Annual Financial Report 2021

FOR FORWARD THINKERS

INFORMATION TO SHAREHOLDERS

Financial reporting and Annual General Meeting 2022

Exel Composites publishes the following financial reports in 2022:

- Financial Statements Release 2021: 15 February 2022
- Business Review January-March: 29 April 2022
- Half-year Financial Report January-June: 20 July 2022
- Business Review January-September: 3 November 2022

The Annual Financial Report, Corporate Governance Statement and Remuneration Report for 2021 are available at the company's website www.exelcomposites.com.

The Annual General Meeting will be held on 25 March 2022 at 9:30 EET in Exel Composites' premises at Mäkituvantie 5, 01510 Vantaa, Finland. Shareholders of the company may participate in the meeting and exercise their shareholders' rights only through a proxy representative and by submitting counterproposals and questions in advance. Proxy representatives must see to the voting in advance on behalf of shareholders.

After the Annual General Meeting, on 25 March 2022 at 10:00 EET, Exel Composites will hold an online event for shareholders, where the resolutions made at the General Meeting and the review by the President and CEO will be presented. Instructions to register to this event are presented in the notice to Exel Composites' Annual General Meeting under Section C item 5 and at the company's website www.exelcomposites.com.

Dividend proposal

The Board proposes to the Annual General Meeting that a dividend of EUR 0.20 per share be paid based on the adopted financial statements for the financial year ended on 31 December 2021. The Board proposes that the dividend be paid in two installments.

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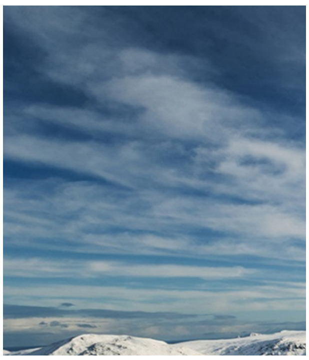
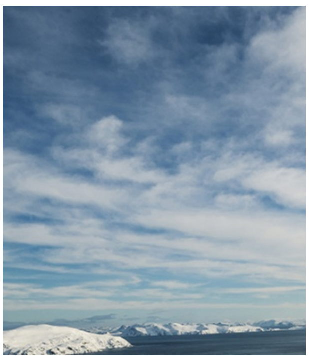
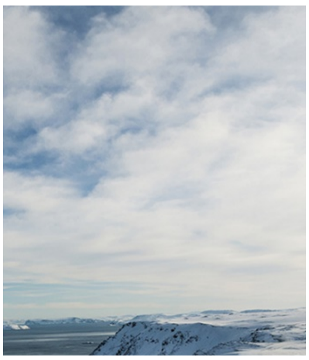


CONSOLIDATED FINANCIAL STATEMENTS



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



PARENT COMPANY FINANCIAL STATEMENTS

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

EXEL COMPOSITES IN BRIEF

At Exel Composites, we use over 60 years' experience to solve challenges and help customers save resources. Our forward-thinking composite solutions made with continuous manufacturing technologies serve customers in a wide range of industries around the world. You can find our products used in applications from wind power and transportation to building and infrastructure.

Our collaborative approach and global footprint set us apart from our competition. We use our expertise to help customers reduce weight, improve performance and energy efficiency and decrease total lifetime costs. We want to be the first choice for sustainable composite solutions globally.

Headquartered in Finland, Exel Composites employs approximately 700 forward-thinking professionals around the world and is listed on Nasdaq Helsinki. To find out more about our offering and company please visit **www.exelcomposites.com**.

Exel Composites as an investment

Optimally positioned within a growing market

With our efficient, continuous production technologies, we answer to the growing demand for composite materials. This demand is driven by global megatrends, such as sustainability, urbanization and total life cycle cost management.

Technology leadership creates competitive advantage

Our leading expertise in a variety of composite production technologies and raw materials allows us to solve our customers' challenges. We continuously perfect our offering with over 60 years of R&D experience.

Global operations enable global customers

We are the only company within our industry with manufacturing, R&D and sales presence in all main market areas. This sets us ahead of our competitors.

Diversified portfolio reduces risk

Diversified customer industries and regional presence reduces the volatility of our sales. Our business model, based on tailored products, supports customer commitment. Typically, our customer relationships span over a decade.

Sustainability at the core of our business

We provide sustainable composite solutions that help our customers save resources and mitigate climate change. Composites' unique properties, such as lightness and durability, provide for longer life cycles and improved performance, lowering thus the negative impacts of the end-product on the environment.

Why composites?

Trends driving our future

Rapid urbanization:
smarter cities and infrastructure

Climate change:
sustainability and a circular economy

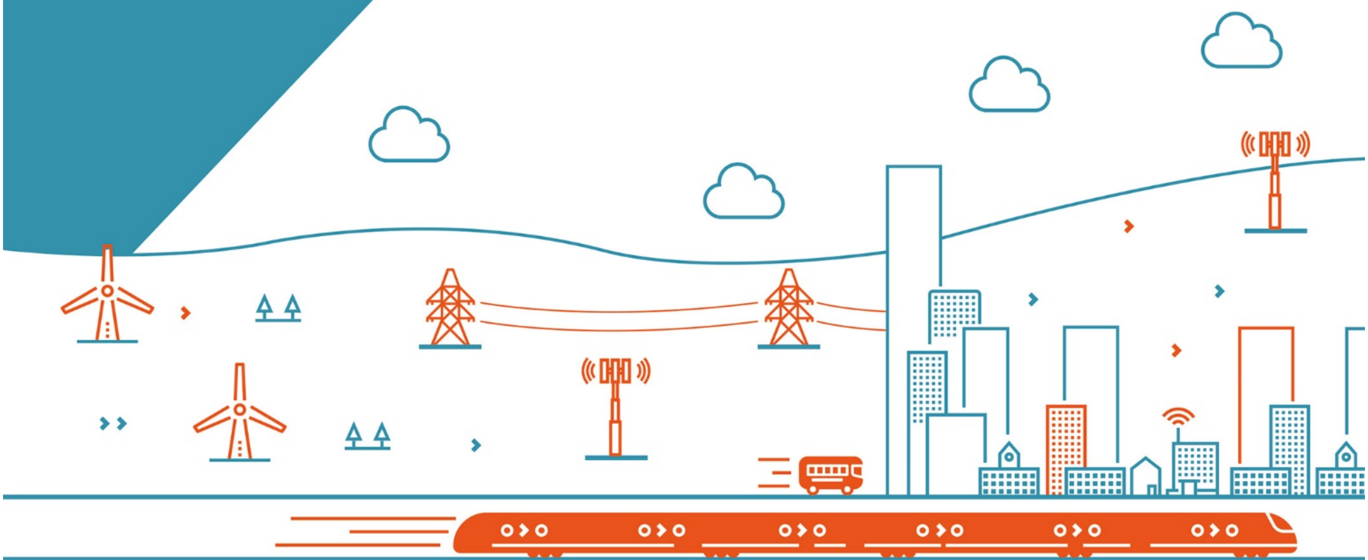
Longer lifecycles:
better efficiency, decreased cost, higher ROI

Stronger, lighter and stiffer solutions are needed to meet these trends

Our purpose is to solve challenges and save resources with composites

Our vision is to be the first choice for sustainable composite solutions globally

Exel is for forward thinkers



We are led by five values:

Customer focused

Integrity

One Exel

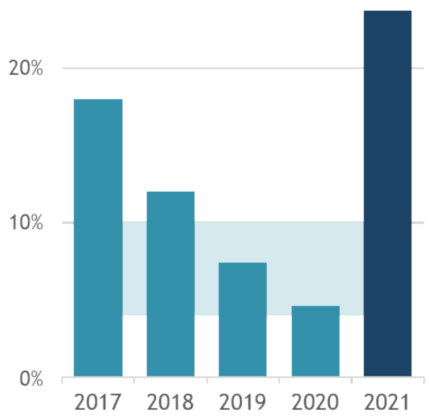
Caring

Innovative

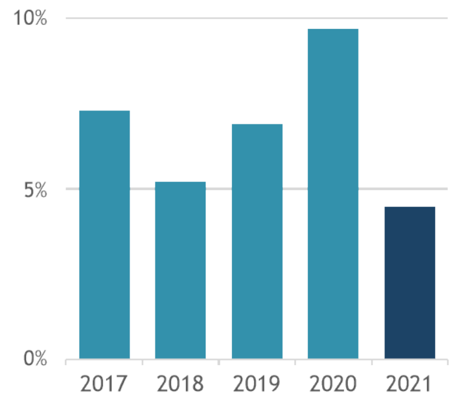
Our long-term financial targets

Financial targets are considered over a business cycle. Potential acquisitions may impact the long-term financial targets. According to the company's dividend policy, Exel Composites' ambition is to distribute a minimum of 40% of net income in dividends, when permitted by the financial structure and growth opportunities.

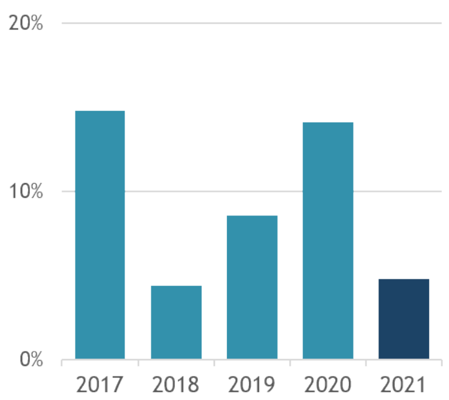
Growth
Revenue growth 2x market growth[1)]



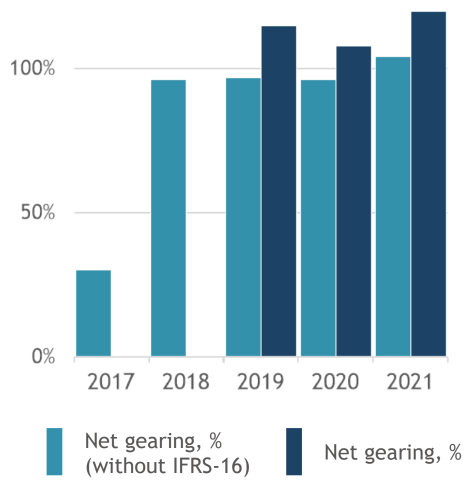
Profitability
Adjusted operating profit margin >10%



Capital efficiency
Return on capital employed > 20%



Financial position
Net gearing ≤ 80%

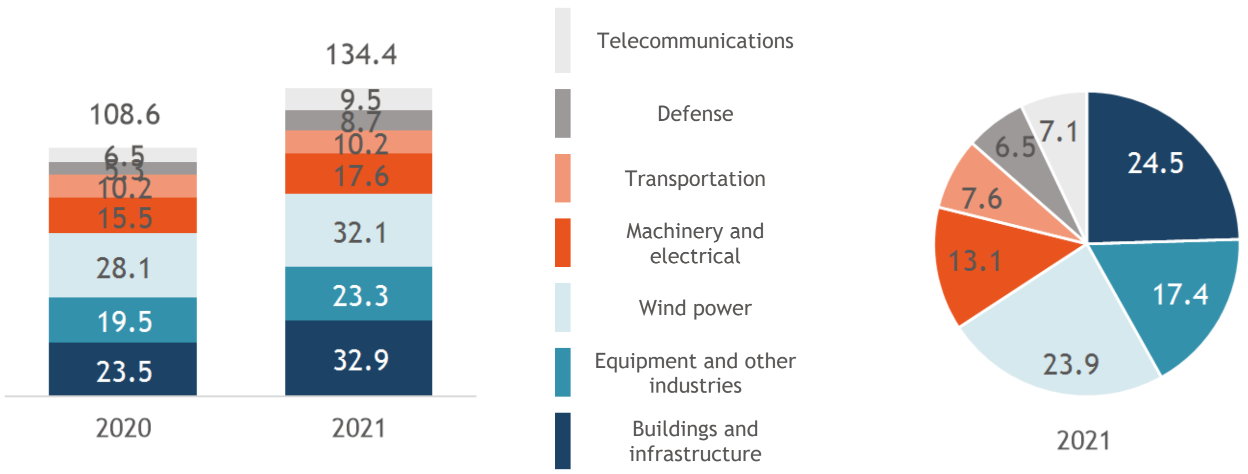


1) The average annual growth rate estimated for the global composites market is, according to customer industry, region and source, between 2%-5% in volume in the coming years.

Revenue distribution in 2021

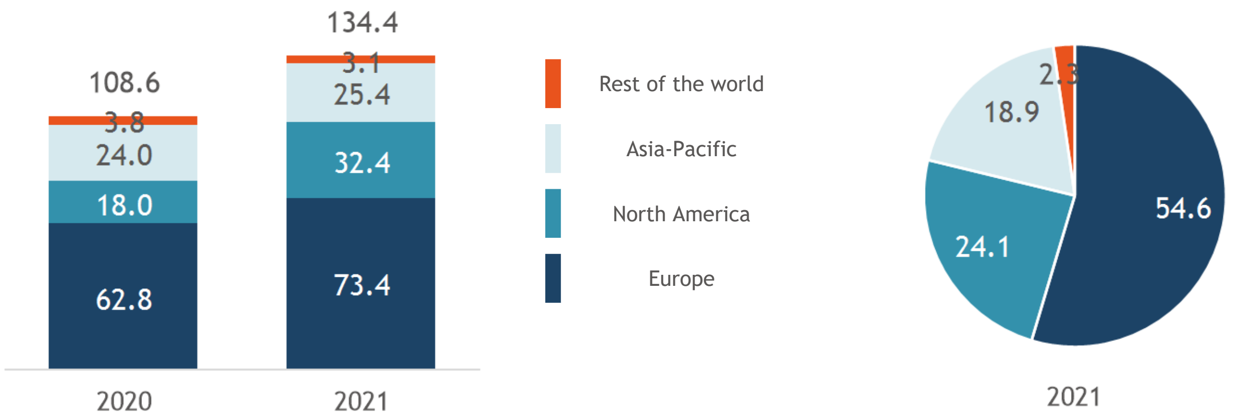
Revenue by customer industry
EUR million

Share of revenue by customer industry
%



Revenue by region[1)]
EUR million

Share of revenue by region[1)]
%



[1)] Revenue by customer location, not by the location of the manufacturing Exel Composites business unit.

CEO REVIEW

The year 2021 was two-fold for Exel. Whereas revenue increased significantly and order backlog at the end of the year was strong, adjusted operating profit declined compared to the previous year.

