2012 the Board of Directors of Exel Composites Plc approved a new incentive program for the executives of the Company. The aim of the new program 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 based on holding the Company's shares. The new program includes matching shares and a long-term monetary performance reward, and the program is targeted at 18 executives for the earning period 2012 – 2014. The members of the Group Management Team are included in the target group of the new incentive program.

The new program includes one earning period, the calendar years 2012 – 2014. The prerequisite for the participation in the matching shares component is that the executive owns the Company's shares in accordance with the decision by the Board of Directors. The potential long-term monetary performance reward from the program for the earning period 2012 – 2014 will be based on the Group's cumulative Economic Profit and on the Group's Total Shareholder Return (TSR).

The potential reward from the earning period 2012 – 2014 will be paid in 2015.

The maximum reward to be paid on the basis of the earning period 2012 – 2014 will correspond to the value of up to 900,000 EUR for the monetary performance reward and up to 30,000 Exel Composites Plc shares for the matching shares reward.

Shares and share capital

The share capital has remained unchanged during the financial year and is 11,896,843 shares each having the counter-book value of EUR 0.18. There is only one class of shares and all shares are freely assignable under Finnish law.

Exel Composites did not hold any of its own shares during the period of review.

Share performance and turnover

Exel Composites' share is listed in the Small Cap segment of the NASDAQ OMX Helsinki Ltd. in the Industrials sector.

During the financial year the highest share price quoted was EUR 8.79 (9.40) and the lowest EUR 5.55 (6.75). At the end of the year, the share price was EUR 5.90 (7.65). The average share price during the financial year was EUR 7.05 (8.10).

Total shareholder return (TSR) in 2012 was -16 (15) per cent.

A total of 944,978 (1,381,139) shares were traded during the year, which represents 7.9 (11.6) per cent of the average number of shares. On 31 December 2012, Exel Composites' market capitalization was EUR 70.2 (91.0) million.

Shareholders and disclosures

On 31 December 2012, 1.0 per cent of the shares and votes of Exel Composites were owned or controlled, directly or indirectly by the President and CEO and the members of the Board.

The Company's largest shareholder is the Swedish investment company Nordstjernan AB, which owned 29.4 per cent of shares at the end of 2012. Other major shareholders included Ilmarinen Mutual Pension Insurance Company (5.8 per cent), OP-Suomi Small Cap Investment Fund (5.0 per cent) and Ulkomarkkinat Oy (4.0 per cent). At the end of the year, the Company had a total of 2,746 (2,649) shareholders.

Exel Composites did not receive any flagging announcements during the financial year.

Corporate governance

Exel Composites issues a Corporate Governance Statement for the financial year 2012. The Corporate Governance Statement has been composed in accordance with recommendation 54 of the new Corporate Governance Code and Chapter 2, Section 6 of the Finnish Securities Market Act. The Corporate Governance Statement is issued separately from the Board of Directors' report. Further information concerning the corporate governance matters is available at the Group's website at www.exelcomposites.com.

Decisions of the AGM 2012

The Annual General Meeting of Exel Composites Plc held on 29 March 2012 approved the Board's proposal to distribute a dividend of EUR 0.50 per share for the financial year 2011 amounting to a total of EUR 5.9 (5.9) million.

The Annual General Meeting authorized the Board of Directors to repurchase the Company's own shares by using unrestricted equity. The maximum amount to be acquired is 600,000 shares. The authorization is valid until the next Annual General Meeting.

Board of Directors and auditors

On 29 March 2012, the Annual General Meeting appointed Heikki Hiltunen, Peter Hofvenstam, Göran Jönsson, Reima Kerttula and Heikki Mairinoja to continue on the Board of Directors. At the formative meeting of the Board of Directors held after the AGM, the Board of Directors re-elected from among its members Peter Hofvenstam as its Chairman.

The Board of Directors convened 11 times in 2012 and the average attendance rate at these meetings was 96 per cent. The fees paid to the Board of Directors totaled EUR 178 (140) thousand in 2012.

The Board of Directors has reviewed the independence of Board members in accordance with Recommendation 15 of the Corporate Governance Code. Heikki Hiltunen, Reima Kerttula and Heikki Mairinoja are independent Board members. Peter Hofvenstam is considered as independent from the Company, but non-independent from a major shareholder, since he is the Vice President of Nordstjernan AB. Göran Jönsson is considered as non-independent from the Company as former President and CEO of the Company. The Board was considered to comply with the Corporate Governance independency rules.

The Annual General Meeting of Exel Composites has elected a Shareholders' Nomination Board, which nominates candidates to the Annual General Meeting for election as Board members and proposes the fees to be paid to the Board members. The Nomination Board included the Chairman and persons nominated by the four largest shareholders as of 1 November 2012. In 2012 the Nomination Board comprised Tomas Billing as Chairman (Nordstjernan AB), Matti Rusanen (Ilmarinen Mutual Pension Insurance Company), Samuli Sipilä (OP Fund Management), Erkki Myllärniemi (Ulkomarkkinat Oy), and Peter Hofvenstam, the Chairman of the Board of Directors, as an expert member. The Nomination Board met three times in 2012.

Ernst & Young, Authorized Public Accountants, with Juha Hilmola, APA, as principal auditor, were elected to serve as Company auditor in the AGM in 2012.

The fees paid to the auditors for audit services totaled EUR 174 (173) thousand and for non-audit services EUR 78 (20) thousand in 2012.

Management

Mr. Kim Sjödaahl was appointed SVP Product and Technology Development and member of the Group Management Team as of 1 February 2012.

Adoption of International Financial Reporting Standards (IRFS)

All IFRS's in force on 31 December 2012 that are applicable to Exel Composites' business operations, including all SIC- and IFRIC-interpretations thereon, have been complied with when preparing year 2012 and comparable year 2011 figures. International financial reporting standards, referred to in the Finnish Accounting Act and in ordinances issued based on the provisions of this Act, refer to the standards and their interpretations adopted in accordance with the procedure laid down in regulation (EC) No 1606/2002 of the EU. The notes to the consolidated financial statements conform also with the Finnish accounting and company legislation.

Outlook for 2013

Major uncertainties relating to general growth prospects in the economy continue. Visibility is low and the market pressure is expected to continue in 2013. The Company will continue to

work on sales development and on adjusting costs to market conditions. Additional contingency actions may be undertaken which may impact the short-term profits, but protect long-term cash flow and profitability.

Board proposal for dividend distribution

Exel Composites' financial goals include distributing dividends equal to at least 40 per cent of the profit for the financial year unless otherwise required by growth and liquidity.

On 31 December 2012 Exel Composites Plc's distributable funds totaled EUR 22,496 thousand, of which profit for the financial period accounted for EUR 5,708 thousand.

The financial position of the Group is strong. The Board has therefore decided to propose to the Annual General Meeting that a dividend of EUR 0.30 (0.50) per share, a payout ratio of 176 per cent, be paid for the 2012 financial year, in spite of the weak results in 2012.

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 proposed record date for dividends is 3 April 2013. If the Annual General Meeting approves the Board's proposal, it is estimated that the dividend will be paid on 10 April 2013.

PRO FOR PRODUCTION

All of the Exel Composites products are designed and manufactured by highly skilled in-house professionals. We are dedicated to producing application-specific, high-end solutions that embody our special know-how and expertise in composites.



CONSOLIDATED COMPREHENSIVE INCOME STATEMENT*for the year ended 31 December 2012*

1,000 EUR	Notes	1.1.–31.12.2012	1.1.–31.12.2011
NET SALES	6	75,998	85,136
Other operating income	9	909	849
Increase(+)/Decrease(-) in inventories of finished goods and work in progress		-801	575
Materials and services		-29,185	-33,933
Employee benefit expenses	11	-21,077	-21,133
Depreciation	13	-2,845	-2,695
Amortization	13	-2,542	-7
Other operating expenses	10,12	-17,057	-17,709
OPERATING PROFIT		3,399	11,082
Financial income	14	306	350
Financial expenses	15	-734	-634
PROFIT BEFORE TAX		2,971	10,798
Income taxes	16	-940	-2,852
PROFIT/LOSS FOR THE PERIOD		2,031	7,946
OTHER COMPREHENSIVE INCOME			
Exchange differences on translating foreign operations		133	893
Income tax relating to components of other comprehensive income		0	0
OTHER COMPREHENSIVE INCOME, NET OF TAX		133	893
TOTAL COMPREHENSIVE INCOME		2,164	8,839
PROFIT AND LOSS ATTRIBUTABLE TO:			
Equity holders of the parent company		2,031	7,946
Non-controlling interest		0	0
COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Equity holders of the parent company		2,164	8,839
Non-controlling interest		0	0
TOTAL EARNINGS PER SHARE, BASIC AND DILUTED	18	0.17	0.67

CONSOLIDATED STATEMENT OF FINANCIAL POSITION*as at 31 December 2012*

1,000 EUR	Notes	31.12.2012	31.12.2011
ASSETS			
NON-CURRENT ASSETS			
Goodwill	20	10,898	11,939
Other intangible assets	20	1,220	1,961
Tangible assets	21	10,681	11,612
Other non-current assets	22	64	64
Deferred tax assets	17	752	148
TOTAL NON-CURRENT ASSETS		23,615	25,723
CURRENT ASSETS			
Inventories	23	9,129	10,499
Trade and other receivables	24	9,513	10,985
Cash at bank and in hand	25	9,245	9,840
TOTAL CURRENT ASSETS		27,887	31,323
TOTAL ASSETS		51,502	57,046
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
	33		
Share capital		2,141	2,141
Other reserves		45	30
Invested unrestricted equity fund		8,488	8,488
Translation differences		4,337	4,204
Retained earnings		16,427	20,255
EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF PARENT COMPANY		31,438	35,118
Non-controlling interest		0	0
TOTAL EQUITY		31,438	35,118
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	27,31	8,168	8,088
Non-current interest-free liabilities	26	411	392
Deferred tax liabilities	17	377	539
TOTAL NON-CURRENT LIABILITIES		8,956	9,018
CURRENT LIABILITIES			
Interest-bearing loans and borrowings	27	11	10
Trade and other current liabilities	26	10,943	12,375
Income tax payable	26	155	525
TOTAL CURRENT LIABILITIES		11,108	12,910
TOTAL EQUITY AND LIABILITIES		51,502	57,046

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

31.12.2012

1,000 EUR	Share Capital	Other reserves	Invested Unrestricted Equity Fund	Translation Differences	Retained Earnings	Non-controlling Interest	Total
BALANCE AT 1 JANUARY 2011	2,141	37	8,488	3,311	18,529	0	32,507
Profit for the period					7,946		7,946
Other comprehensive result				893			893
Dividend					-5,948		-5,948
Other items		-7			-271		-278
BALANCE AT 31 DECEMBER 2011	2,141	30	8,488	4,204	20,255	0	35,118
BALANCE AT 1 JANUARY 2012	2,141	30	8,488	4,204	20,255	0	35,118
Profit for the period					2,031		2,031
Other comprehensive result				133			133
Dividend					-5,948		-5,948
Other items		15			89		104
BALANCE AT 31 DECEMBER 2012	2,141	45	8,488	4,337	16,427		31,438

CONSOLIDATED STATEMENT OF CASH FLOWS*for the year ended 31 December 2012*

1,000 EUR	Notes	1.1.–31.12.2012	1.1.–31.12.2011
CASH FLOW FROM OPERATING ACTIVITIES			
Profit for the period		2,031	7,946
Non-cash adjustments to reconcile profit to net cash flow	36	7,170	6,308
Change in working capital		1,223	-2,216
Cash flow generated by operations		10,424	12,038
Interest paid		-259	-349
Interest received		80	129
Other financial items		-155	-191
Income taxes paid		-1,897	-2,067
NET CASH FLOW FROM OPERATING ACTIVITIES		8,193	9,560
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from sale of activities		0	0
Purchase of non-current assets		-2,846	-3,208
Proceeds from sale of non-current assets		16	0
NET CASH FLOW FROM INVESTING ACTIVITIES		-2,830	-3,208
CASH FLOW BEFORE FINANCING			
		5,363	6,352
Proceeds from long-term borrowings		0	0
Repayments of long-term borrowings		0	-2,160
Change in short-term loans		0	0
Repayments of finance lease liabilities		-10	-10
Dividends paid		-5,948	-5,948
NET CASH FLOW FROM FINANCING		-5,958	-8,118
CHANGE IN LIQUID FUNDS			
		-595	-1,766
Liquid funds at the beginning of period		9,840	11,606
Liquid funds at the end of period		9,245	9,840

(All figures in EUR thousands unless otherwise stated)

THE CONSOLIDATED FINANCIAL STATEMENTS of Exel Composites Plc for the year ended 31 December 2012 were authorized for issue in accordance with a resolution of the Board of Directors on 14 February 2013.