Despite strong growth, Group profitability declined due to the poor financial performance of Exel USA in the second half of the year. The lowered profitability was due to the ramp-up of a specific carbon fiber Wind Power product, produced in high volumes in our factory in the United States. Challenges related especially to the recruitment, learning curve and employee turnover, impacted also by the Covid-19 pandemic. Due to the poor performance, we made an impairment of EUR 1.8 million in the third quarter related to the unit's intangible assets. In the fourth quarter, the Group profitability already improved from the previous quarter, as expected, but was nevertheless below the same period in the previous year.

Revenue increased significantly in 2021 across all our customer industries apart from Transport, where revenue was flattish compared to 2020. Supported particularly by the strong growth of the conductor core application, the Buildings and Infrastructure customer industry bypassed Wind Power as our largest customer industry in 2021. The growth ratio in Defense was the highest of our customer industries, where camouflage net support poles continued to drive growth. Telecommunication applications such as antenna radomes also made a positive contribution to Group revenue after low volumes in the past few years. Geographically, revenue grew across all our key regions during the year and growth was particularly strong in Europe and North America.

The Covid-19 pandemic continued to cause some uncertainty in the global business environment, but

overall demand for our solutions recovered across our customer industries. Our factories operated almost without disruptions throughout the year despite pandemic related challenges in raw material availability. Material and logistics costs increased throughout 2021 and we continue to adjust our sales prices to offset the increase in costs.

During the year, we made good progress executing our growth strategy. The joint venture with Kineco Group, established in October, is an important steppingstone for us to enter the fast-growing Indian composites market. While the joint venture is still in its early phases, the collaboration has started well, and we see good growth potential and opportunities in the market. In the new manufacturing facility in Austria production started smoothly and as planned in the beginning of the year. The increased production capacity will respond to the long-term demand in Central Europe. The new state-of-art facility uses more production automation to ensure, for example, improved resin mixing accuracy. The new facility is noteworthy also from a sustainability point of view: energy efficiency, emissions, waste management as well as health and safety issues, have been widely considered already throughout the design phase. The site has an energy efficiency rating of A+.

Sustainability has an increasingly strategic role in Exel's business, and it is our vision to be the first choice for sustainable composite solutions globally. Our key contribution to sustainability is to help our customers to save resources. Properties such as lightness, energy efficiency, durability, and the need for less maintenance and replacement make composites environmentally friendly. Increasing sustainability focus also increases the demand for composites. In 2021, our sustainability work concentrated on further developing the fundaments of the Group sustainability, and this work continues in 2022.

A warm thank you to all Exel employees for the hard work and to our customers and other stakeholders for the continued cooperation and trust in the past year!

Riku Kytömäki
President and CEO

"Our joint venture with Kineco Group is an important steppingstone for us to enter the fast-growing Indian composites market."

BOARD OF DIRECTORS' REPORT

Business model

Exel Composites provides forward-thinking composite solutions made with continuous manufacturing technologies to customers in a wide range of industries around the world. Our products are used in several industries from the cleaning equipment industry to power generation and transmission. Our competitive edge and core expertise lies in chemistry, materials science as well as cost-efficient manufacturing processes.

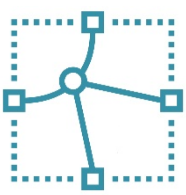
Composites are materials composed of two or more component materials that do not mix. In Exel Composites' vocabulary, composites mean fiber reinforced plastics. We predominantly use glass and carbon fibers as reinforcements of a resin, which in more technical terms is called a matrix. Different types of resins can be used as a matrix, and additives, such as colorants, UV-stabilizers, or anti-bacterial additives, can be used for additional properties. Combining different types of reinforcements and matrix materials gives the desired chemical, physical or mechanical properties to the resulting composite.

The products manufactured by Exel Composites are most often components of the customer's end-product, manufactured in high volumes. The product portfolio includes, for example, profiles, tubes, and laminates, which are almost without exception customer specific.

Products are designed in close dialogue with the customer and according to their mechanical design to solve one or more specific challenges, be it achieving a lighter, stronger, or stiffer solution. This high level of customization increases customer commitment and is reflected in Exel's typically long-term customer relationships.

The main manufacturing technology utilized by Exel is pultrusion, where resin-impregnated fibers are pulled through a mold and hardened with heat. The final products are cut to a specified length or wound on a roll at the end of the production line. Other key methods include pullwinding, which is a combination of pultrusion and filament winding, as well as continuous lamination. Production efficiency is high in all these technologies due to continuous and high-volume production. These manufacturing technologies are applicable to diverse, straight shapes from poles and tubes to profiles with complex cavities. Exel also has further processing capabilities to supply complete composite solutions including machining and coating. Exel's strategy includes expanding into new and growing production technologies as well as into new and growing applications where composite materials can be used and where their unique characteristics are beneficial.

Exel Composites in the value chain



SUPPLY CHAIN

- Raw material producers
- Suppliers of indirect materials
- Service providers

Example
Fiber providers from which Exel buys reinforcement fibers necessary for the manufacturing process

MANUFACTURING

- Pultrusion
- Pullwinding
- Filament winding
- Continuous lamination

Further processing:
- Machining
- Painting
- Coating

CUSTOMER

- Original equipment manufacturers
- System integrators
- Distributors

Example
A machine builder that buys composite parts manufactured by Exel, installs them into a machine, which is then sold to a paper mill

END USER

- User of the final product

Example
A forestry company that produces paper or cardboard in its factory

Climate-related risks and opportunities impact Exel Composites' business model on various levels. Exel actively aims to reduce the negative impact of its own operations on climate and the environment. The composites we produce also help reduce the environmental impact of the end-product. For us and for our customers, this is an opportunity to contribute to the mitigation of climate change.

Market environment

The composites market is fragmented. Whereas Exel Composites is not a large company, it is nevertheless a leading company in the field of pultrusion and the only pultrusion company with significant presence on all major markets: Europe, Asia, and North America. This global presence differentiates Exel from its competitors and enables head-to-head competition with global suppliers of traditional materials. According to industry associations, such as JEC, the annual volume of composites of approximately USD 80 billion is only about 1% of the huge global materials market, which is dominated by steel, plastic, and aluminum. The pultruded composites market represents less than 5% of the total composites market. Exel sees growth potential for composites as a material as well as for pultrusion as a production technology within the composites market. The global composites market grew in 2021 and the market size in volume was brought back close to the pre-pandemic level of 2019. Growth is estimated to continue at approximately 2%–5% per year in the coming years, depending on the region.

Geographically, Asia and specifically China are the largest and the fastest-growing markets globally. China remains a focus area for us even though recent economic and political uncertainty connected with the country has slightly reduced the market's growth rate expectations. India is another fast-growing market in Asia, where local supply is considered important and where Exel established a joint venture in 2021. The North American market is the second largest composites market globally in terms of value and growth. Growth is expected to be slower in the mature European market, which already today is smaller than Asia or North America.

Exel Composites' customers are typically original equipment manufacturers, system integrators or distributors. Our customer industries are: Buildings and Infrastructure, Equipment and Other industries, Wind Power, Machinery and Electrical, Transportation, Defense and Telecommunications. Our business portfolio that is diversified across a variety of customer industries and regions, reduces the impact of sudden fluctuations in demand within the portfolio. The factors and time span driving demand differ between customer industries as well as regions.

In 2021, the Covid-19 pandemic continued to cause uncertainty in the global business environment. While demand recovered and order intake was strong, challenges with raw material availability as well as material and logistics costs impacted Exel's business in 2021.

In the long-term, interest towards composite materials is steadily growing, supported by global megatrends such as rapid urbanization, sustainability, and longer life cycles. The main benefits of composites include lightness, energy efficiency, durability and the need for less maintenance and replacement. For example, increased energy efficiency requirements within the transportation industry and the increased utilization of anti-corrosive materials in the construction industry drive the increased use of composites. Exel's ambition is to leverage on these trends and mitigate the negative impacts of climate change by offering its customers sustainable composite products that respond to this demand.

Order intake and order backlog

Order intake for the financial year 2021 was EUR 140.6 million (115.4), which is an increase of 21.8% compared to the previous year. The Group's order backlog on 31 December 2021 increased to EUR 41.6 million (36.5).

Revenue

Group revenue for the financial year 2021 amounted to EUR 134.4 million (108.6) and increased by 23.7% compared to the previous year. Revenue was impacted by effects of delivery volumes by 6.9%, sales mix by 16.9%, exchange rates by -0.2% and acquisitions by 0.2%.

Revenue increased significantly in 2021 across all our customer industries apart from Transport, where revenue was flattish compared to 2020. Supported particularly by the strong growth of the conductor core application, the Buildings and Infrastructure customer industry bypassed Wind Power as our largest customer industry in 2021. The growth ratio in Defense was the highest of our customer industries, where camouflage net support poles continued to drive growth. Telecommunication applications such as antenna radomes also made a positive contribution to Group revenue after low volumes in the past few years. Geographically, revenue grew across all our key regions during the year and growth was particularly strong in Europe and North America.

Operating profit

Operating profit in 2021 decreased to EUR 3.7 million (9.4), 2.8% (8.7) of revenue. Adjusted operating profit was EUR 6.0 million (9.7), 4.5% (8.9) of revenue. Group profitability declined due to the poor financial performance of Exel USA in the second half of the year. The lowered profitability was due to the ramp-up of a specific carbon fiber Wind Power product, produced in high volumes in our factory in the United States. Challenges related especially to the recruitment, learning curve and employee turnover, impacted also by the Covid-19 pandemic.

Items affecting comparability amounted to a total of EUR 2.3 million (0.3). During 2021, Exel Composites received no Covid-19 related financial assistance under any local governmental schemes, whereas in 2020 approximately EUR 0.8 million were received.

The Group's net financial income/expenses in 2021 were EUR 0.4 million (-2.3). Profit before taxes was EUR 4.2 million (7.1) and profit after taxes EUR 1.7 million (5.4).

Adjusted operating profit

EUR thousand	2021	2020
Operating profit	**3,744**	**9,417**
Restructuring costs	0	0
Impairment losses and reversals	1,797	0
Costs related to planned or realized business acquisition and disposal	332	291
Sale of intangible and tangible assets	0	0
Expenses related to changes in legislation or legal proceedings	155	0
Adjusted operating profit	**6,029**	**9,708**

Financial position

Net cash flow from operating activities for the financial of 2021 was EUR 6.3 million (14.0). The capital expenditure on fixed assets amounted to EUR 9.9 million (13.2). Net cash flow from investing activities amounted to EUR -11.9 million (-12.8) and net cash flow before financing activities amounted to EUR -5.6 million (1.2). At the end of the reporting period, the Group's liquid assets stood at EUR 15.6 million (12.0). Total depreciation, amortization and impairment of non-current assets during the financial year amounted to EUR 8.2 million (5.9).

On 31 December 2021, the Group's consolidated total assets were EUR 117.7 million (96.8). Interest-bearing liabilities, including lease liabilities, amounted to EUR 53.0 million (43.1). Net interest-bearing liabilities were EUR 37.4 million (31.2). Current interest-bearing liabilities totaled EUR 37.4 million. EUR 35.5 million of current interest-bearing liabilities were commercial papers. To secure the payment of commercial papers, on 31 December 2021 the company had unused, non-current (over 12 months) revolving credit facilities for EUR 40.0 million.

On 31 December 2021, equity was EUR 31.2 million (28.9) and equity ratio 26.8% (30.2). Net gearing ratio was 119.9% (107.9). Fully diluted total earnings per share were EUR 0.14 (0.45). Return on capital employed was 4.8% (14.1). Return on equity was 5.5% (19.5).

On 1 April 2021, Exel Composites paid the final payment related to the acquisition of Nanjing Jianhui Composite Materials in 2017, totaling EUR 3.8 million. The total acquisition price of the company thus amounted to EUR 8.8 million. The acquisition price paid matched rather accurately the original estimate published in October 2016, even though the variable component of the total acquisition price was reagreed with the seller in 2018 to be higher. The increase was of the same magnitude as the reduction of the purchase price due to a decline in working capital between the October 2016 estimate and the April 2017 actual at closing of the transaction.

The company paid total dividends of EUR 2.4 million (2.1) in 2021 for the financial year of 2020 calculated for the outstanding number of shares. Dividend per share for the financial year 2020 was EUR 0.20 (0.18), which was 44.1% of net income and thus in line with the dividend policy.

Research and development

Research and development costs in 2021 totaled EUR 3.3 million (2.9), representing 2.5% (2.7) of revenue.

Business development and strategy implementation

In June 2021, the Board of Directors conducted its annual strategy review and reconfirmed Exel Composites' strategy. The main strategic focus areas as well as the company's long-term financial targets and dividend policy remained unchanged. Exel long-term financial targets include revenue growth exceeding twice the market growth, adjusted operating profit margin exceeding 10%, return on capital employed exceeding 20%, and net gearing at approximately 80% or below.

Exel Composites' strategy is based on scalable applications, chosen growth initiatives, expanding our global footprint and technology offering, and on improving operational efficiency.

An important milestone in the implementation of our growth strategy in 2021, was the establishment of the joint venture with Kineco Group in India, which was announced in October. Exel Composites has a 55% ownership in the new company, Kineco Exel Composites India, which operates from an existing pultrusion manufacturing facility located in Goa. The investment is strategically important to Exel as it provides direct access to the fast-growing Indian composites market. The transaction was completed in October 2021.

Production in the new manufacturing facility in Austria started smoothly and as planned in the beginning of 2021. The additional production capacity from the new facility will, in line with our growth strategy, respond in the long-term to increasing demand in Central Europe and strengthen Exel's position in this market area. It also enables leveraging the Austrian unit's strong R&D capabilities and university cooperation.

Other strategic priorities during the year included operational efficiency and profitability improvements in the Group manufacturing units and focusing on growth initiatives. The strategic role of sustainability was further emphasized as a part of Exel's business and operations.

Exel Composites' strategy

Vision

TO BE THE FIRST CHOICE FOR SUSTAINABLE COMPOSITE SOLUTIONS GLOBALLY

FOCUSED GROWTH AREAS

Protect and grow strongholds

- Multiply existing applications to new customers
- Gain knowledge and improve efficiency in focus applications

Create true global footprint

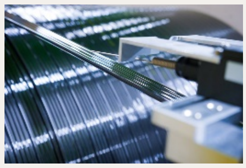
- Establish sales coverage in new areas
- Grow supply and service to new market areas
- Utilize global footprint as value add

Build leadership in China

- Increase domestic and export sales
- Create value offering for mid-segment
- Expand R&D and manufacturing capacity

Penetrate growing / new applications

- Solutions for wind power, transportation, building and infrastructure
- Penetrate mid-segment



Growth in new technologies

- Increase secondary processing and vertical integration offering
- Invest in new composite technologies

Foundation built on company values:

CUSTOMER FOCUSED ◆ INTEGRITY ◆ ONE EXEL ◆ CARING ◆ INNOVATIVE

Impacts of the Covid-19 pandemic in 2021

Operations

In 2021, all our factories operated close to normal and following most of the previous safety measures implemented to prevent the spread of the Covid-19 pandemic.

Despite the continued challenges with global logistics and availability in many raw material categories, operations continued almost normally.

The health and safety of our employees, customers and business partners are a priority for Exel Composites. All units continued with tightened Group and business unit level safety and hygiene instructions in accordance with the instructions of local health authorities. Remote work and online meetings were preferred and outsider visits to sites were reduced to minimum. Internal communication on Covid-19 related concerns continued in various channels.

We continue to monitor the situation closely and maintain a continuous interaction and dialogue with our customers, suppliers, and business partners to ensure timely reaction.

Financial standing

Despite some uncertainty among our customers, underlying demand across all customer industries improved during the financial year compared to the previous year.

The Group's liquidity and cash situation during the year was good, and the Covid-19 pandemic has had limited impact on Group liquidity.

Exel conducted an impairment testing in the second half of 2021. The testing resulted in an impairment in the intangible assets of EUR 1.8 million related to the business unit in the United States.

During 2021, Exel Composites received no Covid-19 related financial assistance under any local governmental schemes, whereas in 2020 approximately EUR 0.8 million were received.

Major near-term risks and uncertainties

Exel Composites' most significant near-term business risk is related to customer concentration, where a notable portion of revenue comes from certain key customers.

In the short-term, the Covid-19 pandemic has continued to cause uncertainty in the global business environment. While demand has recovered in most our customer industries, challenges experienced in 2021 related to raw material availability, material and logistics costs, as well as recruitment in specific regions, may extend and impair our competitiveness and profitability.

The company has made significant investments in the recent years. The future estimates made at the time of these investments and acquisitions may not materialize as planned, which may trigger a need to adjust the values of the purchased assets in the company's balance sheet.

The risk management and risks related to the operation of Exel Composites are described in detail in the Corporate Governance Statement for 2021 and at the company's website www.exelcomposites.com.

Governance and AGM 2021

The Annual General Meeting, AGM, of Exel Composites held on 23 March 2021 approved the Board of Directors' proposal to distribute a dividend of EUR 0.20 per share for the financial year 2020. The dividend was paid on 31 March 2021.

The AGM 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 30 June 2022.

The AGM re-elected Petri Helsky, Reima Kerttula, Helena Nordman-Knutson, Jouko Peussa and Kirsi Sormunen as members of the Board of Directors. Furthermore, the AGM re-elected Reima Kerttula as Chairman of the Board of Directors.

Ernst & Young, Authorized Public Accountants, with Johanna Winqvist-Ilkka, APA, as principal auditor, were elected to serve as company auditor in the AGM in 2021.

In 2021, the Nomination Board comprised persons nominated by the four largest shareholders as of 30 September 2021: Kalle Saariaho (OP Fund Management Company), Malin Björkmo (Handelsbanken Fonder), Caroline Sjösten (Swedbank Robur Fonder), Petteri Vaarnanen (Sp-Fund Management Company) and Reima Kerttula, Chairman of the Board of Directors, as an expert member. The AGM of Exel Composites has elected a permanent Shareholders' Nomination Board, the purpose of which is to prepare proposals concerning the Board members and their remuneration for the General Meeting.

At the end of 2021, the Group Management Team of Exel Composites consisted of the following persons: President and CEO Riku Kytömäki, CFO Mikko Kettunen, SVP Operations Callum Gough, SVP Human Resources Tiina Bies, SVP Business Unit Manager, Belgium Kari Loukola, SVP Business Development Mikko Rummukainen, SVP R&D

and Technology Kim Sjödahl and SVP Sales and Marketing Olli Tevä.

Organization and personnel

On 31 December 2021, Exel Composites employed 753 (674) people, of whom 268 (233) in Finland and 485 (441) in other countries. The average number of employees during the financial year was 715 (665).

Remuneration

Exel Composites' short-term incentive program covers all employees. The President and CEO, the Group Management Team and office employees alike are entitled to a performance-based annual bonus in addition to their fixed salary. The performance measures of the annual bonus plan are tied to the achievement of annually established goals emphasizing growth and profitability as well as possible individual targets. Production employees are also eligible for short-term incentive compensation. Their annual bonus is mainly based on factory profitability and production related performance measures.

The Group has long-term incentive programs for the President and CEO, the Group Management Team and selected key employees of the company. The aim of the programs is to combine the objectives of the shareholders and the executives, to increase the value of the company, to commit the executives to the company and to offer the executives a competitive reward program. The Board of Directors decides on the program and the performance measures annually.

In February 2021, Exel Composites announced the continuation of a share-based long-term incentive program for the top management of the company. The 2021 performance-based plan is part of the share-based long-term incentive program published on 4 May 2017. Similarly to the previous programs within this plan, the performance targets applied to the plan that commenced at the beginning of 2021 are adjusted operating profit (EBIT) and the total shareholder return of the company's share (TSR).

More information on remuneration and Exel Composites' Remuneration Policy is available at www.exelcomposites.com.

Share and share performance

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

On 31 December 2021, Exel Composites' share capital was EUR 2.1 million and the number of shares was 11,896,843. There were no changes in the share capital during the financial year.

During the financial year, Exel Composites held a total of 63,337 of its own shares which are part of the share-based long-term incentive program for the top management.

On 31 December 2021, the share price closed at EUR 8.10. During the review period, the average share price was EUR 8.58, the highest share price EUR 11.60 and the lowest share price EUR 6.58.

A total of 3,356,992 shares were traded at Nasdaq Helsinki Ltd., which represents 28.4% of the average number of shares. On 31 December 2021, Exel Composites' market capitalization was EUR 95.9 million (87.3). Total shareholder return (TSR) in 2021 was 12.2% (19.1).

Shareholders and disclosures

Exel Composites had a total of 7,106 (6,349) shareholders on 31 December 2021.

During the reporting period Exel Composites received one flagging notification in accordance with the Finnish Securities Market Act regarding changes in shareholdings.

According to the notification received on 21 September 2021, the holding of the OP-Suomi Pienyhtiöt investment fund, administered by OP-Rahastoyhtiö Oy, decreased below 5% and amounted to 590,119 shares representing 4.96% of the shares and voting rights of Exel Composites Plc.

According to the company's shareholder register held by Euroclear Finland Oy, on 31 December 2021 Exel Composites' two largest shareholders were the nominee register managed by Skandinaviska Enskilda Banken AB (19.9%) and Sijoitusrahasto Taaleritehdas Mikro Markka (6.7%).

On 31 December 2021, 1.05% (0.99) of the shares and votes of the company were owned or controlled, directly or indirectly by the President and CEO and the members of the Board of Directors.

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

Significant related-party transactions

In 2021, no significant related-party transactions were conducted between the Group and its related parties.

Corporate Governance Statement

Exel Composites issues a Corporate Governance Statement for the financial year 2021, prepared in accordance with the Finnish Corporate Governance Code issued by the

Securities Market Association, effective as of 1 January 2020. The Corporate Governance Statement is issued separately from the Board of Directors' Report. Further information concerning corporate governance matters is available at Exel Composites' website at www.exelcomposites.com.

Events after the reporting period

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

In February 2022, Exel Composites announced the continuation of a share-based long-term incentive program for the top management of the company. The 2022 performance-based plan is part of the share-based long-term incentive program published on 4 May 2017. Similarly to the previous programs within this plan, the performance targets applied to the plan that commenced at the beginning of 2022 are adjusted operating profit (EBIT) and the total shareholder return of the company's share (TSR).

Guidance for the full year 2022

Exel Composites expects that revenue in 2022 will be at last year's level and adjusted operating profit will increase compared to 2021.

Board proposal for dividend distribution

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

At the end of the financial year 2021, Exel Composites Plc's distributable funds totaled EUR 13.3 million, of which profit for the financial year accounted for EUR 5.9 million.

The Board proposes to the Annual General Meeting that a dividend of EUR 0.20 per share be paid based on the adopted financial statements for the financial year ended on 31 December 2021. The Board proposes that the dividend be paid in two installments.

The first installment of EUR 0.10 per share is to be paid to shareholders registered in the company's register of shareholders kept by Euroclear Finland Ltd on the installment's record date 8 September 2022. The Board proposes that the dividend installment pay date be 15 September 2022.

The second installment of EUR 0.10 per share is to be paid to shareholders registered in the company's register of shareholders kept by Euroclear Finland Ltd on the installment's record date 8 December 2022. The Board proposes that the dividend installment pay date be 15 December 2022.

The Board proposes it be authorized to decide, if necessary, on new dividend payment record dates and pay dates for the two installments, if the rules and statutes of the Finnish book-entry system change or otherwise so require.

As a basis for its proposal, the Board of Directors has assessed the Group's financial position and ability to meet its commitments, as well as the Group's outlook and investment requirements.

Sustainability and corporate responsibility

Statement on non-financial information

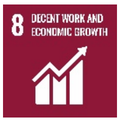
Exel Composites' sustainability focus areas and the company's most relevant UN Sustainable Development Goals (SDGs)

ENABLING SOLUTIONS

Develop sustainable, safe, and reliable products that help our customers save resources and mitigate climate change

SOCIAL HANDPRINT

Provide a safe, fair, and inspiring environment for our employees, and ensure high standards of integrity and business ethics



ENVIRONMENTAL FOOTPRINT

Reduce the negative impact of our own operations to the environment and climate

Exel Composites' share of environmentally sustainable activities in 2021

(The implementation of the EU Taxonomy in more detail is available on page 32)

32.6%

of revenue from taxonomy-eligible activities

11.6%

of CapEx from taxonomy-eligible activities

3.1%

of OpEx from taxonomy-eligible activities

Exel Composites is committed to responsible and sustainable operations through our corporate values and Code of Conduct. Our role in sustainability is that of an enabler as we provide sustainable composite solutions that help our customers save resources and mitigate climate change. Composites' properties, such as lightness and durability, provide for longer life cycles and improved performance of the end-product, thus lowering the negative impacts on the environment. In addition, we aim to make a positive impact through our social responsibility and to reduce the negative impact of our environmental footprint.

Exel Composites' Board of Directors evaluates company related risks on a quarterly basis as part of the risk management process. The main sustainability and climate-related risks include operational risks, hazard and environmental risks, regulatory and reputational risks. A description of the company's risk management process and main risks is available at the company's website and in the Corporate Governance Statement 2021 at www.exelcomposites.com.

Our approach to sustainability

The Board of Directors is Exel Composites' highest governance body in relation to sustainability issues. The material sustainability topics are validated by the Board of Directors and the sustainability report is reviewed alongside the publication of the company's Annual Financial Report and signed by the Board. A sustainability team coordinates sustainability issues at Group level, reporting to the Group Management Team. The operational responsibility lies within each business unit and functional area of the organization.

Exel Composites uses the Nasdaq ESG (Environment, Social and Governance) Guide as reference for reporting non-financial information and was named 'Nasdaq ESG Transparency Partner' in 2021. The non-financial information is not assured by an external party. The company's auditors have considered the information as part of the review of the other information (Board of Directors report).

Exel Composites is also committed to the Responsible Care-program for the chemical industry in Finland. The main themes of the program are a sustainable use of natural resources, a sustainable and safe production and products, the work community's wellbeing, and an open interaction and cooperation. The results of the program are evaluated based on annually collected indicator data.

In 2021, Exel's sustainability work focused on developing the fundaments of the Group sustainability program. A dedicated sustainability team, representing different areas of the organization, was established for this purpose and to coordinate Group sustainability matters in general.

The sustainability concerns of external stakeholders were analyzed during the year and Exel's main sustainability focus areas were renamed and regrouped. Exel also decided to complement its non-financial reporting by following the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) to the extent possible. Also, the key United Nations Sustainable Development Goals (SDGs) where Exel can best contribute through its business were selected. These are:

- Goal 8 Decent work and economic growth
- Goal 9 Industry, innovation, and infrastructure
- Goal 12 Responsible consumption and production
- Goal 13 Climate action

In alignment with the EU Taxonomy Regulation, which came into force in 2021, Exel Composites initially analyzed the share of taxonomy-eligible economic activities contributing to climate mitigation and climate adaptation. Out of Exel's revenue in 2021, 32.6% was taxonomy-eligible. The taxonomy-eligible activities were mainly related to the manufacture of renewable energy technologies (applications for Wind Power) and the manufacture of energy efficiency equipment for buildings (composite window and door profiles).

Exel Composites' key stakeholders

- Customers
- Financial market
- Industrial associations
- Shareholders and investors
- Business partners and suppliers
- Authorities
- General community
- Employees

Exel Composites' solutions serve customers in a wide range of industries around the world. Our main stakeholders include customers, employees, business partners and suppliers, shareholders, the financial market, authorities, industrial associations, and general community.

The key concerns of our stakeholders include, among others, product safety and reliability, energy and material efficiencies during the service life, recycling at end-of-life, our innovation capabilities, sustainable and responsible operations, emissions and waste management, health and safety issues, professional development and training of our employees, Group financial performance, regulatory compliance, as well as business ethics. The expectations of our stakeholders concerning sustainability matters have clearly increased. In addition to direct contact, the dialogue with our stakeholders takes place, for example, through our website and social media channels, diverse events, fairs, financial reporting, shareholder events, general meetings, among others.

Exel Composites' business model is described in further detail on page 10.

Sustainability highlights in 2021

SUCCESSES	FOCUS POINTS GOING FORWARD
• Development of Group sustainability program and reporting, including selection of key Sustainable Development Goals (SDGs) and complementing sustainability reporting with recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).	• Further developments in Group sustainability: setting targets, defining actions and performance indicators.
• Collaboration in industry initiatives promoting recyclability of composites and enabling recycling in some regions, such as Finland.	• Further actions to reduce production waste to landfill, promoting recyclability and reuse of composites, recycling all recyclable waste.
• Introducing CO2 calculations to the Group costing tool.	• Focus on community involvement in line with the ISO 26000 standard (social responsibility).
• Health and safety performance, including Covid measures.	
• Production started at the new manufacturing facility in Austria, which has an energy efficiency rating of A+.	

Enabling solutions

Our aim

Develop sustainable, safe and reliable products that help our customers save resources and mitigate climate change.

Our contribution to the SDGs*

We provide safe and reliable composite solutions that promote sustainable consumption: composites are durable and require little or no maintenance. Being lightweight yet strong, composites help save resources through energy and material efficiencies. We contribute to mitigating climate change by serving customer industries such as Wind Power, Buildings and Infrastructure, and Transportation.