NOTE 1 CORPORATE INFORMATION

Exel Composites is a Finnish technology company which designs, manufactures and markets composite profiles and tubes for industrial applications. The Group is the leading composite profile manufacturer in the world and concentrates on growing niche segments.

The core of the operations is based on proprietary, internally developed composite technology, product range based on it and a strong market position in selected segments with a strong quality and brand image. Profitable growth is pursued by a relentless search for new applications and development in co-operation with customers. The personnel's expertise and high level of technology play a major role in Exel Composites' operations.

The Group's factories are located in Australia, Austria, Belgium, China, Finland, Germany and the United Kingdom. Exel Composites share is listed in the Small Cap segment of the NASDAQ OMX Helsinki Ltd. in the Industrials sector. Exel Composites Plc is domiciled in Mäntyhärju, Finland and its registered address is Uutelantie 24 B, 52700 Mäntyhärju, Finland.

NOTE 2 BASIS OF PREPARATION

The consolidated financial statements have been prepared on a historical cost basis, with the exception of available-for-sale investment securities and certain other financial assets and financial liabilities that have been measured at fair value.

The consolidated financial statements are presented in Euros and all values are rounded to the nearest thousand except where otherwise indicated.

Statement of compliance

The consolidated financial statements of Exel Composites have been prepared in compliance with International Financial Reporting Standards (IFRS), applying IAS and IFRS standards, as well as SIC and IFRIC interpretations, valid on 31 December 2012. The notes to the consolidated financial statements are also in compliance with the Finnish Accounting and Companies Acts.

Basis of consolidation

Exel Composites' consolidated financial statements include the accounts of the parent company Exel Composites Plc and its subsidiaries as at 31 December each year. Subsidiaries are viewed as companies in which it owns, directly or indirectly, over 50 per cent of the voting rights or in which it is in a position to govern the financial and operating policies of the entity. Subsidi-

aries are fully consolidated from the date that Exel Composites acquired control and are no longer consolidated from the date that control ceases. Where necessary, the accounting principles of subsidiaries have been changed to ensure consistency with the accounting principles of the Group. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

Acquisitions of companies are accounted for using the purchase method. The cost of an acquisition is measured at fair value over the assets given up, shares issued or liabilities incurred or assumed at the date of acquisition. Transaction costs directly attributable to the acquisition are included in the acquisition cost. The excess acquisition cost over the fair value of net assets acquired is recognized as goodwill.

All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

Losses are attributed to the non-controlling interest even if that results in a deficit balance.

If the Group loses control over a subsidiary, it:

- Derecognizes the assets and liabilities of the subsidiary;
- Derecognizes the carrying amount of non-controlling interest;
- Derecognizes the cumulative translation differences, recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss.

When compiling the opening IFRS balance sheet, Exel Composites has applied the exemption provided by IFRS 1 related to business combinations. This means that the assets and liabilities of subsidiaries have not been assessed retroactively at their market value. Instead, they have been included in the balance sheet on the transition date in an amount in accordance with earlier financial accounting practice. The Group has no affiliated companies or joint ventures.

Non-controlling interest is deducted from shareholders' equity and presented as a separate item in the balance sheet. Similarly, it is presented as a separate item in the consolidated financial statements. The share of losses attributable to the holders of non-controlling interest was debited to non-controlling interest in the consolidated balance sheet up to the full value of the non-controlling interest prior to 1 January 2010. The Group had no non-controlling interests in 2012 and 2011.

NOTE 3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group has adopted following new and amended IFRS

standards and IFRIC interpretations as of 1 January 2012. When the adoption of the standard or interpretation is deemed to have an impact on the financial statements or performance of the Group, its impact is described below:

IAS 12 Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets

The amendment clarified the determination of deferred tax on investment property measured at fair value and introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. It includes the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 should always be measured on a sale basis. The amendment is effective for annual periods beginning on or after 1 January 2012 and has had no effect on the Group's financial position, performance or its disclosures.

IFRS 1 First-Time Adoption of International Financial Reporting Standards (Amendment) – Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters

The IASB provided guidance on how an entity should resume presenting IFRS financial statements when its functional currency ceases to be subject to hyperinflation. The amendment is effective for annual periods beginning on or after 1 July 2011. The amendment had no impact to the Group.

IFRS 7 Financial Instruments: Disclosures – Enhanced Derecognition Disclosure Requirements

The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about the entity's continuing involvement in derecognised assets to enable the users to evaluate the nature of, and risks associated with, such involvement. The amendment is effective for annual periods beginning on or after 1 July 2011. The Group does not have any assets with these characteristics so there has been no effect on the presentation of its financial statements.

The standards and interpretations that are issued, but not effective, up to the date of issuance of the Group's financial statements are listed below. The Group intends to adopt these standards, if applicable, when they become effective. Based on preliminary analysis, the standards are not expected to impact on Group's financial statements.

IAS 1	Presentation of items of Other Comprehensive Income – Amendments to IAS 1
IFRS 1	Government Loans – Amendments to IFRS 1
IFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7

IFRS 9	Financial Instruments – Classification and Measurement
IFRS 10	Consolidated Financial Statements, IAS 27 Separate Financial Statements
IFRS 11	Joint Arrangements, IAS 28 Investments in Associates and Joint Ventures
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
IAS 19	Employee Benefits (Revised)
IAS 32	Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine

The below annual improvements have been issued but will not have an impact on Group's financial statements:

IFRS 1	First-time Adoption of International Financial Reporting Standards – Repeated application of IFRS 1
IFRS 1	First-time Adoption of International Financial Reporting Standards – Borrowing costs
IAS 1	Presentation of Financial Statements – Clarifications of requirements for comparative information
IAS 16	Property, Plant and Equipment – Classification of servicing equipment
IAS 32	Financial Instruments: Presentation – Tax effect of distributions to holders of equity instruments
IAS 34	Interim Financial Reporting – Interim financial reporting and segment information for total assets and liabilities

NOTE 4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements may require the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the end of the reported period and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. The preparation of impairment tests requires the use of estimates.

Judgements

The Group has entered into commercial property leases. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and so accounts for the contracts as financial leases.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that

have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill and other indefinite life intangibles are tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details, including sensitivity analysis of key assumptions, are given in Note 28.

Deferred tax assets

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based on the likely timing and level of future taxable profits together with the future tax planning strategies. Further details are given in Note 17.

Pension and other post-employment benefits

The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Determining the fair value of assets in business combinations

In major corporate mergers the Group has employed the services of an outside advisor in assessing the fair value of tangible assets. For tangible assets comparisons have been made with the market prices of similar assets and an estimate made about impairment caused by the acquired asset's age, wear and other related factors. The determination of the fair value of tangible assets is based on estimates of cash flows related to the asset.

NOTE 5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BUSINESS COMBINATIONS AND GOODWILL

Business combinations from 1 January 2009

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate

of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisitions costs incurred are expensed.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date.

Goodwill is initially measured at cost being the excess of the consideration transferred over the Group's net identifiable assets acquired and liabilities assumed. If the consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired is allocated to each of the Group's cash generating units.

Business combinations prior to 31 December 2008

In comparison to the above mentioned requirements, the following differences applied:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable assets.

The Group does not have any associates or joint ventures.

Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortized.

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Sales of products are recognized as income once the risk and benefits related to ownership of the sold products have been transferred to the buyer and the Group

no longer has the possession of, or control over, the products. Sales of services are recognized as income once the service has been rendered. Revenue from the Sports license agreements is recognized based on the actual cash flow according to IAS standard 18. Revenue arising from projects lasting over 12 months and having a material impact on Group's financial position and performance is recognized in accordance with IAS standard 11.

Net sales comprise the invoiced value for the sale of goods and services net of indirect taxes, sales adjustment and exchange rate differences. Distribution costs for products to be sold are included in the income statement as other operating expenses. Interest income is recognized using the effective interest rate method and dividend income when the right to the dividend has been created.

Foreign currency translation

The Group's consolidated financial statements are presented in euros, which is also the parent company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group has elected to recycle the gain or loss that arises from the direct method of consolidation, which is the method the Group uses to complete its consolidation.

The income statements of independent foreign subsidiaries are translated into euros at the average exchange rates for the financial year and the assets and liabilities are translated at the exchange rate of the balance sheet date. Exchange differences arising on the translation are recognized in other comprehensive income. When a foreign operation is sold, the component of other comprehensive income relating to that particular foreign operation is recognized in the income statement.

Any goodwill arising from the acquisition of a foreign entity subsequent to 1 January 2005 and any fair value adjustments to the carrying amounts of assets and liabilities are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Other non-monetary items that are measured in the terms of historical cost in the foreign currency are translated using the exchange rates at the dates of the initial transaction.

Foreign currency exchange gains and losses related to business operations and translating monetary items have been entered in the income statement. Foreign exchange differences

from business operations are included in other items above profit for the year. Foreign exchange differences from foreign currency loans and cash at bank are included in financial items.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

The useful life of intangible assets is either finite or indefinite.

Intangible assets with finite lives are amortized over the useful life and assessed for impairment whenever there is indication that the intangible asset may be impaired.

Intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Development costs	3–5 years
Other long-term costs	3–8 years
Other intangible assets	3–8 years
Customer relationships	10 years

Intangible assets with indefinite useful lives are not amortized but are tested for impairment annually, either individually or at the cash generating unit level.

Research and development

Research costs are expensed as incurred. Costs incurred from development projects, which are often connected with the design and testing of new or advanced products, are recorded in the balance sheet as intangible assets from the time that the product can be technically achieved, it can be utilized commercially, and the product is expected to create a comparable financial benefit. Other development costs are recorded as expenses. Capitalized development costs are amortized on a straight-line basis beginning from the commercial production of the product during the period they are effective, yet no longer than five years. There were no capitalized development costs during 2012.

Computer software

Costs associated with the development and maintenance of computer software are generally recorded as expenses. Costs that improve or expand the performance of computer software to the extent that the performance is higher than originally is considered as a property item improvement and is added to the original acquisition cost of the software. Activated computer software development costs are expensed and amortized on a straight-line basis during the period they are financially effective.

Other intangible assets

The acquisition costs of patents, trademarks and licenses are capitalized in intangible assets and depreciated on a straight-line basis during their useful lives.

Property, plant and equipment

Property, plant and equipment is stated in the balance sheet at historical cost less accumulated straight-line depreciation according to the expected useful life, benefits received, and any impairment losses.

Planned depreciation is calculated on a straight-line basis to write off the acquisition cost of each fixed asset up to its residual value over the asset's expected useful life. Land areas are not depreciated. For other tangible fixed assets, depreciation is calculated according to the following expected useful lives:

Buildings	5–20 years
Machinery	5–15 years
Equipment	3–5 years

If the book value of an asset item exceeds the estimated amount recoverable in the future, its book value is adjusted immediately to correspond with the amount recoverable in the future.

Routine maintenance and repair expenditure is recognized as an expense. Expenditure on significant modernization and improvement projects are recognized in the balance sheet if they are likely to increase the future economic benefits embodied in the specific asset to which they relate. Modernization and improvement projects are depreciated on a straight-line basis over their expected useful lives.

Depreciation on tangible fixed assets is discontinued when a tangible fixed asset meets the criteria of "held-for-sale" according to IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

Gains or losses on disposal or decommissioning of tangible fixed assets are calculated as the difference of the net proceeds obtained and the balance sheet value. Capital gains and losses are included in the income statement in the item operating profit.

Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as an income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it is recognized as deferred income and released to the income statement over the expected useful life of the relevant asset by equal annual installments.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construc-

tion or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity occurs in connection with the borrowing of funds. For the year ending 31 December 2012, the Group had no assets where the borrowing costs would have been capitalized.

Financial assets

Financial assets are classified within the scope of IAS 39 as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognized initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Group's financial assets include cash and short-term deposits, trade and other receivables, quoted and unquoted financial instruments, and derivative financial instruments.

"Financial assets at fair value through profit or loss" is divided into two subcategories: held-for-trading assets and designated items. The latter includes any financial asset that is designated on initial recognition as one to be measured at fair value with fair value changes in profit or loss. Held-for-trading financial assets have primarily been acquired for the purpose of generating profits from changes in market prices over the short term. Derivatives that do not meet the criteria for hedge accounting have been classified as being held for trading. Held-for-trading financial assets and those maturing within 12 months are included in current assets. The items in this group are measured at fair value. The fair value of all the investments in this group has been determined on the basis of price quotations in well-functioning markets. Both realized and unrealized gains and losses due to changes in fair value are recorded in the income statement in the financial period in which they were incurred.

Loans and receivables are non-derivative financial assets with fixed or determinable payments, originated or acquired, that are not quoted in an active market, not held for trading, and not designated on initial recognition as assets at fair value through profit or loss or as held-for-sale. Loans and receivables are measured at amortized cost. They are included in the statement of financial position under trade receivables and other receivables as either current or non-current assets according to their nature; they are considered non-current assets if they mature after more than 12 months. The losses arising from impairment are recognized in the income statement in finance costs.

"Held-to-maturity financial assets" include non-derivative financial assets with fixed or determinable payments and fixed maturities when the Group has the positive intention and abil-

ity to hold them to maturity. After initial measurement held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. The Group did not have any held-to-maturity investments during the years ended 31 December 2012 and 2011.

"Available-for-sale investments" include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions. After initial measurement, available-for-sale investments are subsequently measured at fair value with unrealized gains or losses recognized as other comprehensive income in the available-for-sale reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in other operating income, or determined to be impaired, at which time the cumulative loss is recognized in the income statement in finance costs and removed from the available-for-sale reserve.

A financial asset is derecognized when:

- The rights to receive cash flows from the asset have expired
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay received cash flows in full without material delay to a third party under a pass-through arrangement.

Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and in hand and short-term deposits with an original maturity of three months and less. Credit accounts connected with Group accounts are included in current interest-bearing liabilities and are presented as net amounts, as the Group has a legal contractual right of set-off to make payment or otherwise eliminate the amount owed to creditors either in whole or in part.

Cash and cash equivalents are recorded at the original amount in the statement of financial position.

Financial liabilities

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are initially recognized at fair value and in the case of loans and borrowings, plus directly attributable transaction costs. The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings and derivative financial instruments.

Finance lease liabilities are initially recognized at fair value. All financial liabilities are later valued at amortized cost using the effective interest rate method. Financial liabilities are included in non-current and current liabilities, and they may be either interest-bearing or non-interest-bearing.

Derivative financial instruments and hedging

Derivative contracts are recorded initially as an acquisition cost equal to their fair value. Following their acquisition derivative contracts are valued according to their fair value.

Profits and losses that are generated from the valuation of fair value are recorded according to the intended use of the derivative contract. The Group does not apply hedge accounting as described by IAS 39. As a result, all value changes are recognized in profit or loss. The Group has entered into interest rate swap agreements to convert non-current floating rate financial liabilities to fixed interest rates and forward foreign exchange contracts. Derivative financial instruments are presented in Section 33 of the Notes. Derivatives are recorded in the balance sheet as accrued expenses and deferred income.

Hedges for net investments in foreign units are recorded in the same way as cash-flow hedges. A hedge on a foreign subsidiary's equity is recorded in shareholders' equity in the same way as the exchange rate difference in shareholders' equity. The Group did not hedge its net foreign investments exposure during 2012 or 2011.

Impairment of non-financial assets

At each reporting date, the Group evaluates whether there are indications of impairment in any asset item. If impairment is indicated, the recoverable amount of the asset is estimated. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In addition, the recoverable amount is assessed annually for the following items regardless of whether there are indications of impairment: goodwill; intangible assets that have an unlimited economic lifespan; and assets under construction.

Impairment losses of continuing operations are recognized immediately in the income statement in those expense categories consistent with the function of the impaired asset.

Impairment of financial assets

The Group assesses on each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial

recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

Lease agreements

Lease agreements concerning tangible assets in which the Group holds a material share of the risks and benefits of ownership are classified as financial lease agreements. A financial lease agreement is entered in the balance sheet at either the fair value of the leased asset on the starting date of the lease agreement or the current value of the minimum rents, whichever is lower. Lease payments are divided into financing costs and installment payment of the liability so that the interest rate of the remaining liability remains unchanged. The corresponding rental obligations, net of finance charges, are included in interest-bearing liabilities. The financing cost calculated with the effective interest rate is recorded in the income statement as a financial expense. Tangible fixed assets acquired under financial lease agreements are depreciated over their economic lifetime or the period of lease, whichever is shorter.

Lease agreements in which the risks and benefits of ownership are retained by the lessor are treated as other lease agreements (operational leasing). Rents paid on other lease agreements are expensed in even installments in the income statement over the duration of the rental period.

Assets leased by the Group in which the risks and benefits of ownership are transferred to the lessee are treated as financial leasing and recorded in the balance sheet as a receivable according to present value. Financial income from financial lease agreements is determined so that the remaining net investment provides the same income percentage over the duration of the rental period.

Assets leased by the Group other than through financial leasing are included in the balance sheet as tangible fixed assets and are depreciated according to their estimated useful economic life in the same way as tangible fixed assets used by the Group. Leasing income is recorded in the income statement in even installments over the duration of the rental period.

Inventories

Inventories are valued in the balance sheet either at the acquisition cost or at the net realizable value, whichever is lower. The acquisition cost is determined using the weighted average price method. The acquisition cost of finished and incomplete products comprises raw materials, direct costs of labor, other direct costs and the appropriate portion of the variable general costs of manufacture and fixed overhead at the ordinary rate of operations, but it does not include borrowing costs. The net realizable value is the estimated selling price in ordinary business operations less the estimated expenditure on product completion and sales.

Trade receivables

Trade receivables are recorded in the balance sheet at their original invoice amount.

An impairment of trade receivables is recognized when there is justified evidence that the Group will not receive all of benefits on the original terms. Indications of the impairment of trade receivables include the significant financial difficulties of the debtor, the likelihood of bankruptcy, failure to make payments, or a major delay in receiving the paying. The current cash flow of all trade receivables, which are more than 90 days overdue are considered as zero. The amount of the impairment recorded in the income statement is determined according to the difference between the carrying value of the receivable and the estimated current cash flow discounted by the effective interest rate. If the amount of the impairment loss decreases in any later financial period, and the decrease can be objectively seen to be related to events subsequent to the recognition of the impairment, the recognized loss is cancelled through profit or loss.

Share capital

Ordinary shares are included in shareholders' equity. Expenses incurred directly from new share issues, but not including expenses incurred from company mergers, are recorded in shareholders' equity as a reduction of received payments.

Taxes

Group taxes consist of taxes based on Group companies' results for the financial year, adjustments to taxes related to previous years and the change in deferred income taxes.

The tax expenses on the income statement are formed from the tax based on the taxable income for the financial year and deferred taxes. The tax expenses are recorded in the income statement except for the items recorded directly into shareholders' equity, when the tax impact is recorded also as an equivalent part of shareholders' equity. The taxes for the financial year are calculated from the taxable income according to the valid tax rate in each country. Taxes are adjusted by the possible taxes related to previous financial years.

Deferred taxes are calculated for all temporary differences between accounting and taxation using the tax rates valid at the closing date. The largest temporary differences arise from the depreciation of tangible assets, valuations in the fair value in the balance sheets of acquired companies at the time of acquisition, revaluations of certain non-current reserves, reservations for pension schemes and post-retirement benefits, unused tax losses, and differences in net wealth between fair value and taxable value in connection with acquisitions.

Deferred tax assets have been recorded to the extent that it is probable that taxable profit will be available against which the temporary difference can be utilized will materialize in the future. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date.

Revenues, expenses and assets are recognized net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority
- Receivables and payables that are stated with the amount of sales tax included.

Pensions and other post-employment benefits

The Group's pension schemes comply with each country's local regulations and practices. Some of the pension schemes in the Group apply defined benefit pension schemes where the pension benefits, disability benefits and employment termination benefits are defined. Pension benefits are based generally on the period of employment and salary over a fixed period for each employee. Pension contributions are funded through payments to insurance companies. In addition, the Group has defined-contribution plans.

In defined benefit pension plans, the present value of future pension payments on the closing date is presented less the fair value of the plan-related assets on the closing date and adjusted with the actuarial profits and losses and retroactive labor costs. Pension liabilities are calculated by independent actuaries. The pension liability is determined according to the projected unit credit method: the pension liability is discounted to the present value of estimated future cash flows using the interest rate which is equal to the interest rate of government bonds corresponding to the term of the pension liability. Pension costs are recorded in the income statement as an expense with costs periodized over the employees' time of service based on actuarial calculations carried out annually. Actuarial gains and losses, in terms of the portion exceeding a certain limit, are recognized over the employees' average term of service.

In defined-contribution schemes, pension contributions are paid to insurance companies, after which the Group no longer has other payment obligations. The Group's contributions to defined-contribution schemes are entered in the financial period to which the payments relate.

Share-based compensation

The Group has a long-term incentive program for the Group Management Team and selected key employees of the Company. The aim of the program 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 based on holding the Company's shares. The new program includes matching shares and a long-term monetary performance reward, and the program is targeted at 18 executives for the earning period 2012 – 2014. The members of the Group Management Team are included in the target group of the new incentive program.

The program includes one earning period, the calendar years 2012 – 2014. The prerequisite for the participation in the matching shares component is that the executive owns the Company's shares in accordance with the decision by the Board of Directors. The potential long-term monetary performance reward from the program for the earning period 2012 – 2014 will be based on the Group's cumulative Economic Profit and on the Group's Total Shareholder Return (TSR).

The potential reward from the earning period 2012 – 2014 will be paid in 2015.

The maximum reward to be paid on the basis of the earning period 2012 – 2014 will correspond to the value of up to 900,000 EUR for the monetary performance reward and up to 30,000 Exel Composites Plc shares for the matching shares reward.

There is a vesting period of two years before the title of the shares is transferred regarding the shares given to the participant from 2011 and 2012 programs.

The cost of the program will be accounted for as operating expenses during the duration of the program and accrued for in the financial statements according to IFRS 2.

No reward shall be paid to a participant, if the Company or a participant gives notice of termination regarding his/her employment or service with the Company, or a participant's employment or service contract with the Company ends otherwise, before the reward payment unless the Board of Directors otherwise decides.

Provisions

A provision is recognized in the balance sheet when the Group has a legal or actual obligation on the basis of a prior event, the materialization of the payment obligation is probable and the size of the obligation can be reliably estimated and requires a financial payment or causes a financial loss. If compensation for a share of the obligation can be received from a third party, the compensation is recorded as a separate asset item, but only when it is practically certain that said compensation will be received.

The right of personnel to annual leave and leave based on a long period of service are recognized when the right is created. The recorded provision corresponds to the obligations regarding the annual leave and leave based on a long period of service based on work performed by the reporting date.

The Group recognizes a provision against loss-making agreements if the benefits of an agreement are expected to be smaller than the unavoidable costs required to fulfill the obligations of the agreement.

A provision for restructuring is recognized when the Group has prepared a detailed and formal restructuring plan and restructuring has either commenced or the plan has been announced publicly. The provisions are valued at their present value of costs required to cover the obligation.

Dividends

Dividends paid by the Group are recognized for the financial year in which the shareholders have approved payment of the dividend.