Key policies and standards

- Corporate values
- Code of Conduct
- Group-wide quality management system
- QEHS Policy
- Chemical Policy
- ISO 14001/2015 (environmental management) and ISO 9001/2015 (quality management)
- Memberships in composites associations such as EPTA, EuCIA and ACMA

* United Nations Sustainable Development Goals

MAIN THEMES	OUR PROGRESS IN 2021	(scale 1-3)
Responsible products	• Meeting or exceeding customers' safety and quality specifications, passed customer audits and participation in customer sustainability programs. • Introducing CO2 data in the costing calculations used in customer offers. • Good result in the 2021 customer survey (NPS score 54) and Exel's sustainability score.	◇ ◆ ◇
Composites at end-of-life	• Collaboration in industry initiatives promoting recyclability of composites such as the KiMuRa project in Finland. The project aims to find a viable recycling process for industrial composite waste in the cement industry.	◇ ◆ ◇

Customers are at the center of all Exel Composites' business decisions and not meeting the agreed requirements could have negative impact on our business and reputation. Customer satisfaction is evaluated through regular customer surveys and using for example the Net Promoter Score-method (NPS).

In 2021, our NPS score improved from the previous year to 54 (46 in the previous year). The average results to questions related to sustainability in the customer survey were approximately at last year's level. Nearly two thirds of the responses considered composites important or very important in meeting the environmental goals. In addition, more than half considered Exel to perform well or very well in sustainability issues.

Many of our customers require Exel to comply with their Supplier Code of Conducts and audit the company against their sustainability, quality and safety requirements. We also participate in sustainability programs invited by our customers.

Saving resources with composites

The biggest impact of Exel's products on the environment and climate is during the service life of the end-product they are a part of. It is their properties that make composites environmentally friendly and increasing sustainability focus also increases the demand for composites. Composites are often lighter than alternative materials, they are durable and non-toxic. A composite product does not leak or emit anything into the air or the ground. In addition to their long service life, lower installation and maintenance costs, they often result in lower energy consumption over the lifecycle of the product.

Composites are also used in sustainability enhancing technologies and solutions that contribute to climate change mitigation or adaptation. For example, longer and stiffer wind turbine blades enable improved performance, window and door profiles with improved insulation properties enable more energy efficient buildings, lighter wall panels in public transportation enable reduced energy consumption, etc.

Our aim in the short-term is to develop our customer lead criteria and define the properties that would qualify the customer case or solution as "responsible". This enables Exel to rate and increasingly select customer cases also based on their impacts on sustainable development.

A reliable life cycle assessment for composites is challenging as they often are only one part of an end-product that consists of several components and materials. The European Composites Industry Association, EuCIA, has developed a tool to help composite companies to calculate the environmental impact of a composite product for the manufacturing phase, i.e. 'from cradle to gate'.

In 2021, a CO2 and energy demand data, based on the EuCIA-developed tool, has been included in Exel's costing calculation. Understanding the carbon footprint for the 'cradle-to-gate' phase, makes it is easier for the customer to evaluate the impact of the composite product across the end-product's total lifecycle.

Composites at end-of-life

The same properties that drive the decision to choose composites over alternative materials – durability and strength among others – also set economic and technological limitations to their recyclability. As the demand for composites increases, the technologies available for composite recycling are also expected to develop strongly over the coming decades. Exel's ambition is to be part of this development by participating in industry projects and considering matters impacting recyclability already during product design.

According to EuCIA, for the coming ten years at least the main recycling route for composites is cement co-processing. Here, end-of-life composites are used as mineral raw material (approximately 2/3) and for energy recovery (approximately 1/3), thus effectively reducing overall CO2 emissions. Other recycling technologies such as mechanical crushing and chemical or thermal treatment are currently in different phases of development. Crushed and ground composite waste can be used as raw material in other production processes such as extrusion.

In 2021, Exel joined the KiMuRa project led by the Finnish Plastics Industries Federation to find a technically and economically viable recycling process for industrial composite waste in a parallel process in the cement industry. During the year, a considerable amount of composite waste from the Finnish units was delivered for testing in this project. The project continues in 2022. Success in this project will have a significant impact on Exel's operations in Finland.

Lifecycle impact of composites

COMPOSITE MANUFACTURING

Impact: mostly negative impact in greenhouse gas emissions
Owner: composite manufacturers such as Exel

The manufacturer produces the composite product according to customer specifications. The process creates greenhouse gas emissions and therefore the impact of the manufacturing phase typically is negative. In this phase, it is the manufacturers and their supply chain, who can influence and reduce the negative impact.

SERVICE LIFE

Impact: mostly positive impact in greenhouse gas emissions depending on application
Owner: customers and their customers in very diverse industries

The composite product is a part of an end-product of a customer and can be used in diverse industries in very diverse ways. With the contribution of the composite, the service life of the end-product is usually prolonged from 10 to over 50 years and often considerably longer and maintenance-free compared to alternative materials. During the service life of the end-product, the impact on the environment can be highly positive and emit less greenhouse gases due to increased energy efficiency, better performance, and durability.

Exel's products have the biggest impact on the environment and climate during the service life of the end-product.

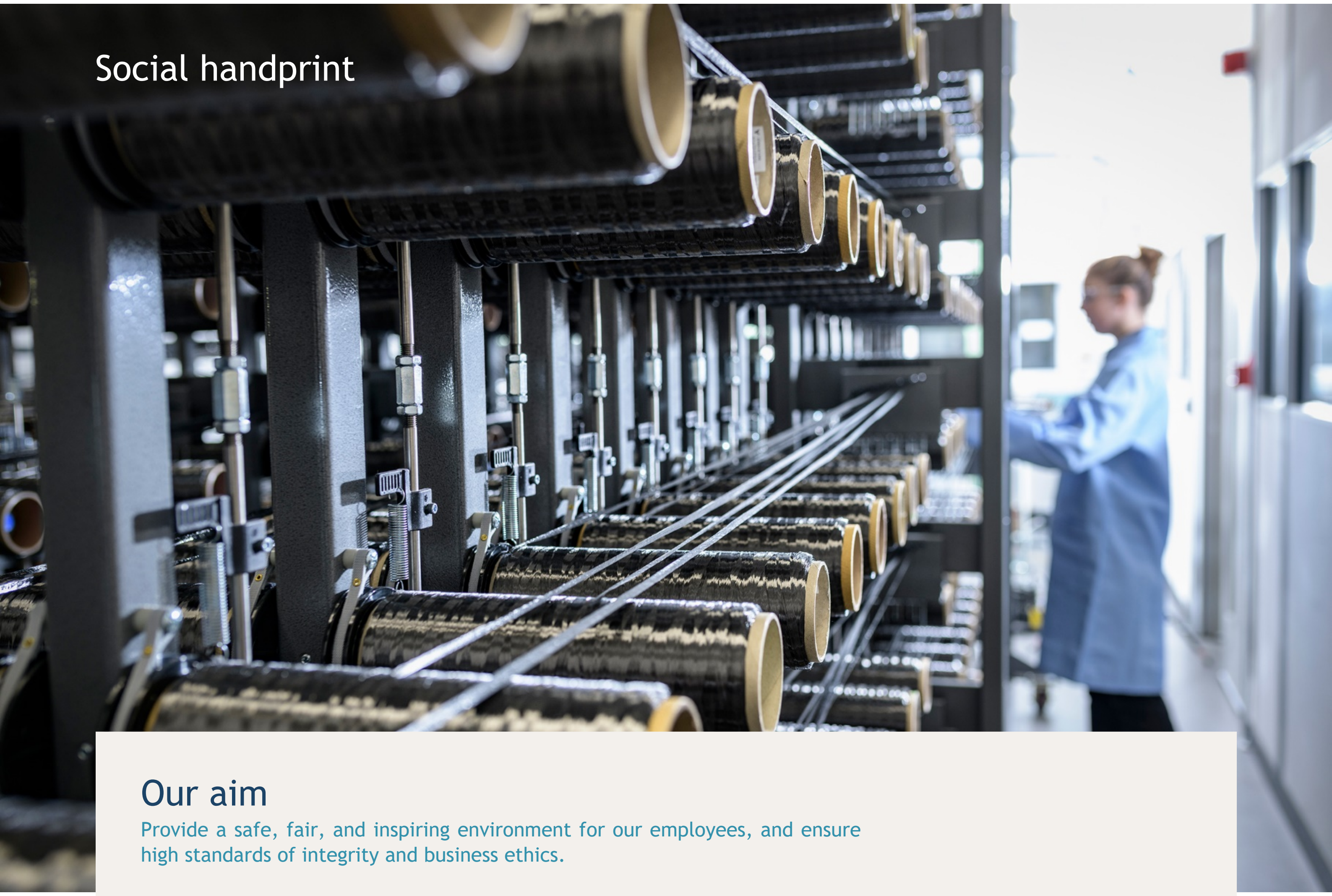
END-OF-LIFE

Owner: composite manufacturing industry together with other industries

Currently, there are processes already in place for the recycling and reuse of composites, but there are still several limitations. Available technologies are expected to develop strongly in the coming decades.

Source: EuCIA in collaboration with Ernst & Young

Social handprint

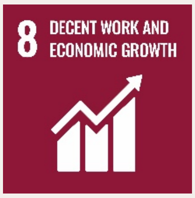


Our aim

Provide a safe, fair, and inspiring environment for our employees, and ensure high standards of integrity and business ethics.

Our contribution to the SDGs*

We promote economic productivity by prioritizing health and safety, diversification and non-discrimination, and being an inspiring workplace for our employees. We aim to be a positive contributor in our communities and a responsible corporate citizen.



Key policies and standards

- Corporate values
- Code of Conduct, Supplier Code of Conduct
- Quality, Environment, Health & Safety Policy
- Chemical Policy
- HR policy and the people strategy
- Anti-Corruption Policy
- Whistleblowing channel
- ISO 45001/2017 (occupational health and safety), ISO 26000 (social responsibility)

* United Nations Sustainable Development Goals

MAIN THEMES	OUR PROGRESS IN 2021	(scale 1-3)
Health and safety	• Covid-19 pandemic related safety measures across the Group. • Safety improvements in all units. • Regular safety inspections, audits, and safety patrols. • Safety training and communication. • Actions to improve chemical safety and breathing air quality. • Work of local H&S committees at all sites.	◇ ◇ ◆
Responsible employer	• Continuous development of Group HR processes such as performance reviews, onboarding, trainings, etc. • Implementation of actions and ideas from the employee satisfaction survey. • Cooperation with local universities and schools.	◇ ◇ ◆
Responsible business	• Enforcement of corporate values, Code of Conduct, and Supplier Code of Conduct.	◇ ◇ ◆

Accident prevention and safety first

The health and safety of our employees, customers and business partners is a priority for Exel Composites.

In 2021, strict safety and hygiene instructions to prevent the spreading of the Covid-19 pandemic continued to be a key focus. Measures included preference for online meetings and remote work, internal travel restrictions, use of face masks, body temperature controls and antigen tests on site, enhanced cleaning, etc. The pandemic situation continues to be monitored very closely.

The health and safety issues are an integral part of responsible management, and all sites have a safety organization with defined responsibilities. A variety of chemicals are used in the production process, and more than half of our employees are in daily contact with dangerous or flammable chemicals in their work. Ensuring the safety of all chemicals used in our products is a priority for us. The main occupational health and safety risks relate to the possibility of fire or health problems due to allergies or long-term exposure.

The core of Exel Composites' health and safety efforts lies on preventive measures, including proper safety gear, regular safety trainings and communication, risk assessments as well as internal and external evaluations. The number of accidents per million hours worked (lost time injuries, LTI) is a key performance indicator. Every LTI is reported to the top management as well as other units to ensure the lessons learned. Near-miss and unsafe condition reporting is used for accident prevention in all factories.

In 2021, there were 7.8 LTIs, which is slightly below the previous year. The accidents were mostly related to working methods, resulting in reminders on safe operating methods and additional training. Our units in Austria, Belgium and the US all celebrated over two years without accidents.

The chemical handling processes and personal protection equipment at Exel are designed and allowed for chemicals that are non-toxic, non-carcinogenic and non-mutagenic chemicals only. We are continuously vigilant about updates in listings of chemical Substances of Very High Concern, such as in the REACH and RoHS declarations, to ensure staying ahead of regulations. The search for less hazardous substitutes is proactive and continuous. In 2021, the business unit in Great Britain, for example, replaced acetone with a less hazardous cleaning agent.

Monitoring air quality and volatile organic compounds (VOC) emissions as well as efficient ventilation in all sites is an important part of health and safety. Employees' health is also monitored through regular medical checks. Styrene exposure is monitored through mandelic acid tests based on urine samples.

Safety KPIs

	2021	2020	2019	2018	2017
Lost time injuries, LTI 1)	7.8	8.1	10.8	16.9	20.1
Reports on unsafe conditions	808	976	1,175	996	890

[1)] Number of accidents per million hours worked

Exel as a responsible employer and corporate citizen

Technology leadership is a competitive advantage for Exel Composites. Recruiting skilled employees, as well as maintaining and developing employees' expertise are critical for our company's continuous development targets. Exel aims to be an inspiring, fair, and fulfilling workplace for its employees.

In 2021, the human resources organization continued to support employee wellbeing and satisfaction at the workplace. Ideas and actions from the employee satisfaction survey in the previous year were implemented, including improved work ergonomics, sleep coaching, support in quitting smoking, improving eating habits, etc.

Next year, the target is to complement the traditional broader employee survey with ad-hoc polling on specific topics to identify and react to possible issues faster and on a more regular basis. Additionally, in 2022 the target is to conduct another employee satisfaction survey to confirm how the 2021 actions have improved employee wellbeing and satisfaction at the workplace.

The annual Performance Development Review process is an important means to review individual and team performance. The PDR process also enables employees together with their manager to identify areas of their professional development and interest for trainings, in-house learning opportunities and mentoring.

The Performance Development Reviews were conducted as normal in 2021 despite the pandemic. The process continued to be developed and rolled out across the Group, implementing incentives to increase coverage especially among factory employees.

All of Exel's employees are eligible for annual bonuses tied to performance measures such as growth, profitability, and production related indicators as well as possible individual targets.

Exel Composites is committed to meeting the expectations of the ISO 26000 standard related to social responsibility. The Group has an important social role as a local employer and supporter of regional vitality as most of our manufacturing units are in small towns. We support local communities for example through small donations to local associations and non-political activities. Exel also cooperates with local universities and chambers of commerce, which is an important way to raise awareness of Exel as an attractive employer and promote education and research in connection to composites.

In 2021, the requirements of the ISO 26000 standard were assessed, and community involvement was raised as a focus area for the near future. In Finland, for example, Exel has continued to support a local foundation for the disabled.

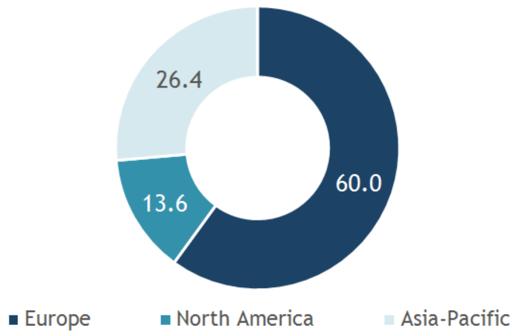
Exel's university and school collaborations continued in 2021, for example, in Belgium, Finland, Great Britain, and Italy. Exel was also present in various local recruitment fairs and sports events.

Exel Composites encourages and respects diversity in the workplace, in all recruiting decisions as well as in the composition of the company's Board of Directors. Exel follows a zero-tolerance policy for discrimination and the company's corporate values and Code of Conduct state that everybody shall be treated with fairness, respect, and dignity. All employees are expected to report any inappropriate or discriminant behavior or other Code of Conduct violations using for example the whistleblowing channel available at the company's website.

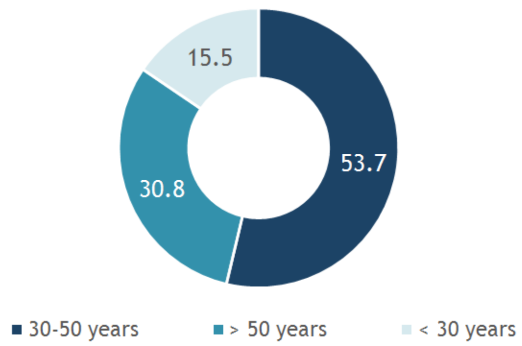
Employee-related KPIs

	2021	2020	2019	2018	2017
Number of employees, on average	715	665	660	647	532
Number of employees, end of period	753	674	648	675	568
Employees' age, average	43	43	43	44	44
Employees with permanent contract, %	97.3	97.5	98.8	97.1	95.1
Employees with temporary contract, %	2.7	2.5	1.2	2.9	4.9
Number of years at Exel, average	7.8	8.4	8.0	8.8	9.4
Employee turnover, %	22.1	18.9	25.6	20.4	14.9

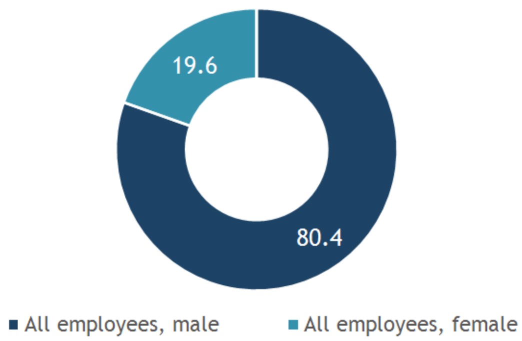
Employees per region, %



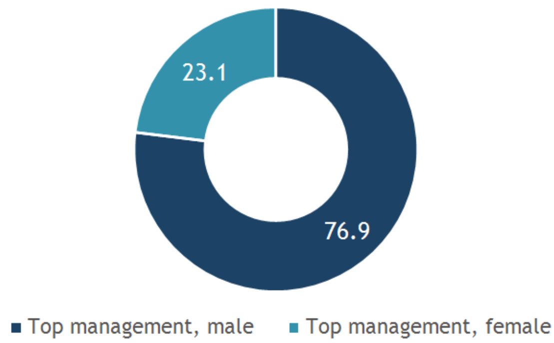
Age distribution, %



Gender diversity, %



Gender diversity[1)], %



[1)] Board of Directors and Group Management Team

High standards of integrity and responsible business

Exel Composites is committed to exercising high standards of integrity and following ethical business principles in line with its Code of Conduct. Exel supports and respects the protection of human rights in all its operations, including its supply chain, and follows global human and labor rights conventions. No form of forced or child labor is tolerated in the Group, nor from any of its business partners or third parties associated with the Group.

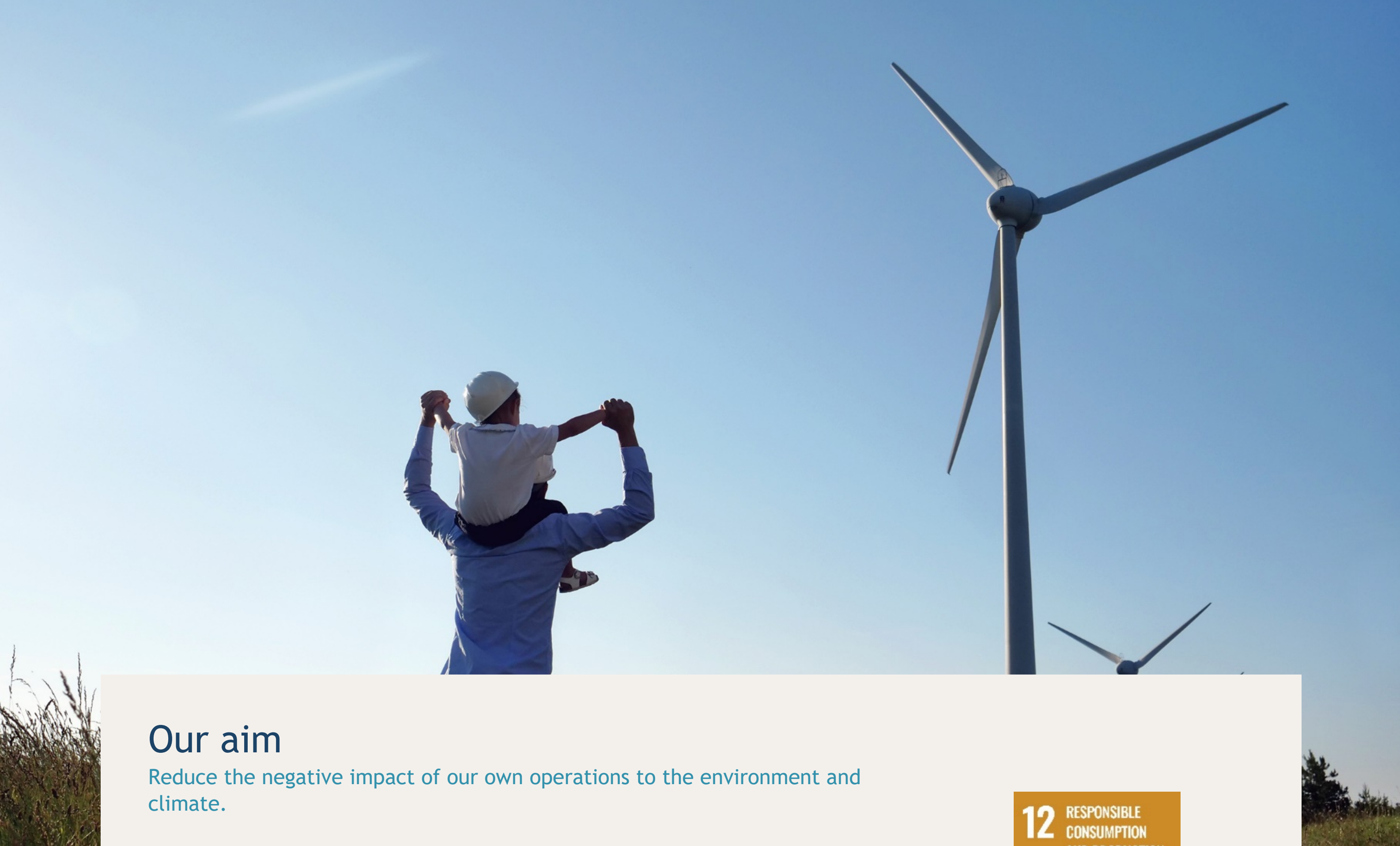
Exel Composites does not tolerate bribery or corruption in any form. Any violations could constitute serious damage to Exel's business and reputational loss, and the company follows a zero-tolerance policy concerning corruption in all countries of operation.

Employees are expected and encouraged to report any Code of Conduct violations or observations. For this purpose, an anonymous and confidential whistleblowing-channel is available for both internal and external stakeholders. New employees get familiarized with Exel's Code of Conduct already during the recruitment process and it is part of the employment contract.

Exel Composites reviewed and updated its existing whistleblowing processes in 2021. Also, an internal communications campaign was initiated across the Group concerning the corporate values and Code of Conduct as well as on how to report any concerns or suspected violations.

In 2021, Exel received no reports through the company's whistleblowing channel concerning Code of Conduct violations. There were no pending legal cases regarding corruption brought against the company or its employees.

Environmental footprint



Our aim

Reduce the negative impact of our own operations to the environment and climate.

Our contribution to the SDGs*

Promote sustainable production and contribute to mitigating climate change through responsible operations based on circular economy, energy and material efficiencies, responsible use of chemicals, waste management and responsible supply chain management.

Key policies and standards

- Corporate values
- Code of Conduct, Supplier Code of Conduct
- Quality, Environment, Health & Safety Policy
- Chemical Policy
- ISO 14001/2015 (environmental management) and ISO 9001/2015 (quality management)

* United Nations Sustainable Development Goals

MAIN THEMES	OUR PROGRESS IN 2021	(scale 1-3)
Energy efficiency and reduced emissions	• Actions to reduce energy consumption and improve energy efficiency. • Commissioning of a solar plant at the Joensuu unit in Finland. • Energy efficiency rating of A+ for the new manufacturing unit in Austria.	◇ ◇ ◆
Circular economy and waste management	• Reduction in the amount of landfilled production waste in the Group, other actions initiated within the circular economy initiative. • Collaboration in industry initiatives promoting recyclability of composites and enabling recycling in some regions, for example through the KiMuRa project in Finland. The project aims to find a viable recycling process for industrial composite waste in the cement industry.	◇ ◆ ◇
Water consumption	• Low water consumption and protection of groundwater on site.	◇ ◇ ◆
Sustainable supply chain	• Five supplier audits during the year.	◇ ◆ ◇

Energy efficiency and reduced emissions

Exel Composites' greenhouse gas emissions from own operations are mostly carbon dioxide that is formed in own use of fuels, heating, and transportation of materials. In addition to production, heating has a major impact on the total energy consumption as our largest production sites are situated in northern locations.

Our long-term target is to reduce our total use of energy proportional to production. The primary energy source is electrical energy, out of which approximately a third is estimated to be from renewable energy sources.

In 2021, a 100kWp solar power plant on the factory roof in Joensuu, Finland was commissioned. The investment is expected to generate 80 MWh/a of renewable energy for the site to use.

The new manufacturing facility in Austria, where manufacturing started in the beginning of 2021, energy efficiency, emissions, waste management as well as health and safety issues, have been widely considered already throughout the design phase. The site has an energy efficiency rating of A+.

Circular economy and waste management

Recyclability and implementing circular economy principles in our operations is one of the most pressing topics for Exel. The main operational efficiency goal for Exel Composites is to reduce operational or composite waste, which is inevitably generated as part of the regular production process. Exel has a waste management plan in place and aims to continuously reduce the amount of waste produced. The amount is dependent on the product mix and is therefore volatile. As products are mostly developed on-demand and in close cooperation with customers, the use of raw materials is as efficient as possible. Factors such as product design and complexity, size of production batches and the quality of raw materials also contribute to the amount of surplus. Continuous dialogue with the customer in the early design stages and throughout production is therefore critical from a quality and production point of view as well as from a waste management perspective.

Exel is committed to preventing landfilling surplus materials from own production by recycling and/or reusing, for example, surplus resin mixes whenever possible.

In 2021, Exel started a collaboration with a Finnish start-up company focused on processing surplus fiber into new raw material. Exel has supplied clean surplus polyester fibers for tests and when new raw material is available, will test it in its own production.

Surplus resin and solvents continued to be recycled in production in 2021, whenever possible, which helps reduce the amount of new materials purchased. The business unit Belgium invested in a distillatory to reclaim surplus methylene chloride, which is used as a detergent in a closed-loop washing machine.

The composite waste that cannot be reused is recycled through combustion where possible. In this process, about a quarter is recycled as energy and the remaining ash is currently landfilled. In Central Europe, among others, incineration of waste is widely used, but not currently feasible in Northern Europe. Other than composite waste is recycled whenever possible.

Where logistically, technologically, and economically possible, composite waste goes to recycling for example in the production of cement. This is possible today for example in some locations in Central Europe, but in Northern Europe the relatively low volumes of composite waste combined with long distances have set limitations.

In 2021, Exel joined the KiMuRa project led by the Finnish Plastics Industries Federation to find a technically and economically viable recycling process for industrial composite waste and use crushed composite waste in a parallel process in the cement industry. Our unit China has also implemented several actions to reduce waste to landfill during the year. Our business unit in the United States continued in 2021 its partnership with a local carbon fiber recycling company targeting zero composite waste to landfill.

Production KPIs[1)]

	2021	2020	2019	2018	2017
Energy usage, GWh	25.1	21.4	22.1	19.9	18.7
Energy usage, change from previous year, %	17.1	-2.8	11.0	6.3	-3.4
Energy usage in proportion to production, change from previous year, %	4.1	-3.5	-17.0	-15.0	-15.0
Energy usage is impacted mainly by the number of manufacturing units and their geographical location (i.e. heating need) as well as production load					
Composite waste per ton produced, change from previous year, %	-23.2	-11.8	-5.3	26.6	-26.8
The amount of composite waste is dependent on the product mix					
Reused waste, %	60.6	40.4	33.7	43.3	64.2
Possibilities to reuse composite waste vary from country to country.					

1) Figures include only those production sites that have been operational as part of Exel Composites Group during the entire financial year.

Water consumption and protection of groundwater

Producing composites is not a water intensive process. Water is used mainly for sanitary purposes and to minor extent for cooling, where water is reused in a closed circuit. Except for the manufacturing site in Joensuu, Finland, no Exel factory is in a groundwater area. The Joensuu area was proclaimed groundwater area after the factory founding in the 1980's and, according to the environmental permit, the company has built an extinguishing water recovery system to protect groundwater in the event of a factory fire. Also, the operations elsewhere in the Group are strictly governed by requirements of the environmental permits.

Responsible supply chain

Exel Composites sources components and materials for its manufacturing processes from multiple sources and multiple countries. Most of the company's supply chain is composed of large, international manufacturers or their distributors that often have established processes and high sustainability standards. In addition, these suppliers and manufacturers are systematically audited by Exel as well as several other stakeholders. All Exel's suppliers are chosen with care and based on objective factors such as quality, reliability, delivery, and price, in addition to ethical standards and sustainability. All suppliers receive the Supplier Code of Conduct as part of their agreement with Exel and they are required to operate in compliance with it.