Earnings per share

The undiluted earnings per share is calculated by dividing the profit for the period belonging to the shareholders of the parent company by the weighted average of shares in issue, not including shares purchased by the Company itself and that are presented as own shares. The weighted average number of shares used to calculate the diluted earnings per share takes into account the diluting effect of outstanding stock options during the period. This effect is calculated by the number of shares that could have been acquired at market price with the value of the subscription rights to usable stock options, which defines the "free element"; "free shares" are added to the number of released shares, but the result for the financial year is not adjusted.

NOTE 6 SEGMENT INFORMATION

Segment information is presented according to the Group's operating segment and geographical distribution. Operating segments are based on the Group's internal organizational structure and internal financial reporting.

Operating segments consist of asset groups and businesses whose risks and profitability relative to products or services differ from other business segments. In geographical information products or services are produced in a certain financial environment the risks and profitability of which differ from the financial environments' risks and profitability of other geographical locations.

Operating segments

The Group has one operating segment, Exel Composites.

Geographical information

The Group's geographical information is given for Nordic Countries, Other European Countries, and Other Countries. Net sales of geographical distribution are presented according to the customers, while assets are presented according to the location of the assets.

NET SALES OUTSIDE THE GROUP ACCORDING TO LOCATION OF CUSTOMERS

EUR 1,000	2012	2011
Nordic countries	14,315	15,256
Other European countries	47,976	53,629
Other countries	13,707	16,251
TOTAL	75,998	85,136

Revenue from the biggest customer amounted to EUR 13,347 thousand (2011: EUR 19,285 thousand).

TOTAL ASSETS ACCORDING TO GEOGRAPHIC LOCATION

EUR 1,000	2012	2011
Nordic countries	14,817	13,760
Other European countries	10,746	14,228
Other countries	15,689	18,617
TOTAL	41,253	46,605

CAPITAL EXPENDITURE ACCORDING TO GEOGRAPHIC LOCATION

EUR 1,000	2012	2011
Nordic countries	1,533	1,287
Other European countries	779	1,389
Other countries	534	532
TOTAL	2,846	3,208

NOTE 7 BUSINESS COMBINATIONS

The Group did no acquisitions in 2012 or 2011.

NOTE 8 EXCHANGE RATES

The income statements of subsidiaries, whose measurement and reporting currency is not the euro, are translated into the Group reporting currency using the average exchange rate, whereas the assets and liabilities of the subsidiaries are translated using the exchange rates on the reporting date. The report-

ing date exchange rates are based on exchange rates published by the European Central Bank for the closing date. The average exchange rate is calculated as an average of each month's average rates from the European Central Bank. Key exchange rates for Exel Composites Group applied in the accounts are:

Country	Currency	Average rate 2012	Average rate 2011	Balance sheet rate 2012	Balance sheet rate 2011
Australia	AUD	1.24134	1.34817	1.27120	1.27230
UK	GBP	0.81110	0.86777	0.81610	0.83530
China	RMB	8.10942	8.99607	8.22070	8.15880
Sweden	SEK	8.70673	9.02761	8.58200	8.91200
USA	USD	1.28560	1.39171	1.31940	1.29390

NOTE 9 OTHER OPERATING INCOME**EUR 1,000**

	2012	2011
Rental income	15	14
Other operating income	890	835
Net gain on disposal of non-current assets	5	0
TOTAL	909	849

Other operating income includes one-off Exel Sports Brands' licensing income of EUR 0.8 (0.5) million.

NOTE 10 OTHER OPERATING EXPENSES**EUR 1,000**

	2012	2011
Rental expenses	1,232	1,078
Other operating expenses	15,825	16,631
TOTAL	17,057	17,709

The fees paid in 2012 to the external auditor for auditing Exel Group companies totaled EUR 174 (173) thousand, while the fees paid for non-audit services totaled EUR 78 (20) thousand.

NOTE 11 EMPLOYEE BENEFIT EXPENSES**EUR 1,000**

	2012	2011
Wages and salaries	17,579	17,834
Pension costs – defined contribution schemes	1,837	1,847
Pension costs – defined benefit schemes	91	54
Other employee benefits	1,570	1,398
TOTAL	21,077	21,133

Personnel

	2012	2011
Average number of personnel	431	428

NOTE 12 RESEARCH AND DEVELOPMENT EXPENDITURE

The income statement includes research and development costs entered as costs amounting to EUR 1,606 thousand in 2012 (EUR 1,639 thousand in 2011). These costs are included in the income statement under Employee benefit expenses and Other operating expenses.

NOTE 13 DEPRECIATION, AMORTIZATION AND IMPAIRMENT**Depreciation of assets, EUR 1,000**

	2012	2011
Intangible assets	613	553
Tangible assets		
Buildings	321	357
Machinery and equipment	1,911	1,785
TOTAL	2,845	2,695

Impairment and write-down of assets, EUR 1,000

	2012	2011
Intangible assets	442	0
Goodwill	1,074	0
Tangible assets		
Land	170	7
Buildings	238	0
Machinery and equipment	617	0
TOTAL	2,542	7

NOTE 14 FINANCIAL INCOME**EUR 1,000**

	2012	2011
Interest income on loans and receivables	78	131
Dividend income	1	1
Foreign exchange gains	209	178
Change in fair value of financial assets recognized at fair value through profit or loss (from derivatives)	18	40
Other finance income	1	0
TOTAL FINANCE INCOME	306	350

NOTE 15 FINANCIAL EXPENSES**EUR 1,000**

	2012	2011
Interest expenses on debts and borrowings	246	346
Interest expenses under finance leases	1	1
Foreign exchange losses	378	284
Change in fair value of financial assets recognized at fair value through profit or loss (from derivatives)	0	0
Other finance expenses	109	3
TOTAL FINANCE EXPENSES	734	634

Exchange differences for sales (exchange rate loss EUR -93 thousand) and purchases (exchange rate loss EUR 0 thousand) are entered in the income statement in the appropriate sales and purchase accounts.

NOTE 16 INCOME TAXES

The income tax entered as an expense consisted mainly of the following components for the years ended 31 December 2012 and 2011:

EUR 1,000

	2012	2011
Income tax based on taxable income for the financial year	-1,742	-1,442
Income taxes from previous financial periods	-5	0
Deferred taxes	807	-1,410
TOTAL INCOME TAXES REPORTED IN THE INCOME STATEMENT	-940	-2,852

A reconciliation between tax expense and the product of accounting profit multiplied by Finland's domestic tax rate for the years ended 31 December 2012 and 2011 is as follows:

Income tax reconciliation, EUR 1,000

	2012	2011
Accounting profit before tax	2,971	10,798
Tax calculated at domestic tax rate 24.5% (2011 26%)	728	2,808
Difference between the domestic and foreign tax rates	3	101
Expenses not deductible for tax purposes	45	186
Other	164	-243
Tax charge	940	2,852
Effective tax rate	31.7	26.4

NOTE 17 DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES**Deferred tax assets,
EUR 1,000**

	1.1.2012	Recognized in income statement	Recognized in shareholders' equity	Exchange rate differ- ences	31.12.2012
Intercompany profit in inventory	4	-1			3
Losses	78	206			284
Other temporary differences	756	214			970
Offset with deferred tax liabilities	-690	185			-505
NET DEFERRED TAX ASSETS	148	604			752

**Deferred tax liabilities,
EUR 1,000**

	1.1.2012	Recognized in income statement	Recognized in shareholders' equity	Exchange rate differ- ences	31.12.2012
Accumulated depreciation					
Other temporary differences	1,229	-347			882
Offset with deferred tax assets	-690	185			-505
NET DEFERRED TAX LIABILITIES	539	-162			377

Deferred tax assets, EUR 1,000	1.1.2011	Recognized in income statement	Recognized in shareholders' equity	Exchange rate differ- ences	31.12.2011
Intercompany profit in inventory	17	-13			4
Losses	180	-102			78
Other temporary differences	2,448	-1,414	-278		756
Offset with deferred tax liabilities	-1,060	370			-690
NET DEFERRED TAX ASSETS	1,585	-1,159	-278		148

Deferred tax liabilities, EUR 1,000	1.1.2011	Recognized in income statement	Recognized in shareholders' equity	Exchange rate differ- ences	31.12.2011
Accumulated depreciation					
Other temporary differences	1,609	-380			1,229
Offset with deferred tax assets	-1,060	370			-690
NET DEFERRED TAX LIABILITIES	549	-10			539

Some deferred tax items related to the earlier accounting periods have been recorded directly to the equity. The Group had taxable net losses on 31 December 2012 of EUR 1,134 (EUR 312) thousand, of which the Company has recorded deferred tax assets of EUR 284 (78) thousand that are available for offset against future taxable profits of the companies in which the losses arose.

NOTE 18 EARNINGS PER SHARE

The earnings per share is calculated by dividing the profit attributable to ordinary equity holders of the parent company by the weighted average number of outstanding shares during the financial year. There is no dilution effect in the Exel Composites shares.

	2012	2011
Profit for the financial year (EUR 1,000) attributable to ordinary equity holders of the parent company	2,031	7,946
Weighted average number of outstanding shares during the financial year (1,000 shares)	11,897	11,897
Basic and diluted earnings per share (EUR/share)	0.17	0.67

NOTE 19 DIVIDENDS PER SHARE

The Annual General Meeting held on 6 April 2011 approved the Board's proposal to distribute a dividend of EUR 0.50 per share including an extraordinary dividend of EUR 0.25 per share due to Exel Composites' 50th anniversary for the 2010 financial year.

The Annual General Meeting held on 29 March 2012 approved the Board's proposal to distribute a dividend of EUR 0.50 per share.

Following the balance sheet date the Board of Directors has proposed for approval at the Annual General Meeting that a dividend of EUR 0.30 per share be distributed (not recognized as a liability as at 31 December).

NOTE 20 INTANGIBLE ASSETS

The Group has no internally created intangible assets.

Goodwill, EUR 1,000

	2012	2011
Acquisition cost at 1 Jan.	16,043	15,741
Additions	0	0
Exchange rate differences	9	302
Acquisition cost at 31 Dec.	16,052	16,043
Accumulated amortization at 1 Jan.	-4,104	-4,104
Impairment charge	-1,074	0
Exchange rate differences	24	
Accumulated amortization at 31 Dec.	-5,154	-4,104
Book value at 1 Jan.	11,939	11,637
Book value at 31 Dec.	10,898	11,939

Other intangible assets, EUR 1,000

	2012	2011
Acquisition cost at 1 Jan.	5,597	5,471
Additions	31	0
Decreases	0	0
Transfers between asset groups	90	0
Exchange rate differences	4	126
Acquisition cost at 31 Dec.	5,722	5,597
Accumulated amortization at 1 Jan.	-4,020	-3,555
Amortization for the period	-409	-379
Impairment charge and write-downs	-442	0
Decreases	0	0
Exchange rate differences	17	-86
Accumulated amortization at 31 Dec.	-4,854	-4,020
Book value at 1 Jan.	1,577	1,916
Book value at 31 Dec.	868	1,577

Other long-term expenses, EUR 1,000

	2012	2011
Acquisition cost at 1 Jan.	3,140	3,092
Additions	26	48
Decreases	0	0
Transfers between asset groups	147	0
Translation differences	0	0
Acquisition cost at 31 Dec.	3,313	3,140
Accumulated amortization at 1 Jan.	-2,756	-2,582
Amortization for the period	-205	-174
Decreases	0	0
Translation differences	0	0
Accumulated amortization at 31 Dec.	-2,961	-2,756
Book value at 1 Jan.	383	510
Book value at 31 Dec.	352	383

NOTE 21 PROPERTY, PLANT AND EQUIPMENT**Land and water areas, EUR 1,000**

	2012	2011
Acquisition cost at 1 Jan.	869	828
Additions	0	0
Decreases	0	0
Transfer between asset groups	0	0
Exchange rate differences	6	41
Acquisition cost at 31 Dec.	875	869
Impairment charge and write-downs	-219	-45
Exchange rate differences	0	-4
Book value at 1 Jan.	820	790
Book value at 31 Dec.	658	820

Buildings and structures, EUR 1,000

	2012	2011
Acquisition cost at 1 Jan.	7,025	6,767
Additions	89	146
Decreases	0	0
Transfer between asset group	10	0
Exchange rate differences	8	112
Acquisition cost at 31 Dec.	7,132	7,025
Accumulated amortization at 1 Jan.	-3,952	-3,568
Amortization for the period	-321	-357
Decreases	-238	0
Exchange rate differences	2	-27
Accumulated amortization at 31 Dec.	-4,509	-3,952
Book value at 1 Jan.	3,074	3,200
Book value at 31 Dec.	2,624	3,074

Machinery and equipment, EUR 1,000

	2012	2011
Acquisition cost at 1 Jan.	37,286	34,129
Additions	2,410	2,546
Decreases	-445	-66
Transfers between asset groups	172	392
Exchange rate differences	24	285
Acquisition cost at 31 Dec.	39,447	37,286
Accumulated amortization at 1 Jan.	-30,356	-28,415
Amortization for the period	-1,901	-1,775
Impairment charge and write-downs	-617	0
Decreases	176	27
Translation differences	0	-193
Accumulated amortization at 31 Dec.	-32,698	-30,356
Book value at 1 Jan.	6,927	5,711
Book value at 31 Dec.	6,747	6,927

Advance payments and construction in progress, EUR 1,000

	2012	2011
Acquisition cost at 1 Jan.	768	692
Additions	290	468
Transfers between asset groups	-419	-392
Decreases	0	0
Exchange rate differences	0	0
Acquisition cost at 31 Dec.	638	768
Book value at 1 Jan.	768	692
Book value at 31 Dec.	638	768

Finance lease arrangements, EUR 1,000**BUILDINGS**

	2012	2011
Acquisition cost at 1 Jan.	0	1,105
Transfers between asset groups	0	0
Acquisition cost at 31 Dec.	0	0
Accumulated amortization at 1 Jan.	0	-1,105
Amortization for the period	0	0
Accumulated amortization at 31 Dec.	0	0
Book value at 1 Jan.	0	0
Book value at 31 Dec.	0	0

Finance lease arrangements, EUR 1,000**MACHINERY AND EQUIPMENT**

	2012	2011
Acquisition cost at 1 Jan.	1,810	1,810
Additions	0	0
Decreases	0	0
Exchange rate differences	0	0
Acquisition cost at 31 Dec.	1,810	1,810
Accumulated amortization at 1 Jan.	-1,786	-1,776
Amortization for the period	-10	-10
Impairment charge and write-down	0	0
Decreases	0	0
Exchange rate differences	0	0
Accumulated amortization at 31 Dec.	-1,796	-1,786
Book value at 1 Jan.	24	34
Book value at 31 Dec.	14	24

The Group had no assets for sale.

NOTE 22 OTHER NON-CURRENT ASSETS

Other non-current assets consist mainly of connection fees and telephone shares.

EUR 1,000

	2012	2011
Book value at 1 Jan.	64	64
Decreases	0	0
Change in fair value	0	0
Book value at 31 Dec.	64	64

NOTE 23 INVENTORIES**EUR 1,000**

	2012	2011
Raw materials	4,363	5,037
Work in progress	825	876
Finished products and goods	3,941	4,586
TOTAL INVENTORIES	9,129	10,499

During the 2012 financial year an expense of EUR 0.4 million was recognized to reduce the book value of inventories to their net realizable value (EUR 0.3 million in 2011).

NOTE 24 TRADE AND OTHER RECEIVABLES

EUR 1,000	2012	2011
Trade receivables	8,728	9,750
Deferred income	527	812
Other receivables	259	423
TOTAL RECEIVABLES	9,513	10,985

During the 2012 financial year credit losses of EUR 73 thousand were recorded (EUR 33 thousand in 2011), consisting of actual credit losses amounting to EUR 2 thousand (EUR 425 thousand in 2011) and change in the bad debt provision amounting to EUR 71 thousand (EUR -392 thousand in 2011) covering all overdue trade receivables which are over 90 days overdue.

As at 31 December, the ageing analysis of trade receivables is as follows (figures in EUR 1,000):

	Past due but not impaired							Over 1 year
	Total	Neither past due nor impaired	< 30 days	30–60 days	61–90 days	91–180 days	181–365 days	
2012	8,728	6,444	1,868	327	89	0	0	0
2011	9,750	7,276	1,745	589	140	0	0	0

All receivables past due over 90 days were impaired and provisions were made in the income statement.

NOTE 25 CASH AND CASH EQUIVALENTS

Cash assets and short-term deposits consist of cash-in-hand and bank accounts amounting to EUR 9,245 (9,840) thousand.

NOTE 26 TRADE AND OTHER NON-INTEREST-BEARING LIABILITIES

EUR 1,000	2012	2011
Trade payables	6,641	6,959
Accrued expenses	3,343	5,057
Advance payments	5	66
Other current interest-free liabilities	1,109	818
Non-current interest-free liabilities	411	392
TOTAL	11,509	13,291

NOTE 27 INTEREST-BEARING LOANS AND BORROWINGS

Non-current interest-bearing loans and borrowings, EUR 1,000	2012	2011
	Book values	Book values
Loans from financial institutions	7,840	7,840
Pension loans	324	233
Finance lease liabilities	5	15
TOTAL	8,168	8,088
Current interest-bearing loans and borrowings, EUR 1,000	2012	2011
Short-term loans from financial institutions	0	0
Current portion of long-term debt (repayments)	0	0
Finance lease liabilities	11	10
TOTAL	11	10
Maturity of non-current interest-bearing liabilities, EUR 1,000		
2012	0	0
2013	0	0
2014	1,440	1,440
2015	6,400	6,400
2016	0	0
2017	0	0
Later	0	0
TOTAL	7,840	7,840

In 2011 early installments were made amounting to EUR 2,160 thousand.

Maturity of finance lease liabilities, EUR 1,000	2012	2011
Finance lease liabilities – total value of minimum lease payments		
Not later than 1 year	11	11
1–5 years	5	15
Finance lease liabilities – present value of minimum lease payments		
Not later than 1 year	11	10
1–5 years	5	15
Future finance charges	0	1
TOTAL FINANCE LEASE LIABILITIES	16	25

Among interest bearing loans EUR 5,000 thousand (EUR 10,000 thousand in 2011) has been converted to fixed interest rates through interest rate swap agreements.

NOTE 28 IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLES WITH INDEFINITE LIVES

Goodwill acquired through business combinations has been arisen from following business units:

Distribution of goodwill, EUR 1,000	2012	2011
Finland	135	135
Germany	1,305	1,305
Belgium	209	209
Austria	688	688
Exel Composites Group	8,562	9,603
TOTAL	10,898	11,939

IMPAIRMENT TESTS are made annually on goodwill and intangible assets with an indefinite economic live. On the closing date the Exel Composites Group had no intangible assets with an unlimited economic live.

The calculation of value-in use is most sensitive to following assumptions:

- Sales margin -0%
- Discount rates
- Growth rate used to extrapolate cash flows beyond the budget period.

The Group makes so called two-step Goodwill impairment where CGU level goodwill is tested first and thereafter Group level goodwill. The Group has allocated goodwill to group and smaller cash-generating units. The impairment of cash-generating units is tested by comparing the recoverable amounts to the carrying amounts. The recoverable amount of cash-generating units is determined based on calculations of value in use, which are based on discounted future cash flows. Future cash flows are based on the continual use of the item and forecasts made by management for the next five years. Forecasts for periods further ahead in the future have been calculated on the as-

sumption of annual growth of 0 - 3% (3%) on the industry in the long term. The level of gross margins in these forecasts is expected to remain on average at the current level.

Discount rates are defined separately in order to reflect the effect of the different business risks on the expected return on equity. The cost of liabilities is defined according to the existing credit portfolio. The calculation of the average cost of capital takes into account the Group's targeted capital structure, as well as the effect of debt on the cost of Group equity. The discount rate before taxes used in the calculations varied between 10.5% – 11.3% (7.5% – 9.9%).

On the basis of the impairment test, the amount of money that can be accrued by all cash-generating units exceed the corresponding balance sheet values. In 2012 impairment loss of EUR 2,542 thousand was recorded.

Sensitivity of the impairment test

With regard to the assessment of value in use the management believes that the if the turnover drops over 13% there would be a situation where the carrying value would not exceed the recoverable amount. Alternatively the sales margin must decline over 5 per cent units or discount rate increase to over 19.4%.

NOTE 29 FINANCIAL RISK MANAGEMENT

THE GROUP IS EXPOSED to a number of financial risks in its business operations. The objective of financial risk management is to protect against unfavorable changes in the financial markets and thus secure the Group's planned profit development. The main financial risks include the foreign exchange risk, interest rate risk, liquidity and refinancing risk, and credit risk. The Group uses forward agreements and currency options, currency loans, interest rate options and interest rate swaps.

Foreign currency risk

The Group operates internationally and is thus exposed to various transactions risks caused by currency positions and risks that are generated when investments made in different currencies are converted into the parent company's operating currency. In addition to the euro (EUR), the main currencies are the Australian dollar (AUD), the British pound (GBP), the US dollar (USD)

and the Chinese renminbi (RMB). Foreign exchange risks are generated by commercial transactions, from monetary items in the assets and liabilities and from net investments in foreign subsidiaries. The objective of foreign exchange risk management is to protect the operating result and shareholders' equity against foreign exchange rate fluctuations.

The only invoicing currencies used are either the unit's functional currency or currencies generally used in export sales. The currency flows of subsidiaries are protected on a per company basis against the functional currency of each company. The operating units are responsible for hedging against their own foreign exchange risks.

Currency positions are assessed at their net amount in each currency generally for the following 12-month period. Currency flows are partly protected by forward agreements and currency options. The Group's transaction exposure is in USD amounting to USD 1.4 million on 31 December 2012.

The Group's translation exposure in main currencies was as follows:

Net investment, EUR 1,000

AUD
GBP
RMB

31 Dec. 2012

15,999
5,425
3,893

31 Dec. 2011

19,348
5,643
3,567

The Group's sensitivity to main currencies when all other variables are constant is the following:

31 December 2012

Increase in currency rate vs. EUR
Effect on profit before tax in EUR
Effect on equity EUR

AUD

5%
800

GBP

5%
271

RMB

5%
195

31 December 2011

Increase in currency rate vs. EUR
Effect on profit before tax in EUR
Effect on equity EUR

AUD

5%
967

GBP

5%
282

RMB

5%
178

Interest rate risk

The Group's currency-denominated borrowings are in the functional currencies of Group companies. The nominal values of interest-bearing liabilities on 31 December 2012 were divided to the currencies as follows:

Currency

EUR
TOTAL

Amount EUR 1,000

7,840
7,840

%

100
100

NON-CURRENT LOANS have adjustable rates of interest, but they are partially protected against interest rate risks by converting them to fixed interest rates through interest rate swaps. At the balance sheet date the Group had interest swap contracts worth EUR 5,000 thousand, where the Group pays 2.500% fixed interest. The Group does not use the hedge accounting to the interest swap or option contracts.

The Group's exposure to the risk of changes in the market interest rates relates primarily to the Group's loans. The effect of one percentage point in the interest rates on 31 December 2012 was EUR 78 thousand (EUR 78 thousand in 2011).

Liquidity and funding risk

The Group aims to ensure adequate liquidity under all circumstances and to optimize the use of liquid assets in financing business operations. In addition, the objective is to minimize

net interest costs and bank charges. Cash reserves are invested only in objects that can be realized quickly. In addition to cash reserves and interest rate investments, the Group had unused credit limits on 31 December 2012 amounting to EUR 32.3 million of which EUR 29 million were committed.

The Finance Department sees to it that a sufficient number of different financing sources are available and that the maturity schedule of foreign loans is managed. The parent company's Finance Department centrally manages the Group's refinancing and its management. The Group's internal debt ratios exist primarily directly between the parent company and its subsidiaries.

The tools employed for managing liquidity are credit-bearing Group accounts and credit limits.

The table on the following page summarizes the maturity profile of the Group's financial liabilities excluding pension and finance lease liabilities at 31 December based on contractual undiscounted payments in EUR 1000's.