Exel Composites conducts supplier audits primarily through factory visits where an initial self-assessment is verified. The audit topics include human rights, employee health and safety, and monitoring of dangerous particles, among others. Suppliers are selected for audit based on purchase volume, the criticality of the supplier as well as its location. In case of violations action is taken either to allow time for corrective action or to terminate the relationship.

In 2021, five key suppliers were audited on a global level resulting in some minor feedback items to be followed up. Due to the Covid-19 pandemic, the audits were conducted mostly online and using verification methods not requiring travel. The focus area going forward is to develop the vendor selection and audit processes to ensure a more systematic and consistent approach.

As part of our circular economy initiative, Exel researches and evaluates the use of alternative raw materials in production that are sustainable. These include bio-based resins and fibers, such as flax, as well as the combinations of virgin and recycled raw materials. Bio-based raw materials are part of our offering already today and they are used for example in some sporting goods. Interest is expected to grow, but volumes are still small as bio-based raw material often comes with a premium price. The use of recycled fibers in pultrusion, on the other hand, is limited by the fact that the technology is precisely based on long, continuous fibers. When recycled, the fibers are usually cut or crushed short and therefore they are best used in other technologies, such as extrusion, when also product properties are different.

Climate-related risks and opportunities

RISKS	OPPORTUNITIES
Policy and legal • Regulation, which radically reduces consumption in general. • Regulation changes impacting composite production specifically, e.g. regarding chemicals or their risk classification. • Regulation hampering adaptation to composites or delays in the implementation of favorable standards. • Regulatory differences in Europe, America, and Asia.	**Products and services** • Composites are non-toxic, durable, and maintenance-free products, and therefore climate friendly. A composite product does not leak or emit anything into the air or the ground. • Regulations mitigating climate change increase demand for composites. • Climate friendly product design and use in customer acquisition. • Leveraging and expanding collaboration with research centers and universities.
Technological • Favoring other materials and not considering the climate-impact on the full lifecycle of the end-product. • Potential new, climate friendlier production technologies e.g., solvent-free technologies.	**Resource efficiency** • Increasing energy efficiency. • Innovation in recycling and reuse of composites. • Increasing the use of bio-based raw materials. • Climate-friendly developments in production technology, e.g., closed bath impregnation of fibers.
Market and reputation • Reputational risk due to the challenging recycling of pultruded composites. • Reputational risk due to misunderstanding composites as merely "plastics".	**Markets** • Increasing demand of products that mitigate climate change. • Building awareness about the benefits of composites and production technologies used by Exel. • Expanding into new applications and industries where possibilities of composites are yet to be unveiled.
Physical risks • Extreme weather conditions that cause interruptions in production or in the supply chain.	

Climate-related risks and opportunities both could potentially have a significant financial impact on Exel Composites' business and financial planning in terms of revenue gain or loss, unexpected expenditures, or investment requirements. Climate-related risks could also impact the valuation of Exel's assets or ability to obtain financing. Strategically, climate-related risks and opportunities may potentially impact the company's decisions regarding its geographical footprint, expanding into or focusing on certain product applications or customer industries as well as expanding into or focusing on certain production technologies.

Index on Climate-related financial disclosures (TCFD)

In 2021, Exel Composites decided to complement its non-financial reporting by following the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) to the extent possible. The work has recently been initiated and continues in 2022.

DISCLOSURE FOCUS AREA AND RECOMMENDED DISCLOSURE	LOCATION AND COMMENTS
Governance a) The board's oversight of climate-related risks and opportunities. b) The management's role in assessing and managing climate-related risks and opportunities.	**Corporate Governance Statement 2021:** • Page 5 RISK MANAGEMENT **Annual Financial Report 2021:** • Page 17 SUSTAINABILITY AND CORPORATE RESPONSIBILITY Climate-related risks and opportunities are considered and evaluated as part of the general duties of the Board and the management connected to strategy, budget and risk management and sustainability matters.
Strategy a) The climate-related risks and opportunities the organization has identified over the short, medium, and long term. b) The impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning. c) The resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	**Annual Financial Report 2021:** • Page 30 CLIMATE-RELATED RISKS AND OPPORTUNITIES • Page 10 BUSINESS MODEL • Page 11 MARKET ENVIRONMENT • Page 12 BUSINESS DEVELOPMENT AND STRATEGY IMPLEMENTATION • Page 20 ENABLING SOLUTIONS A scenario analysis has not yet been conducted.
Risk management a) The organization's processes for identifying and assessing climate-related risks. b) The organization's processes for managing climate-related risks. c) How processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	**Corporate Governance Statement 2021:** • Page 5 RISK MANAGEMENT **Annual Financial Report 2021:** • Page 30 CLIMATE-RELATED RISKS AND OPPORTUNITIES
Targets and key KPIs a) Metrics used to assess climate-related risks and opportunities in line with its strategy and risk management process. b) Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks. c) Targets used by the organization to manage climate-related risks and opportunities and performance against targets.	**Annual Financial Report 2021:** • Page 27 ENVIRONMENTAL FOOTPRINT Estimates on Scope 1, 2 and 3 greenhouse gas emissions have not yet been calculated.

Implementation of the EU Taxonomy

The EU Taxonomy in short

The EU Taxonomy is a classification system that lists environmentally sustainable economic activities, i.e. those that make a substantial contribution to at least one of the six EU climate and environmental objectives. At the same time, they shall not significantly harm any of these objectives (principle of 'Do No Significant Harm', DNSH) and meet the minimum safeguards related to labor and human rights.

The environmental objectives are a) climate change mitigation; b) climate change adaptation; c) the sustainable use and protection of water and marine resources; d) the transition to a circular economy; e) pollution prevention and control; and f) the protection and restoration of biodiversity and ecosystems.

Definitions

The EU Taxonomy consists of precise criteria that define what it means to make a substantial contribution and what it means to do no significant harm.

- An economic activity is considered **TAXONOMY-ELIGIBLE** when it is described in the EU Taxonomy classifications.
- When the activity is taxonomy-eligible and additionally complies with the DNSH principle, the minimum safeguards, and technical screening criteria established, the activity is considered **TAXONOMY-ALIGNED**.
- An economic activity may be **ENABLING** by directly enabling other activities to make a substantial contribution to one or more of those objectives.
- An activity may be **TRANSITIONAL** where it supports the transition to a climate-neutral economy.

Disclosure requirement for the financial year 2021

The EU Taxonomy requires companies to provide disclosures on the following metrics:

- The proportion of turnover derived from products or services associated with economic activities that qualify as environmentally sustainable.
- The proportion of capital expenditure and operating expenditure related to assets or processes associated with economic activities that qualify as environmentally sustainable.

In addition, it requires to disclose qualitative information on the reporting methodology. In 2022, the disclose requirement only concerns the proportion of Taxonomy-eligible and Taxonomy-non-eligible economic activities in the total turnover, capital expenditure and operational expenditure for the financial year 2021. The key performance indicators shall be given for the first two environmental goals of climate change mitigation and climate change adaptation.

Preparation and accounting policy

Exel Composites' taxonomy-eligible economic activities were identified initially based on an internal assessment conducted with the support of various organizational functions. The company's products and revenue were analyzed by customer industry and the subsegments within each and compared against the economic activities listed in the EU Taxonomy. The internal assessment was complemented with an externally produced model (provided by the Upright Project-company), which uses an extensive company and product database as a basis.

The proportion of turnover is calculated as the part of the net turnover derived from products or services, including intangibles, associated with taxonomy-aligned economic activities (numerator), divided by the net turnover (denominator).

Proportion of capital expenditure is calculated by dividing sustainable investments (numerator) by gross investments, excluding goodwill, presented in the balance sheet (denominator).

Proportion of operational expenditure is calculated by dividing expenses related to assets or processes associated with taxonomy-aligned economic activities (numerator) by total direct expenses presented in the income statement (denominator) including maintenance and repair costs of production facilities, machinery and equipment, short-term leases, and research costs. Total direct expenses do not include labor or travel costs of own personnel.

Exel Composites' EU Taxonomy metrics have not been externally assured. The company's auditors have considered the EU Taxonomy metrics as part of the review of the other information (Board of Directors report).

The calculation process and accounting policy of the EU Taxonomy metrics will be further developed in 2022. The target is that as the disclosure requirement broadens and definitions are further specified, a systematic and consistent procedure will be in use in the Group.

Exel Composites' taxonomy-eligible economic activities

Exel Composites' main economic activity, the manufacture of composites or fiber reinforced plastics, is as such not included in the current EU Taxonomy. This is because Exel's products are usually components or parts of our customers' — or our customers' customers' — end-product. Therefore, the EU Taxonomy today lists mainly economic activities of our customers. Often, however, it is the composite component produced by Exel that contributes to improving the environmental impact of the end-product.

The NACE codes of the economic activities that match Exel Composites' offering, i.e., Exel's taxonomy-eligible activities, are currently found in the energy, transport, and construction sectors.

Exel's taxonomy-eligible activities are enabling activities according to the EU Taxonomy definition, as they directly enable other activities to make a substantial contribution to one or more of those objectives.

Turnover

- **Manufacture of renewable energy technologies:** Exel manufactures composite applications used in wind turbines and such as blade reinforcements, blade laminates, spar caps, blade root joints, and spacers. The high strength and stiffness of the composite combined with low weight improve the wind turbine's performance, for example, by enabling longer blades.
- **Manufacture of energy efficiency equipment for buildings:** Exel manufactures structural profiles for windows and doors. Their low thermal transmittance (U-value) and insulation properties improve energy efficiency and provide for better performance.
- **Manufacture of low carbon technologies for transport:** Exel manufactures structural profiles such as side panels for lighter weight trains and trams, which reduces fuel consumption as well as the need for heating/cooling.

Capital expenditure

- **Electricity generation using solar photovoltaic technology:** commissioning of a solar plant at the Joensuu manufacturing unit in Finland.
- **Production of heat/cool using waste heat:** investment in an extraction and ventilation system with a heat exchanger in the Austrian manufacturing unit.
- **Installation, maintenance, and repair of energy efficiency equipment:** investment in three new energy efficient, all-electric pultrusion lines in the Austria manufacturing unit.

Operational expenditure

- **Collection and transport of non-hazardous waste in source segregated fractions:** separation and collection of recyclable material such as carboard, plastic packaging, wood, metal, profile waste, chemical waste and energy wastes and transport for recycling in all Group units.

Summary of Exel Composites' taxonomy-eligible activities

	Total	Taxonomy-eligible		Taxonomy-non-eligible	
	EUR thousands	%	EUR thousands	%	EUR thousands
Turnover	134,365	32.6	43,751	67.4	90,614
Capital expenditure	10,346	11.6	1,203	88.4	9,143
Operational expenditure	3,912	3.1	122	96.9	3,790

Proportion of turnover from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2021

Economic activities	Codes	Absolute turnover EUR thousand	Proportion of turnover %
A. TAXONOMY-ELIGIBLE ACTIVITIES			
A.1 Environmentally sustainable activities (Taxonomy-aligned)			
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)			
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)			
Manufacture of renewable energy technologies	C23.14	32,066	23.9
Manufacture of energy efficiency equipment for buildings	C28.11	10,334	7.7
Manufacture of low carbon technologies for transport	C30.20	1,351	1.0
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		43,751	32.6
Total (A.1 + A.2)		**43,751**	**32.6**
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES			
Turnover of Taxonomy-non-eligible activities (B)		90,614	67.4
Total (A + B)		**134,365**	**100.0**

Proportion of CapEx from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2021

Economic activities	Codes	Absolute CapEx EUR thousand	Proportion of CapEx %
A. TAXONOMY-ELIGIBLE ACTIVITIES			
A.1 Environmentally sustainable activities (Taxonomy-aligned)			
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)			
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)			
Electricity generation using solar photovoltaic technology	E35.11	68.7	0.7
Production of heat/cool using waste heat	D35.30	558.2	5.4
Installation, maintenance and repair of energy efficiency equipment	F43.22	576.5	5.6
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		1,203	11.6
Total (A.1 + A.2)		**1,203**	**11.6**
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES			
CapEx of Taxonomy-non-eligible activities (B)		9,143	88.4
Total (A + B)		**10,346**	**100.0**

Proportion of OpEx from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2021

Economic activities	Codes	Absolute OpEx EUR thousand	Proportion of OpEx %
A. TAXONOMY-ELIGIBLE ACTIVITIES			
A.1 Environmentally sustainable activities (Taxonomy-aligned)			
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)			
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)			
Collection and transport of non-hazardous waste in source segregated fractions	E38.11	121.8	3.1
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		121.8	3.1
Total (A.1 + A.2)		**121.8**	**3.1**
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES			
OpEx of Taxonomy-non-eligible activities (B)		3,790.2	96.9
Total (A + B)		**3,912.0**	**100.0**

KEY FIGURES 2017-2021

Key figures illustrating financial trends

	2021	2020	2019	2018	2017
Revenue	134,365	108,595	103,784	96,608	86,255
Operating profit	3,744	9,417	5,087	2,217	6,081
% of revenue	2.8	8.7	4.9	2.3	7.1
Adjusted operating profit	6,029	9,708	7,160	5,018	6,319
% of revenue	4.5	8.9	6.9	5.2	7.3
Profit before taxes	4,165	7,124	3,885	1,705	5,335
% of revenue	3.1	6.6	3.7	1.8	6.2
Total assets	117,698	96,800	85,352	74,558	64,380
Return on equity %	5.5	19.5	9.2	1.4	15.1
Return on capital employed, %	4.8	14.1	8.6	4.4	14.8
Equity ratio, %	26.8	30.2	30.9	34.7	44.8
Net gearing, %	119.9	107.9	114.9	96.3	30.3
Capital expenditure	9,989	13,220	6,262	9,598	9,974
% of revenue	7.4	12.2	6.0	9.9	11.6
Research and development costs	3,310	2,884	2,859	2,835	1,876
% of revenue	2.5	2.7	2.7	2.9	2.2
Average personnel	715	665	660	647	532
Personnel at year end	753	674	648	675	568

Share data

	2021	2020	2019	2018	2017
Earnings per share (EPS), EUR	0.14	0.45	0.20	0.03	0.36
Adjusted earnings per share (EPS), EUR 1)	0.14	0.45	0.20	0.03	0.36
Equity per share, EUR	2.58	2.44	2.23	2.18	2.43
Dividend per share, EUR 2)	0.20	0.20	0.18	0.18	0.30
Payout ratio, %	139.79	44.07	88.8	550.6	84.5
Effective yield of shares, %	2.47	2.71	2.78	4.50	4.57
Price/earnings (P/E)	57.87	16.26	32.00	122.40	18.40
Price to book ratio, (P/B)	3.07	3.02	2.91	1.83	2.69

[1)] Adjusted for the dilution of option rights
[2)] Board proposal on the maximum dividend for the AGM 2022

Environmentally sustainable activities

	2021	2020	2019	2018	2017
Turnover of taxonomy-eligible economic activities, %	32.6	-	-	-	-
Capital expenditure of taxonomy-eligible economic activities, %	11.6	-	-	-	-
Operational expenditure of taxonomy-eligible economic activities, %	3.1	-	-	-	-

COMPUTATION FORMULAE

Return on equity, %

$$\frac{\text{net income + provisions}}{\text{equity + minority interest + voluntary provisions}} \times 100$$

Return on capital employed, %

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

Equity ratio, %

$$\frac{\text{equity + minority interest + voluntary provisions}}{\text{total assets less advances received}} \times 100$$

Net gearing, %

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

Earnings per share (EPS), EUR

$$\frac{\text{profit before provisions and income taxes less income taxes +/- minority interest}}{\text{average adjusted number of shares in the financial period}}$$

Equity per share, EUR

$$\frac{\text{equity + voluntary provisions}}{\text{adjusted number of shares on closing date}}$$

Dividend per share, EUR

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

Payout ratio, %

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

Effective yield of shares, %

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

Price/earnings (P/E), %

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

Price to book ratio, (P/B)

$$\frac{\text{total number of shares on closing date excluding treasury shares x share price at year end}}{\text{equity without non-controlling interests}}$$

Adjusted operating profit

Operating profit - material items affecting comparability (restructuring costs, impairment losses and reversals, costs related to planned or realized business acquisitions or disposals, etc.)