Year ended 31 Dec. 2012	On demand	Less than 3 months	3–12 months	1–5 years	> 5 years	Total
Interest-bearing liabilities	0	0	0	7,840	0	7,840
Trade and other current payables		11,098				11,098
Year ended 31 Dec. 2011	On demand	Less than 3 months	3–12 months	1–5 years	> 5 years	Total
Interest-bearing liabilities	0	0	0	7,840	0	7,840
Trade and other current payables		12,900				12,900

Credit and counterparty risk

The Group's business operations are based for the most part on established and reliable customer relationships and the industry's generally accepted terms of agreement. The payment period for invoices is generally 14-60 days. The background of new customers is assessed, for example by obtaining credit information. The Group has no significant credit risk concentrations, as the customer base is broad and distributed geographically between the Group's operating countries. Credit risks related to trade receivables are monitored by the business units. The Group's trade receivables are secured with credit insurance.

Counterparty risk refers to a situation in which a contract-party is unable to fulfill its contractual obligations. Derivative instruments and cash reserve investments are only employed with counterparties that have a good credit rating. At the end of the 2012 financial year, the Group's only counterparties were financial institutions.

The Group's maximum credit risk is the amount of the financial assets in the end of the financial year. The aging of the trade receivables is presented in Note 24.

Capital management

The objective of the Group's capital management is to ensure that it maintains strong credit worthiness and healthy capital ratios in order to support its business and maximize shareholder value.

The Group monitors capital using a net gearing ratio, which is net interest-bearing debt divided by shareholders' equity. The Group includes in net interest-bearing debt the loans and borrowings less cash and cash equivalents.

The Company pursues a strategy to improve capital employment turnover rates in order to improve profitability and cash flow.

	2012	2011
Interest-bearing liabilities	8,179	8,098
Cash and cash equivalents	9,245	9,840
Net interest-bearing liabilities	-1,066	-1,741
Shareholders' equity	31,438	35,118
Net gearing %	-3.4	-5.0

NOTE 30 PENSION AND OTHER POST-EMPLOYMENT OBLIGATIONS

THE GROUP OPERATES a number of defined benefit and contribution pension schemes throughout the world.

The most significant pension scheme in Finland is the statutory Finnish employee pension scheme (TyEL) according to which benefits are directly linked to the employee's earnings. The TyEL pension scheme is mainly arranged with

insurance companies. The disability share of the TyEL pension scheme is recognized as a defined benefit scheme.

Pension schemes elsewhere than in Finland include both defined benefit and defined contribution pension schemes. Defined benefit pension schemes are not significant.

Amounts recognized in the income statement, EUR 1,000

	2012	2011
Service cost for the financial year	1,837	1,847
Differences in benefit schemes	91	54
TOTAL INCLUDED IN PERSONNEL EXPENSES	1,928	1,901

Amounts recognized in the balance sheet, EUR 1,000

	2012	2011
At the beginning of financial period	233	179
Transferred to other liabilities	0	0
Pension expenses in the balance sheet	91	54
AT THE END OF FINANCIAL PERIOD	324	233

NOTE 31 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

DERIVATIVE FINANCIAL instruments are recorded in the balance sheet at their fair values, defined as the amount at which the instruments could be exchanged between willing parties in a current transaction, other than in a liquidation or forced sale.

The fair values of such financial items have been estimated on the following basis:

- Interest rate swap agreements are valued using discounted cash flow analysis.
- Forward foreign exchange contracts are fair valued based on the contract forward rates in effect on the balance sheet date.
- Foreign currency options are fair valued based on quoted market prices on the balance sheet date.

Loans from financial institutions are discounted by the risk-free rate of interest during the loan period combined with the loan's interest rate margin on the balance sheet date. The discount rate applied is the rate at which the Company could obtain a similar loan elsewhere on the balance sheet date.

The original book value of receivables other than those based on derivative contracts, as well as that of purchasing and other non-interest bearing debts, corresponds with their fair value, as the discounted effect is not essential considering the maturity of the receivables.

Net fair values and nominal values of financial assets and liabilities:

EUR 1,000	2012 Net fair value	2012 Nominal value	2011 Net fair value	2011 Nominal value
Trade and other receivables	9,513	9,513	10,985	10,985
Cash and cash equivalents	9,245	9,245	9,840	9,840
Interest rate swap agreements	-164	5,000	-182	10,000
Bank loans	7,864	7,840	7,816	7,840
Finance leasing	15	15	25	25
Non-current loan facilities	0	0	0	0
Trade and other payables	11,098	11,098	12,900	12,900

Changes in the fair value of derivative financial instruments are recognized in the income statement in financial gains and losses.

NOTE 32 CONTINGENT LIABILITIES

EUR 1,000	2012	2011
COMMITMENTS ON OWN BEHALF		
Mortgages	2,783	2,783
Floating charges	12,500	12,500
OPERATING LEASES		
Not later than one year	1,061	1,035
1-5 years	2,404	2,724
OTHER LIABILITIES	6	25

NOTE 33 SHARE CAPITAL

EUR 1,000	Number of shares (1,000)	Share capital	Invested unrestricted equity fund	Total
1 January 2011	11,897	2,141	8,488	10,589
Share issue				
31 December 2011	11,897	2,141	8,488	10,589
Share issue				
31 December 2012	11,897	2,141	8,488	10,589

UNDER THE ARTICLES of association of the Company, the authorized share capital may not be less than EUR 1,750,000 and more than EUR 7,000,000. All released shares have been paid for in full.

On 29 March 2012 the Annual General Meeting authorized the Board of Directors to acquire the Company's own shares by using unrestricted equity. The maximum amount to be acquired is 600,000 shares. The authorization shall also contain an entitlement for the Company to accept its own shares as pledge. The number of shares that can be acquired or held as pledges by the Company on the basis of this authorization shall not exceed one tenth (1/10) of all outstanding shares of

the Company. The authorization is valid until the next Annual General Meeting.

On 31 March 2010 the Annual General Meeting authorized the Board of Directors to issue a maximum of 2,400,000 new shares and convey a maximum of 600,000 own shares. By virtue of the authorization, the Board of Directors also has the right to grant option rights, convertible bonds and/or special rights referred to in Chapter 10, Section 1 of the Companies Act. The authorization is valid until 31 March 2013.

These authorizations have not been exercised during the year.

NOTE 34 SHARE-BASED PAYMENT PLANS

THE GROUP has a long-term incentive program for the Group Management Team and selected key employees of the Company. The aim of the program is to commit persons entitled to participate in the Program to improve Exel Composites Plc's long-term profitability and value and reward them for achieving these goals in line with Exel Composites' strategy and financial targets. The program is confirmed annually by the Board of Directors.

The Board of Directors approved in June 2012 a new long-term incentive plan to the Company executives. The aim of the new program 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 based on holding the Company's shares. The new program includes matching shares and a long-term monetary performance reward, and the program is targeted at 18 executives for the earning period 2012 – 2014. The members of the Group Management Team are included in the target group of the new incentive program.

The new program includes one earning period, the calendar years 2012 – 2014. The prerequisite for the participation in the matching shares component is that the executive owns the Company's shares in accordance with the decision by the Board of Directors. The potential long-term monetary performance re-

ward from the program for the earning period 2012 – 2014 will be based on the Group's cumulative Economic Profit and on the Group's Total Shareholder Return (TSR).

The potential reward from the earning period 2012 – 2014 will be paid in 2015.

The maximum reward to be paid on the basis of the earning period 2012 – 2014 will correspond to the value of up to 900,000 EUR for the monetary performance reward and up to 30,000 Exel Composites Plc shares for the matching shares reward.

There is a vesting period of two years before the title of the shares is transferred regarding the shares given to the participant from 2011 and 2012 programs.

The cost of the program will be accounted for as operating expenses during the duration of the program and accrued for in the financial statements according to IFRS 2.

No reward shall be paid to a participant, if the Company or a participant gives notice of termination regarding his/her employment or service with the Company, or a participant's employment or service contract with the Company ends otherwise, before the reward payment unless the Board of Directors otherwise decides.

No payments were made in 2012.

NOTE 35 DISTRIBUTABLE FUNDS, 31 DECEMBER 2012

The parent company's distributable funds on 31 December 2012 were EUR 22,496 thousand.

NOTE 36 CASH FLOW FROM BUSINESS OPERATIONS**Non-cash adjustments to the result for the financial year, EUR 1,000**

	2012	2011
Depreciation, impairment charges and write-offs	5,387	2,702
Taxes	940	2,852
Financial expenses	734	634
Financial income	-306	-350
Other adjustments	415	470
TOTAL	7,170	6,308

NOTE 37 RELATED PARTY TRANSACTIONS

The Group's parent company and subsidiary relationships are as follows:

Name of subsidiary	Domicile	Group share of holding
Exel GmbH	Germany	100%
Exel Composites N.V.	Belgium	100%
Exel Composites GmbH	Austria	100%
Exel USA, Inc.	USA	100%
Exel Composites (Nanjing) Ltd	China	100%
Exel Composites (Australia) Pty Ltd	Australia	100%
Pacific Composites Ltd	Australia	100%
Pacific Composites (Europe) Ltd	UK	100%
Fibreforce Composites Ltd	UK	100%
Pacific Composites (Clacton) Ltd	UK	100%
Pacific Composites Ltd	New Zealand	100%
Pro Stick Oy	Finland	100%

The ultimate parent company is Exel Composites Plc.

Management remuneration**Senior management salaries, fees and bonuses, EUR 1,000**

	2012	2011
President & CEO	263	532
Members of the Board of Directors	178	140
Pension costs in the income statement	0	0
TOTAL	441	672

Salaries and fees per person:**EUR 1,000**

Vesa Korpimies, President and CEO	263
Peter Hofvenstam, Chairman of the Board	58

Members of the Board

Heikki Hiltunen	30
Göran Jönsson	30
Reima Kerttula	31
Heikki Mairinoja	29

PARENT COMPANY INCOME STATEMENT, EUR 1,000

	Notes	1.1.–31.12.2012	1.1.–31.12.2011
NET SALES	1	39,599	46,742
Increase (+) / Decrease (-) in inventories of finished goods and work in progress		-531	323
Other operating income		870	779
Materials and services			
Materials and supplies			
Purchases during financial period		13,853	17,562
Increase (-) or decrease (+) in inventories		392	45
		-14,245	-17,607
External services		-657	-1,279
Personnel expenses	2		
Wages and salaries		8,107	9,124
Pension costs		1,445	1,583
Other personnel expenses		456	431
		-10,007	-11,137
Depreciation and write-down	3		
Planned depreciation		-1,222	-1,262
Other operating expenses	4	-7,933	-9,115
OPERATING PROFIT		5,874	7,445
Financial income and expenses	5		
Other interest and financial income		1,736	1,314
Interest paid and other financial expenses		-585	-1,291
		7,025	23
PROFIT BEFORE EXTRAORDINARY ITEMS		7,025	7,468
Group subsidy	6	0	0
PROFIT BEFORE APPROPRIATIONS AND TAXES		7,025	7,468
Direct taxes	7	-1,317	-635
PROFIT FOR THE PERIOD		5,708	6,832

PARENT COMPANY BALANCE SHEET, EUR 1,000

	Notes	31.12.2012	31.12.2011
ASSETS			
NON-CURRENT ASSETS	8		
Intangible assets			
Intangible assets		118	118
Other capitalized expenditure		352	383
		469	502
TANGIBLE ASSETS			
Land and water		90	90
Buildings		1,385	1,518
Machinery and equipment		2,554	1,961
Construction in progress		633	763
		4,663	4,332