CONSOLIDATED COMPREHENSIVE INCOME STATEMENTS

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

EUR thousands	Notes	2021	2020
Revenue	5	**134,365**	**108,595**
Other operating income	8	217	320
Increase (+) / Decrease (-) in inventories of finished goods and work in progress		3,462	-892
Materials and services		-66,978	-41,883
Employee benefit expenses	10	-35,241	-30,807
Depreciation	12	-6,396	-5,845
Impairment	12	-1,806	-9
Other operating expenses	9, 11	-23,880	-20,062
Operating profit		**3,744**	**9,417**
Financial income	18	2,368	1,383
Financial expenses	17	-1,947	-3,676
Profit before tax		**4,165**	**7,124**
Income taxes	16	-2,509	-1,755
Profit/loss for the period		**1,656**	**5,368**
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translating foreign operations	16	2,074	-665
Other comprehensive income to be reclassified to profit or loss in subsequent periods, net of tax:		**2,074**	**-665**
Items that will not be reclassified to profit or loss:			
Defined benefit plan actuarial gains (+) / losses (-), net of tax	16	40	-34
Total comprehensive income		**3,770**	**4,669**
Profit/loss attributable to:			
Owners of the parent company		1,693	5,368
Non-controlling interests		-37	0
Comprehensive income attributable to:			
Owners of the parent company		3,796	4,669
Non-controlling interests		-26	0
Total earnings per share, basic and diluted, EUR	14	**0.14**	**0.45**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at the end of the financial year

EUR thousands	Notes	2021	2020
ASSETS			
Non-current assets			
Goodwill	19	12,809	12,597
Other intangible assets	19	2,813	3,948
Tangible assets	20	31,148	26,193
Right-of-use assets	20	3,161	3,234
Other non-current assets	21	48	48
Deferred tax assets	15	1,891	1,737
Total non-current assets		**51,869**	**47,758**
Current assets			
Inventories	22	23,944	16,182
Trade and other receivables	23	26,292	20,887
Cash at bank and in hand	24	15,593	11,974
Total current assets		**65,829**	**49,043**
Total assets		**117,698**	**96,800**
EQUITY AND LIABILITIES	32		
Share capital		2,141	2,141
Other reserves		129	129
Invested unrestricted equity fund		2,539	2,539
Translation differences		3,914	1,851
Retained earnings		20,157	16,851
Profit for the period		1,693	5,368
Equity attributable to the equity holders of parent company		**30,574**	**28,880**
Non-controlling interests		**608**	**0**
Total equity		**31,182**	**28,880**
Non-current liabilities			
Interest-bearing liabilities	25, 30	13,430	10,551
Non-current lease liabilities		2,140	2,332
Non-current interest-free liabilities	26	1,018	573
Deferred tax liabilities	15	545	361
Total non-current liabilities		**17,133**	**13,817**
Current liabilities			
Interest-bearing liabilities	25	36,200	29,169
Current lease liabilities		1,218	1,089
Trade and other current liabilities	26	30,443	23,185
Income tax payable		1,523	661
Total current liabilities		**69,383**	**54,104**
Total equity and liabilities		**117,698**	**96,800**

CONSOLIDATED STATEMENT OF CASH FLOWS

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

EUR thousands	Notes	2021	2020
Cash flow from operating activities			
Profit for the period		1,656	5,368
Non-cash adjustments to reconcile profit to net cash flow	35	10,292	10,131
Change in working capital		-2,533	1,659
Cash flow generated by operations		**9,415**	**17,158**
Interest paid		-439	-625
Interest received		33	108
Other financial items		-685	-1,368
Income taxes paid		-2,049	-1,266
Net cash flow from operating activities		**6,275**	**14,006**
Cash flow from investing activities			
Acquisitions of subsidiaries	35	-2,431	0
Purchase of non-current assets		-8,254	-13,081
Proceeds from sale of non-current assets		217	232
Net cash flow from investing activities		**-10,468**	**-12,849**
Cash flow before financing activities		**-4,194**	**1,157**
Cash flow from financing activities			
Proceeds from long-term borrowings		4,000	7,000
Change in short-term loans		6,331	706
Installments of lease liabilities		-1,152	-1,275
Dividends paid		-2,367	-2,129
Net cash flow from financing activities		**6,812**	**4,302**
Change in liquid funds		**2,619**	**5,459**
Liquid funds at the beginning of period		11,974	6,930
Exchange rate fluctuations on liquid funds		1,002	-415
Liquid funds at the end of period		15,593	11,974

Total cash outflow for leases was EUR 1,218 (1,367) thousand.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

As at the end of the financial year

EUR thousands	Share capital	Invested unrestricted equity fund	Translation differences	Retained earnings	Non-controlling interests	Total
2020						
Balance at the beginning of the period	**2,141**	**2,668**	**2,516**	**18,977**	**0**	**26,302**
Comprehensive result			-665	5,368		**4,703**
Defined benefit plan actuarial gains (+) / loss (-), net of tax				-34		**-34**
Other items				16		**16**
Dividend				-2,133		**-2,133**
Acquisition / transfer of Treasury shares 2)				67		**67**
Share-based payments reserve				-42		**-42**
Balance at the end of the period	**2,141**	**2,668**	**1,851**	**22,220**	**0**	**28,880**
2021						
Balance at the beginning of the period	**2,141**	**2,668**	**1,851**	**22,220**	**0**	**28,880**
Comprehensive result			2,064	1,693	-26	**3,730**
Defined benefit plan actuarial gains (+) / loss (-), net of tax				40		**40**
Other items				-32	634	**602**
Dividend				-2,360		**-2,360**
Acquisition / transfer of Treasury shares 2)				26		**26**
Share-based payments reserve				-26		**-26**
Correction to previously issued financial statements 1)				289		**289**
Balance at the end of the period	**2,141**	**2,668**	**3,914**	**21,850**	**608**	**31,182**

1) Corrections related to taxation of previous years.

2) Group's treasury shares are administrated by EAM EXL1V Holding Oy and shares are transferred in accordance to the long-term incentive plan

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All figures in the notes are in EUR thousands unless otherwise stated. Significant accounting principles are described in connection to the relevant note.

The consolidated financial statements of Exel Composites Plc for the year ended 31 December were authorized for issue in accordance with a resolution of the Board of Directors on 14 February 2022. Final decision to adopt, change or reject the financial statements is made by shareholders in Annual General Meeting on 25 March 2022.

Exel Composites' official consolidated financial statements have been published in accordance with the ESEF-directive in XHTML format including XBRL tags on the primary statements. The audit firm Ernst & Young Oy issues an independent auditor's reasonable assurance report on Exel Composites' ESEF Financial Statements. In addition, a pdf version on the consolidated financial statements is available at the company's website at www.exelcomposites.com.

NOTE 1 CORPORATE INFORMATION

Exel Composites provides forward-thinking composite solutions made with continuous manufacturing technologies to customers in a wide range of industries around the world. The company's products are used in several industries from cleaning equipment to power generation and transmission.

The company uses its over 60 year's expertise to help customers reduce weight, improve performance and decrease the total lifetime costs of the end product. Exel wants to be the first choice for sustainable composite solutions globally. The company's manufacturing, R&D and sales network covers all main markets i.e. Europe, Asia and North America.

The Group's factories are located in Austria, Belgium, China, Finland, India, the United Kingdom and USA. Exel Composites' share is listed in the Small Cap segment of the Nasdaq Helsinki Ltd. in the Industrials sector.

Name of reporting entity or other means of identification from end of preceding reporting period	Exel Composites Plc
Explanation of change in name of reporting entity or other means of identification	Exel Composites Plc
Domicile of entity	Mäntyharju, Finland
Legal form of entity	Public Limited Company
Country of incorporation	Finland
Address of registered office of entity	Uutelantie 24 B, 52700 Mäntyharju, Finland
Principal place of business	Europe, Asia and North America
Description of nature of entity's operations and principal activities	Exel Composites provides forward-thinking composite solutions made with continuous manufacturing technologies to customers in a wide range of industries around the world.
Name of parent entity	Exel Composites Plc
Name of ultimate parent of group	Exel Composites Plc

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 Plc have been prepared in compliance with International Financial Reporting Standards (IFRS), applying IAS and IFRS standards, as well as SIC and IFRIC interpretations, as adopted by the European Union, valid on 31 December 2021. 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. Subsidiaries are viewed as companies in which it owns, directly or indirectly, over 50% of the voting rights or in which it is in a position to govern the financial and operating policies of the entity. The Group has control over an entity when it has a participation in the entity and is exposed to or has right to its variable revenues and can influence the revenues by using its control over the entity. Subsidiaries 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. 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.

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.

NOTE 3 CHANGES IN ACCOUNTING POLICIES ANS DISCLOSURES

Standards and standard amendments issued during the 2021 financial period

- IFRS 9, IAS 39 ja IFRS 7 Interest rate benchmark reform, phase 2
- IFRS 16 Covid-19 related rent concessions

had no impact on Group's financial statements.

The standards and standard amendments 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 and amendments, if applicable, when they become effective. Based on preliminary analysis, the standards are not expected to materially impact on the Group's financial statements.

New standards

- IFRS 17 Insurance Contracts

Amendments to standards

- IFRS 3 amendments updating references to the Conceptual Framework
- IAS 37 amendments regarding onerous contracts
- 2018-2020 annual improvements cycle
- IAS 16 amendments regarding proceeds before intended use
- IAS 1 Classification of Liabilities as Current or Non-current
- IAS 1 Disclosure of Accounting policies
- IAS 8 Definition of Accounting estimates
- IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

NOTE 4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements may require the use of judgments, 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 revenue 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.

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 calculations of impairment of non-financial assets 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 27.

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 15.

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 SEGMENT INFORMATION

ACCOUNTING PRINCIPLE: 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 in accordance with IFRS 15 when the performance obligation is satisfied. The performance obligation is satisfied when the goods have been delivered to the customer according to the agreed delivery terms. In most cases this happens when the goods leave the factory. In case according to agreed delivery terms risks and rewards as well as control over the goods are transferred to the customer only when the goods have been delivered to the customer, then revenue is recognized only when the customer has received the goods.

Revenue comprises 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.

Capital expenditure
Capital expenditure presented in this note includes additions to intangible and tangible assets and related advance payments posted during the financial period excluding additions to right-of-use asset. Additions are presented by asset group in Notes 19 and 20.

Operating segments

The Group has one operating segment, Exel Composites.

Geographical information

The Group's geographical information is given for Europe, North America, Asia-Pacific (APAC) and Rest of World. Revenue of geographical distribution is presented according to the customer's location, while assets are presented according to the location of the assets.

Revenue outside the Group according to location of customers

	2021	2020
Europe	73,413	62,757
North America	32,440	18,022
Asia-Pacific	25,413	24,022
Rest of world	3,099	3,795
Total	**134,365**	**108,595**

Revenue from the biggest customer amounted to EUR 22,659 (21,240) thousand in 2021. The revenue of the biggest customer was reported under the Wind power customer industry.

Total assets according to geographic location

	2021	2020
Europe	62,334	50,834
North America	19,014	12,185
Asia-Pacific	36,350	33,782
Rest of world	0	0
Total	**117,698**	**96,800**

Capital expenditure according to geographic location

	2021	2020
Europe	4,787	11,962
North America	2,948	504
Asia-Pacific	2,196	754
Rest of world	0	0
Total	**9,931**	**13,220**

NOTE 6 BUSINESS COMBINATIONS

ACCOUNTING PRINCIPLE: 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 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.

The Kineco Exel Composites India

As announced in October 2021, Exel Composites established a venture with Kineco Group in India. The transaction was completed in October 2021. Exel Composites has a 55% ownership in the new company, Kineco Exel Composites India, which operates from an existing pultrusion manufacturing facility located in Goa. Kineco Group remains a shareholder with a 45% shareholding.

Kineco Exel Composites India is consolidated as a subsidiary and the non-controlling interests of the profit/loss and equity are disclosed separately.

On the acquisition-date the total consideration transferred was EUR 1,306 thousand. It consists of cash EUR 772 thousand, intangible assets EUR 213 thousand, tangible assets EUR 412 thousand, inventories EUR 28 thousand, other receivables EUR 118 thousand and other liabilities EUR 772 thousand. Consolidated goodwill of EUR 535 thousand was recognized.

EUR 332 thousand of acquisition-related costs was recognised as an expense during the review period.

For the first financial year, from October to December 2021, Kineco Exel Composites India's revenue was EUR 190 thousand and the loss was EUR 82 thousand. Non-controlling interest of the loss is EUR 37 thousand.

NOTE 7 EXCHANGE RATES

ACCOUNTING PRINCIPLE: 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 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. The reporting 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.

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.

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 the operating profit. Foreign exchange differences from foreign currency loans and cash at bank are included in financial items.

Country	Currency	2021 Average rate	2020 Average rate	2021 Closing rate	2020 Closing rate
Australia	AUD	1.57478	1.65539	1.56150	1.58960
UK	GBP	0.86003	0.88921	0.84028	0.89903
China	RMB	7.63467	7.87084	7.19470	8.02250
India	INR	85.71047		84.22920	
USA	USD	1.18358	1.14128	1.13260	1.22710
Hong Kong	HKD	9.19915	8.85168	8.83330	9.51420

NOTE 8 OTHER OPERATING INCOME

ACCOUNTING PRINCIPLE: 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. When 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.