INVESTMENTS				
Holdings in Group companies	9	24,643	24,643	
Other shares and holdings		53	53	
		24,696	24,696	
TOTAL NON-CURRENT ASSETS		29,828	29,530	
CURRENT ASSETS				
Inventories				
Raw materials and consumables		2,301	2,693	
Work in progress		822	867	
Finished goods		597	1,083	
		3,720	4,643	
CURRENT RECEIVABLES				
Trade receivables	10	3,740	3,993	
Receivables from Group companies		911	881	
Other receivables		4	34	
Prepaid expenses and accrued income		64	493	
		4,719	5,401	
Cash in hand and at bank		3,188	2,722	
TOTAL CURRENT ASSETS		11,627	12,766	
TOTAL ASSETS		41,455	42,296	
LIABILITIES AND SHAREHOLDERS' EQUITY				
EQUITY				
Share capital	11	2,141	2,141	
Share premium reserve		0	0	
Invested unrestricted equity fund		8,488	8,488	
Retained earnings		8,300	7,416	
Profit for the financial period		5,708	6,832	
TOTAL EQUITY		24,637	24,877	
LIABILITIES				
NON-CURRENT LIABILITIES				
Loans from financial institutions	12	7,840	7,840	
CURRENT LIABILITIES				
Loans from financial institutions	13	0	0	
Accounts payable		5	66	
Trade payables		2,242	2,732	
Liabilities to Group companies		4,371	3,376	
Other liabilities		387	372	
Accrued liabilities and deferred income		1,973	3,032	
TOTAL CURRENT LIABILITIES		8,978	9,578	
TOTAL LIABILITIES		16,818	17,418	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		41,455	42,296	

PARENT COMPANY CASH FLOW STATEMENT, EUR 1,000

	2012	2011
CASH FLOW FROM BUSINESS OPERATIONS		
Profit for the year	5,708	6,832
Profit for the year adjustments	1,270	1,903
Change in net working capital	618	724
Interest paid and other financial expenses	-339	-409
Dividend received	1,563	1,179
Interest received	35	4
Income taxes paid	-918	-1,318
CASH FLOW FROM BUSINESS OPERATIONS	7,937	8,915
CASH FLOW FROM INVESTING ACTIVITIES		
Disposal of business	0	0
Capital expenditure	-1,539	-1,287
Installments in subsidiaries' shares	0	0
Proceeds from sale of fixed assets	16	0
NET CASH FLOW FROM INVESTMENTS	-1,523	-1,287
CASH FLOW BEFORE FINANCING	6,414	7,628
CASH FLOW		
Withdrawals of non-current loans	0	-2,160
Repayments of non-current loans	0	0
Net withdrawals of/repayment of current loans	0	0
Group subsidies	0	0
Dividend paid	-5,948	-5,948
CASH FLOW FROM FINANCING	5,948	-8,108
CHANGE IN LIQUID FUNDS	466	-480
Liquid funds 1 Jan.	2,722	3,202
Liquid assets from merger	0	0
LIQUID FUNDS 31 DEC.	3,188	2,722

NOTE 1 NET SALES BY MARKET AREA, EUR 1,000

	2012	2011
Nordic Countries	14,812	16,152
Other European Countries	20,913	26,640
Other Countries	3,874	3,950
TOTAL	39,599	46,742

NOTE 2 PERSONNEL EXPENSES, EUR 1,000**Paid 2012**

	2012	2011
President and CEO	556	566
Members of the Board	178	140
TOTAL	733	706

AVERAGE PERSONNEL EMPLOYED

	2012	2011
Salaried employees	70	70
Non-salaried employees	128	125
TOTAL	198	195

NOTE 3 DEPRECIATION

Fixed assets have been entered in the balance sheet at cost after deduction of planned depreciation. Planned depreciation is calculated on the basis of economic life, as a straight-line depreciation on the original cost.

Planned depreciation periods

	Years
Buildings	5–20
Machinery and equipment	3–8
Other capitalized expenditure	3–8
Goodwill	10
Intangible rights	3–5

Planned depreciation, amortization and impairment, EUR 1,000

	2012	2011
Intangible rights	119	152
Other capitalized expenditure	205	195
Buildings	211	259
Machinery and equipment	687	655
Write-downs of non-current assets	0	0
TOTAL	1,222	1,262

NOTE 4 OTHER OPERATING EXPENSES, EUR 1,000

	2012	2011
Rents	178	191
Marketing expenses	208	221
Other expenses	7,547	8,703
TOTAL	7,933	9,115

	2012	2011
Auditor's fee	70	62
Tax counseling	11	5
Other fees	0	0
TOTAL	81	67

NOTE 5 FINANCE INCOME AND EXPENSES, EUR 1,000

	2012	2011
OTHER INTEREST AND FINANCIAL INCOME		
From Group companies	1,561	1,177
From others	174	137
TOTAL	1,736	1,314
INTEREST AND OTHER FINANCIAL EXPENSES		
To Group companies	-84	-61
To others	-501	-1,230
TOTAL	-585	-1,291
TOTAL FINANCE INCOME AND EXPENSES	1,151	23

NOTE 6 EXTRAORDINARY ITEMS, EUR 1,000

	2012	2011
Extraordinary items / Group subsidy	0	0
Total	0	0

NOTE 7 DIRECT TAXES, EUR 1,000

	2012	2011
Taxes	-1,317	-635

NOTE 8 INTANGIBLE AND TANGIBLE RIGHTS, EUR 1,000

	2012	2011
INTANGIBLE RIGHTS		
Acquisition cost 1 Jan.	1,010	1,010
Increase	29	0
Decrease	0	0
Reclassification between items	90	0
Acquisition cost 31 Dec.	1,129	1,010
Accumulated planned depreciation 1 Jan.	-892	-740
Planned depreciation	-120	-152
Planned depreciation of decrease	0	0
Accumulated planned depreciation 31 Dec.	-1,012	-892
Book value at 1 Jan.	118	270
Book value at 31 Dec.	118	118
OTHER LONG-TERM EXPENSES	2012	2011
Acquisition cost 1 Jan.	3,035	2,987
Increase	26	48
Decrease	0	0
Reclassification between items	147	0
Acquisition cost 31 Dec.	383	3,035
Accumulated planned depreciation 1 Jan.	-2,651	-2,456
Planned depreciation	-205	-195
Planned depreciation of decrease	0	0
Accumulated planned depreciation 31 Dec.	-2,856	-2,651
Book value at 1 Jan.	383	531
Book value at 31 Dec.	352	383

	2012	2011
LAND AND WATER		
Acquisition cost 1 Jan.	90	90
Increase	0	0
Decrease	0	0
Acquisition cost 31 Dec.	90	90
Book value at 1 Jan.	90	90
Book value at 31 Dec.	90	90
BUILDINGS	2012	2011
Acquisition cost 1 Jan.	4,831	4,732
Increase	68	99
Decrease	0	0
Reclassification between items	10	0
Acquisition cost 31 Dec.	1,518	4,831
Accumulated planned depreciation 1 Jan.	-3,313	-3,054
Planned depreciation	-211	-259
Planned depreciation of decrease	0	0
Accumulated planned depreciation 31 Dec.	-3,524	-3,313
Book value at 1 Jan.	1,518	1,678
Book value at 31 Dec.	1,385	1,518
MACHINERY AND EQUIPMENT	2012	2011
Acquisition cost 1 Jan.	20,011	19,057
Increase	1,120	686
Decrease	-59	-16
Reclassification between items	172	284
Acquisition cost 31 Dec.	21,244	20,011
Accumulated planned depreciation 1 Jan.	-18,050	-17,405
Planned depreciation	-687	-655
Planned depreciation of decrease	47	10
Accumulated planned depreciation 31 Dec.	-18,737	-18,050
Book value at 1 Jan.	1,961	1,652
Book value at 31 Dec.	2,554	1,961
Undepreciated acquisition cost of production machinery and equipment	2,518	1,935
ADVANCE PAYMENT AND CONSTRUCTION IN PROGRESS	2012	2011
Acquisition cost 1 Jan.	763	593
Increase	289	454
Reclassification between items	-419	-284
Decrease	0	0
Acquisition cost 31 Dec.	633	763
Book value at 1 Jan.	763	593
Book value at 31 Dec.	633	763
SHARES	2012	2011
Group companies		
Acquisition cost 1 Jan.	24,643	25,419
Increase	0	0
Decrease	0	-776
Acquisition cost 31 Dec.	24,643	24,643
OTHER SHARES AND HOLDINGS	2012	2011
Acquisition cost 1 Jan.	53	53
Increase	0	0
Decrease	0	0
Acquisition cost 31 Dec.	53	53

NOTE 9 COMPANIES OWNED BY PARENT COMPANY

Shares in subsidiaries Name of company	Registration country	Owned by the parent company %
Exel GmbH	Germany	100
Exel Composites N.V.	Belgium	100
Exel Composites GmbH	Austria	100
Exel USA, Inc.	USA	100
Exel Composites (Nanjing) Ltd	China	100
Exel Composites (Australia) Pty Ltd	Australia	100
Pacific Composites Ltd	Australia	100
Pacific Composites (Europe) Ltd	UK	100
Fibreforce Composites Ltd	UK	100
Pacific Composites (Clacton) Ltd	UK	100
Pacific Composites Ltd	New Zealand	100
Pro Stick Oy	Finland	100

NOTE 10 RECEIVABLES

Current receivables, EUR 1,000	2012	2011
RECEIVABLES FROM GROUP COMPANIES		
Trade receivables	911	857
Loan receivables	0	0
Prepaid expenses and accrued income	0	24
TOTAL RECEIVABLES FROM GROUP COMPANIES	911	881
RECEIVABLES FROM OTHERS	2012	2011
Trade receivables	3,740	3,993
Other receivables	4	34
Prepaid expenses and accrued income	64	493
TOTAL RECEIVABLES FROM OTHERS	3,808	4,520
TOTAL CURRENT RECEIVABLES	4,719	5,401

Deferred tax assets amounting to EUR 128 (157) thousand have not been booked from cumulative depreciation exceeding the maximum tax depreciations by EUR 0.5 (0.6) million.

NOTE 11 EQUITY, EUR 1,000

	2012	2011
Share capital 1 Jan.	2,141	2,141
SHARE CAPITAL 31 DEC.	2,141	2,141
Invested unrestricted equity fund 1 Jan.	8,488	8,488
INVESTED UNRESTRICTED EQUITY FUND 31 DEC.	8,488	8,488
Retained earnings	14,248	13,365
Dividend paid	-5,948	-5,948
Retained earnings	8,300	7,416
Operating profit for the financial year	5,708	6,832
TOTAL EQUITY	24,637	24,877
CALCULATION OF FUNDS DISTRIBUTABLE AS PROFIT 31 DEC.	2012	2011
Non-restricted equity fund	8,488	8,488
Retained earnings	8,300	7,416
Operating profit/loss for the financial year	5,708	6,832
TOTAL	22,496	22,736

NOTE 12 NON-CURRENT LIABILITIES, EUR 1,000

	2012	2011
Loans from financial institutions	7,840	7,840
Total non-current liabilities	7,840	7,840
Liabilities falling due in a period longer than five years	0	0

NOTE 13 CURRENT LIABILITIES, EUR 1,000

	2012	2011
LIABILITIES TO GROUP COMPANIES		
Trade payables	459	478
Accrued liabilities and deferred income	3,913	2,899
TOTAL LIABILITIES TO GROUP COMPANIES	4,371	3,376
LIABILITIES TO OTHERS	2012	2011
Loans from financial institutions	0	0
Advance payments	5	66
Trade payables	2,242	2,732
Other liabilities	387	372
Accrued liabilities and deferred income	1,973	3,032
TOTAL LIABILITIES TO OTHERS	4,607	6,202
TOTAL CURRENT LIABILITIES	8,978	9,578
SPECIFICATION OF ACCRUED LIABILITIES AND DEFERRED INCOME		
Salaries, wages and holiday pay, including social security expenses	1,327	2,675
Other accrued liabilities and deferred income	646	357
TOTAL ACCRUED LIABILITIES AND DEFERRED INCOME	1,973	3,032

NOTE 14 CONTINGENT LIABILITIES**Derivatives****Interest rate risk**

The Company's long-term debt is subject to interest rate risk, which is why it has fixed the rate of interest on some of its borrowings through swap agreements that extend to the years 2008–2014.

EUR 1,000	Face value	Fair market value
Interest swaps (NPV)		
Interest swaps	5,000	-164

Liabilities for which a corporate mortgage and real estate mortgages have been provided as collateral

Financial institution loans	7,840	7,840
Mortgages given on land and buildings	2,783	2,783
Corporate mortgage given	12,500	12,500
Collateral for Group companies		
Credit limit guarantee	0	0

The pension liabilities are covered via the insurance company as prescribed by legislation.

NOTE 15 LEASING, RENTAL AND OTHER LIABILITIES, EUR 1,000

	2012	2011
LEASING LIABILITIES		
Falling due in 2012	61	45
Falling due later	39	38
RENTAL LIABILITIES		
Falling due in 2012	0	0
Falling due later	0	0
OTHER LIABILITIES	6	25

NOTE 16 SHARE OWNERSHIP**Distribution of share ownership on 31 December 2012**

Private companies
Financial and insurance institutions
Public sector entities
Non-profit organizations
Households
Foreign
Of which, nominee registration

%

13.5
25.3
6.7
2.5
19.1
29.7
3.2

Distribution of share ownership on 31 December 2012

Shares	Number of shareholders	Percentage of shareholders	Total number of shares	Percentage of total number of shares
1–1,000	2,348	85.51	676,767	5.69
1,001–10,000	338	12.31	968,270	8.14
10,001–50,000	30	1.09	635,300	5.34
over 50,000	30	1.09	9,616,506	80.83

NOTE 17 SHAREHOLDERS**Information on shareholders on 31 December 2012**

Shareholder	Number of shares	Percentage of shares and votes
Nordstjernan AB	3,496,506	29.4
Ilmarinen Mutual Pension Insurance Company	689,400	5.8
OP-Suomi Small Cap Investment Fund	589,950	5.0
Ulkomarkkinat Oy	480,000	4.0
Fondita Nordic Micro Cap Investment Fund	450,000	3.8
Veikko Laine Oy	395,796	3.3
Alfred Berg Finland Investment Fund	390,011	3.3
Matti Suutarinen	291,400	2.4
Mutual Fund Evli Finnish Equity	281,567	2.4
Aktia Capital Investment Fund	250,000	2.1
Nominee registration	383,384	3.2
Other	4,198,829	35.3
TOTAL	11,896,843	100.0

NOTE 18 MANAGEMENT INTERESTS

The aggregate holding of the members of Board of Directors and the President was 113,864 shares on 31 December 2012. This accounts for 0.96% of corporate shares and 0.96% of the votes carried by all shares. The members of the Board of Directors and the President do not have any unsubscribed option rights.

NOTE 19 SHARE ISSUE AND OPTION PROGRAMS

On 29 March 2012 the Annual General Meeting authorized the Board of Directors to acquire the Company's own shares by using unrestricted equity. The maximum amount to be acquired is 600,000 shares. The authorization shall also contain an entitle-

ment for the Company to accept its own shares as pledge. The number of shares that can be acquired or held as pledges by the Company on the basis of this authorization shall not exceed one tenth (1/10) of all outstanding shares of the Company. The authorization is valid until the next Annual General Meeting.

On 31 March 2010 the Annual General Meeting authorized the Board of Directors to issue a maximum of 2,400,000 new shares and convey a maximum of 600,000 own shares. By virtue of the authorization, the Board of Directors also has the right to grant option rights, convertible bonds and/or special rights referred to in Chapter 10, Section 1 of the Companies Act. The authorization is valid until 31 March 2013.

These authorizations have not been exercised during the year.

NOTE 20 SHARE PRICE AND TRADING

Share price (EUR)	2008	2009	2010	2011	2012
Average price	5.92	4.08	5.86	8.10	7.05
Lowest price	2.41	2.37	5.00	6.75	5.55
Highest price	12.20	6.20	7.25	9.40	8.79
Share price at the end of financial year	2.72	5.39	7.06	7.65	5.90
Market capitalization, EUR million	32.4	64.1	84.0	91.0	70.2
Share trading					
Number of shares traded	1,653,992	3,522,974	2,298,611	1,381,139	944,978
% OF TOTAL	13.9	29.6	19.3	11.6	7.9
Number of shares adjusted for share issues					
Average number	11,896,843	11,896,843	11,896,843	11,896,843	11,896,843
Number at end of financial year	11,896,843	11,896,843	11,896,843	11,896,843	11,896,843

Exel Plc's share was quoted on Helsinki Stock Exchange I List from 19 October 1998 to 1 May 2000. As from 2 May 2000, Exel Plc's share has been quoted on Helsinki Exchange Main List. Exel Plc's share was split on 21 April 2005. Exel Composites Plc's share is quoted on NASDAQ OMX Helsinki Ltd's Nordic List.

NOTE 21 KEY INDICATORS

Key indicators illustrating financial trends

Figures given in EUR 1,000 (unless otherwise stated)	2008 IFRS	2009 IFRS**	2010 IFRS**	2011 IFRS**	2012 IFRS**
Net sales	84,921	70,005	72,872	85,136	75,998
Operating profit	8,593	7,990	9,430	11,082	3,399
% of net sales	10.1	11.4	12.9	13.0	4.5
Profit before extraordinary items	5,590	7,970	8,936	10,798	2,971
% of net sales	6.6	11.4	12.3	12.7	3.9
Profit before provisions and income taxes	5 590	7 970	8 936	10,798	2,971
% of net sales	6.6	11.4	12.3	12.7	3.9
Total assets	59,275	57,303	56,885	57,046	51,502
Return on equity %	-14.7	31.3	23.3	23.5	6.1
Return on capital employed, %	0.00	20.9	21.8	26.1	8.4
Equite ratio, %	28.2	44.6	57.4	61.6	61.0
Net gearing, %	123.9	23.7	-4.3	-5.00	-3.4
Capital expenditure	1,765	1,440	1,570	3,208	2,846
% of net sales	2.1	2.1	2.2	3.8	3.7
Research and development costs	1,361	1,407	1,312	1,639	1,606
% of net sales	1.6	2.0	1.8	1.9	2.1
Average personnel	527	436	404	428	431
Personnel at year end	470	419	408	428	431
Share data					
Earnings per share (EPS), EUR	0.34	0.50	0.57	0.67	0.17
Adjusted earnings per share (EPS), EUR*	0.34	0.50	0.57	0.67	0.17
Equity per share, EUR	1.4	2.15	2.73	2.95	2.64
Dividend per share, EUR	0.00	0.25	0.50	0.50	0.30
Payout ratio, %	0.00	50.00	87.80	74.90	175.8
Effective yield of shares, %	0.00	4.64	7.08	6.54	5.08
Price/earnings (P/E), %	8.00	10.79	12.40	11.45	34.57

* Adjusted for the dilution of option rights

** From continuing operations

Return on equity %

profit before extraordinary items, provisions and income taxes less income taxes

$$\frac{\text{profit before extraordinary items, provisions and income taxes less income taxes}}{\text{equity + minority interest + voluntary provisions and depreciation difference less deferred tax liabilities (average)}} \times 100$$

Return on investment %

profit before extraordinary items, provisions and income taxes + interest and other financial expenses

$$\frac{\text{profit before extraordinary items, provisions and income taxes + interest and other financial expenses}}{\text{total assets less non-interest-bearing liabilities (average)}} \times 100$$

Solvency ratio %

equity + minority interest + voluntary provisions and depreciation difference less deferred tax liabilities

$$\frac{\text{equity + minority interest + voluntary provisions and depreciation difference less deferred tax liabilities}}{\text{total assets less advances received}} \times 100$$

Net gearing %

net interest-bearing liabilities (=interest-bearing liabilities less liquid assets)

$$\frac{\text{net interest-bearing liabilities (=interest-bearing liabilities less liquid assets)}}{\text{equity}} \times 100$$

Earnings per share (EPS) EUR

profit before extraordinary items, provisions and income taxes less income taxes +/- non-controlling interest

$$\frac{\text{profit before extraordinary items, provisions and income taxes less income taxes +/- non-controlling interest}}{\text{average adjusted number of shares in the financial period}} \times 100$$

Equity per share EUR

equity + voluntary provisions + depreciation difference less deferred tax liabilities and minority interest

$$\frac{\text{equity + voluntary provisions + depreciation difference less deferred tax liabilities and minority interest}}{\text{adjusted number of shares on closing date}}$$

Dividend per share EUR

dividend for the financial period

$$\frac{\text{dividend for the financial period}}{\text{adjusted number of shares on closing date}}$$

Payout ratio %

dividend per share

$$\frac{\text{dividend per share}}{\text{earnings per share (EPS)}} \times 100$$

Effective yield of shares %

dividend per share x 100

$$\frac{\text{dividend per share} \times 100}{\text{adjusted average share price at year end}}$$

Price/earnings (P/E) %

adjusted average share price at year end

$$\frac{\text{adjusted average share price at year end}}{\text{earnings per share}} \times 100$$

Exel Composites Plc's distributable funds are EUR 22,495,556.78 of which profit for the financial period accounts for EUR 5,707,973.19.

The Board proposes that the profit funds be distributed as follows:

• a dividend of EUR 0.30 per share	3,569,052.90
• carried over as equity	18,926,503.88
	<hr/>
	22,495,556.78

Vantaa, 14 February 2013

Peter Hofvenstam
Chairman

Heikki Hiltunen

Göran Jönsson

Reima Kerttula

Heikki Mairinoja

Vesa Korpimies
President and CEO

Our auditor's report has been issued today.

Vantaa, 14 February 2013

Ernst & Young
Authorized Public Accountants

Juha Hilmola
Authorized Public Accountant

To the Annual General Meeting of Exel Composites Plc

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Exel Composites Plc for the financial period 1.1.–31.12.2012. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the Company's accounts and finances, and the Managing Director shall see to it that the accounts of the Company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company and the Managing Director are guilty of an act or negligence which may result in liability in damages towards the Company or violated the Limited Liability Companies Act or the articles of association of the Company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the

assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the Company's financial statements and the report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Opinions based on the decision of the Board of Directors

We support that the financial statements should be adopted. The proposal by the Board of Directors regarding the use of the profit shown in the balance sheet is in compliance with the Limited Liability Companies Act. We support that the members of the Board of Directors of the parent company and the Managing Director should be discharged from liability for the financial period audited by us.

Vantaa, 14 February 2013

Ernst & Young Oy

Authorized Public Accountant Firm

Juha Hilmola

Authorized Public Accountant

Summary of the stock exchange releases published in 2012

5 JANUARY 2012

Exel Composites' Group Management Team reinforced – Kim Sjö Dahl appointed SVP Product and Technology Development

16 JANUARY 2012

Exel Composites Plc's annual summary for 2011

10 FEBRUARY 2012

Invitation to Exel Composites' press conference

17 FEBRUARY 2012

Exel Composites Plc's financial statements release 2011

1 MARCH 2012

Notice to Exel Composites Plc Annual General Meeting

2 MARCH 2012

Exel Composites Annual Report 2011 and Corporate Governance Statement published

29 MARCH 2012

Decisions of the Annual General Meeting of Exel Composites Plc, 29 March 2012

27 APRIL 2012

Invitation to Exel Composites' press conference

4 MAY 2012

Exel Composites Plc's interim report for January 1 – March 31, 2012

4 JUNE 2012

Exel Composites Plc's Board of Directors has resolved on a new long-term incentive program for the Company executives

19 JUNE 2012

Co-determination negotiations to be started in the Finnish units of the Exel Composites Group

12 JULY 2012

Co-determination negotiations concluded in the Finnish units of the Exel Composites Group

25 JULY 2012

Exel Composites Plc's interim report for January 1 – June 30, 2012

19 OCTOBER 2012

Invitation to Exel Composites' press conference

26 OCTOBER 2012

Co-determination negotiations to be started at Exel Composites Group's Joensuu unit

26 OCTOBER 2012

Exel Composites Plc Interim Report for January 1 – September 30, 2012

26 OCTOBER 2012

Exel Composites' financial calendar and Annual General Meeting in 2013

1 NOVEMBER 2012

Correction to Exel Composites' financial calendar and Annual General Meeting in 2013

23 NOVEMBER 2012

Co-determination negotiations concluded in the Joensuu unit of the Exel Composites Group



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