In 2020, the Group received Covid-19 related grants for a total of EUR 787 thousand, of which EUR 129 thousand are included in Other operating income and 658 thousand euros is deducted directly from the corresponding operating costs.

	2021	2020
Insurance compensations	4	36
Grants	150	172
Rental income	15	15
Other operating incomes	48	97
Total	**217**	**320**

NOTE 9 OTHER OPERATING EXPENSES

Production variable expenses includes for example molds and dies, energy, water, waste management and packing costs. Other operating expenses includes fixed costs such as maintenance- and repair, travel, insurance premiums and legal and other consulting services.

	2021	2020
Audit fees	248	235
Tax consultation provided by the Audit company	5	41
Other services provided by the Audit company	99	14
Rents on leases with short lease period	255	214
Rents on leases for assets with low value	10	4
Other rental expenses	0	29
Impairment on non-current assets and losses on asset sales	10	219
Production variable expenses	12,992	10,742
Other operating expenses	10,260	8,564
Total	**23,880**	**20,062**

NOTE 10 EMPLOYEE BENEFIT EXPENSES

	2021	2020
Wages and salaries	28,699	25,587
Pension costs - defined contribution schemes	3,092	2,119
Pension costs - defined benefit schemes	23	15
Other employee benefits	3,427	3,087
Total	**35,241**	**30,807**

	2021	2020
Average number of personnel	715	665

NOTE 11 RESEARCH AND DEVELOPMENT EXPENDITURE

ACCOUNTING PRINCIPLE: 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 2021 and 2020.

The income statement includes research and development costs entered as costs amounting to EUR 3,310 (2,884) thousand in 2021. These costs are included in the income statement under Employee Benefit Expenses and Other Operating Expenses.

NOTE 12 DEPRECIATION, AMORTIZATION AND IMPAIRMENT

ACCOUNTING PRINCIPLE: 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.

Depreciation and amortization of assets

	2021	2020
Intangible assets	938	867
Tangible assets		
Buildings	383	231
Buildings, right-of-use assets	1,053	1,233
Machinery and equipment	3,928	3,396
Machinery and equipment, right-of-use assets	94	119
Total	**6,396**	**5,845**

Impairment and write-down of assets

	2021	2020
Intangible assets	1,797	1
Tangible assets		
Land	8	8
Total	**1,806**	**9**

NOTE 13 DIVIDENDS PER SHARE

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

The Annual General Meeting held on 23 March 2021 approved the Board's proposal to distribute a dividend of EUR 0.20 per share for the financial year 2020.

The Annual General Meeting held on 20 March 2020 approved the Board's proposal to distribute a dividend of EUR 0.18 per share for the financial year 2019.

Following the balance sheet date, the Board of Directors has proposed to the Annual General Meeting that a dividend of EUR 0.20 per share be paid based on the adopted financial statements for the financial year ended 31 December 2021. The Board proposes that the dividend be paid in two installments.

NOTE 14 EARNINGS PER SHARE

ACCOUNTING PRINCIPLE: 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 includes the diluting effect of outstanding stock options during the period. The result for the financial year is not adjusted since the subscription of dilutive shares does not involve any compensation to be recognized in the income statement.

	2021	2020
Profit for the financial year attributable to ordinary equity holders of the parent company, EUR thousands	1,693	5,368
Weighted average number of outstanding shares during the financial year, 1,000 shares	11,833	11,828
Basic and diluted earnings per share, EUR/share	0.14	0.45

NOTE 15 DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

ACCOUNTING PRINCIPLE: Deferred taxes
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.

Deferred tax assets in 2021

	1 January	Recognized in income statement	Recognized in shareholders' equity	Exchange rate differences	31 December
Intercompany profit in inventory	33	-3		0	30
Intercompany profit in fixed assets	128	-19		3	112
Losses	1,465	14		145	1,624
Other temporary differences	421	-64	-27	11	341
Offset with deferred tax liabilities	-353	91			-262
IFRS16	43	3			46
Net deferred tax assets	**1,737**	**22**	**-27**	**159**	**1,891**

Deferred tax liabilities in 2021

	1 January	Recognized in income statement	Recognized in shareholders' equity	Exchange rate differences	31 December
Accumulated depreciation	123	7		13	143
Other temporary differences	591	46		25	662
Offset with deferred tax assets	-353	91			-262
IFRS16	0	1			1
Net deferred tax liabilities	**361**	**146**	**0**	**37**	**545**

Deferred tax assets in 2020

	1 January	Recognized in income statement	Recognized in shareholders' equity	Exchange rate differences	31 December
Intercompany profit in inventory	36	-4		0	33
Intercompany profit in fixed assets	150	-20		-2	128
Losses	1,163	376		-73	1,465
Other temporary differences	535	-106	0	-7	421
Offset with deferred tax liabilities	-506	153			-353
IFRS16	0	43			43
Net deferred tax assets	**1,379**	**442**	**0**	**-83**	**1,737**

Deferred tax liabilities in 2020

	1 January	Recognized in income statement	Recognized in shareholders' equity	Exchange rate differences	31 December
Accumulated depreciation	83	40			123
Other temporary differences	709	-97		-22	591
Offset with deferred tax assets	-506	153			-353
IFRS16	0	0			0
Net deferred tax liabilities	**287**	**96**	**0**	**-22**	**361**

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 2021 of EUR 22,496 (15,766) thousand, of which the Company has recorded deferred tax assets of EUR 1,666 (1,465) thousand that are available for offset against future taxable profits of the companies in which the losses arose.

IAS 12 Income Tax, cumulated tax losses

Group's subsidiary in USA has cumulated tax losses from 2018 to 2021. The Group has estimated the long-term profitability of the subsidiary in USA and concluded that future profits will cover the deferred tax assets booked on a part of the taxable losses of the subsidiary. The Group has booked EUR 878 thousand of deferred tax receivables on the losses of the business unit in the USA. Tax losses can be carried forward indefinitely.

The old China subsidiary has cumulated tax losses from 2016 to 2021. The Group's decision to reorganize the operations of the two manufacturing units in China gives certainty to utilize the accumulated tax losses in the coming years. The Group has booked EUR 689 thousand of deferred tax receivables on the losses of the old China unit. Losses for an accounting period can be carried forward for the next 10 years.

Group's subsidiary in Belgium has cumulated tax losses in 2020 and 2021. The Group has estimated that the accumulated tax losses can be utilized in the coming years. The Group has booked EUR 99 thousand of deferred tax receivables on the losses of the business unit in Belgium. Tax losses can be carried forward indefinitely.

The Group has significant tax losses also in its subsidiaries in Australia and Germany. Both subsidiaries are now profitable but the profits are rather small. Group has reviewed the possibility to utilize the tax losses and decided that it will not book deferred tax assets on these tax losses at this point. In both countries tax losses can be carried forward indefinitely.

NOTE 16 INCOME TAXES

ACCOUNTING PRINCIPLE: 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.

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 are stated with the amount of sales tax included.

	2021	2020
Income tax based on taxable income for the financial year	2,733	2,234
Income taxes from previous financial periods	-177	-133
Deferred taxes	-47	-346
Total income taxes reported in the income statement	**2,509**	**1,755**

Income tax recognized in other comprehensive income 2021

	Before tax	Tax effect	After tax
Exchange differences on translating foreign operations	2,074	0	2,074
Defined benefit plan actuarial gains (+) / losses (-)	53	-13	40
Total	**2,127**	**-13**	**2,114**

Income tax recognized in other comprehensive income 2020

	Before tax	Tax effect	After tax
Exchange differences on translating foreign operations	-665	0	-665
Defined benefit plan actuarial gains (+) / losses (-)	-46	11	-34
Total	**-711**	**11**	**-699**

Income tax reconciliation

	2021	2020
Profit before taxes	4,165	7,124
Consolidated income taxes at Group's domestic tax rate (20%)	833	1,425
Impact of different tax rates of foreign subsidiaries	43	341
Tax-exempt income and non-deductible expenses	246	108
Tax at source booked as cost	0	0
Income taxes for prior years	-177	-133
Effect of deferred tax assets not recognized	1,220	-162
Other items	343	177
Income tax recognized in consolidated income statement	2,509	1,755
Effective tax rate	60.2	24.6

NOTE 17 FINANCIAL EXPENSES

ACCOUNTING PRINCIPLE: Borrowing costs
Borrowing costs directly attributable to the acquisition, construction 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 years ending 31 December 2021 and 2020, the Group had no assets where the borrowing costs would have been capitalized.

	2021	2020
Interest expenses on debts and borrowings	352	675
Interest expenses on lease liabilities	66	92
Foreign exchange losses	1,285	2,538
Change in fair value of financial assets recognized at fair value through profit or loss (from derivatives)	0	0
Other finance expenses	245	372
Total finance expenses	**1,947**	**3,676**

Exchange differences for sales (exchange rate gain EUR 55 thousand) and purchases (exchange rate loss EUR 13 thousand) are entered in the income statement in the appropriate sales and purchase accounts.

NOTE 18 FINANCIAL INCOME

	2021	2020
Interest income on loans and receivables	26	138
Dividend income	0	2
Foreign exchange gains	2,338	1,239
Change in fair value of financial assets recognized at fair value through profit or loss	0	0
Other finance income	4	4
Total finance income	**2,368**	**1,383**

NOTE 19 INTANGIBLE ASSETS

ACCOUNTING PRINCIPLE: 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 expenses 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.

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. Capitalized 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.

The Group has no internally created intangible assets.

Goodwill

	2021	2020
Acquisition cost at 1 January	18,724	19,093
Additions	537	0
Exchange rate differences	516	-370
Acquisition cost at 31 December	**19,777**	**18,724**
Accumulated amortization and impairment at 1 January	-6,127	-6,122
Impairments	-791	0
Exchange rate differences	-51	-5
Accumulated amortization and impairment at 31 December	**-6,968**	**-6,127**
Book value at 1 January	12,597	12,597
Book value at 31 December	**12,809**	**12,597**

Other intangible assets

	2021	2020
Acquisition cost at 1 January	5,737	5,547
Additions	61	220
Disposals	0	-13
Transfers between asset groups	79	0
Exchange rate differences	187	-16
Acquisition cost at 31 December	**6,064**	**5,737**
Accumulated amortization at 1 January	-4,793	-4,664
Amortization for the period	-193	-135
Impairments	-49	-1
Disposals	0	13
Exchange rate differences	-115	-7
Accumulated amortization at 31 December	**-5,150**	**-4,793**
Book value at 1 January	944	883
Book value at 31 December	**914**	**944**

Other long-term expenses

	2021	2020
Acquisition cost at 1 January	7,475	7,225
Additions	390	3
Disposals	0	0
Transfers between asset groups	163	402
Exchange rate differences	147	-155
Acquisition cost at 31 December	**8,175**	**7,475**
Accumulated amortization at 1 January	-4,469	-3,795
Amortization for the period	-745	-732
Impairments	-957	0
Exchange rate differences	-103	58
Accumulated amortization at 31 December	**-6,274**	**-4,469**
Book value at 1 January	3,004	3,430
Book value at 31 December	**1,899**	**3,004**

NOTE 20 PROPERTY, PLANT AND EQUIPMENT

ACCOUNTING PRINCIPLE: 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.

Exel Composites (Group) has applied the IFRS16 Leases –standard since 1 January 2019. Lease liabilities arising from lease and rental agreements along with corresponding right-of-use assets are stated in the balance sheet accordingly. The Group has used the recognition exemption where lease contracts are not stated in the balance sheet, if the value of the underlying asset is less than approx. 5,000 euros and/or if the lease period is 12 months or less. For lease contracts with no set end date and with termination or extension options, the Group has determined the lease term by making an assessment using best available information.

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

The discount rate used is the average rate on the Group's external loans, which was 2.271% at the time of initial adoption and 1.070% from 1 January 2020, or if stated in the lease contract the internal rate of the contract.

The Group had no assets held for sale.

Land and water areas

	2021	2020
Acquisition cost at 1 January	1,803	1,834
Additions	3	0
Disposals	0	0
Transfer between asset groups	0	0
Exchange rate differences	71	-31
Acquisition cost at 31 December	**1,877**	**1,803**
Accumulated amortization at 1 January	-266	-270
Impairment charge and write-downs	-8	-8
Exchange rate differences	-25	11
Accumulated amortization at 31 December	**-299**	**-266**
Book value at 1 January	1,537	1,564
Book value at 31 December	**1,578**	**1,537**

Buildings and structures

	2021	2020
Acquisition cost at 1 January	14,416	7,568
Additions	637	6,719
Disposals	0	0
Transfer between asset group	292	206
Exchange rate differences	204	-77
Acquisition cost at 31 December	**15,548**	**14,416**
Accumulated amortization at 1 January	-5,488	-5,297
Amortization for the period	-383	-231
Impairment charge and write-downs	0	0
Disposals	0	0
Exchange rate differences	-98	40
Accumulated amortization at 31 December	**-5,970**	**-5,488**
Book value at 1 January	8,927	2,271
Book value at 31 December	**9,578**	**8,927**

Buildings and structures, right-of-use assets

	2021	2020
Acquisition cost at 1 January	5,026	5,588
Additions	913	275
Disposals	-61	-603
Transfer between asset group	0	0
Exchange rate differences	339	-234
Acquisition cost at 31 December	**6,217**	**5,026**
Accumulated amortization at 1 January	-1,942	-1,167
Amortization for the period	-1,053	-1,233
Impairment charge and write-downs	0	0
Disposals	0	383
Exchange rate differences	-157	74
Accumulated amortization at 31 December	**-3,152**	**-1,942**
Book value at 1 January	3,084	4,421
Book value at 31 December	**3,065**	**3,084**

Machinery and equipment

	2021	2020
Acquisition cost at 1 January	57,654	55,434
Additions	6,298	3,226
Disposals	-114	-2,942
Transfers between asset groups	1,548	2,630
Exchange rate differences	1,606	-694
Acquisition cost at 31 December	**66,991**	**57,654**
Accumulated amortization at 1 January	-42,836	-42,442
Amortization for the period	-3,928	-3,396
Impairment charge and write-downs	0	0
Disposals	82	2,643
Exchange rate differences	-988	359
Accumulated amortization at 31 December	**-47,670**	**-42,836**
Book value at 1 January	14,818	12,992
Book value at 31 December	**19,321**	**14,818**

Machinery and equipment, right-of-use assets

	2021	2020
Acquisition cost at 1 January	336	417
Additions	39	1
Disposals	0	-76
Transfers between asset groups	0	0
Exchange rate differences	6	-6
Acquisition cost at 31 December	**380**	**336**
Accumulated amortization at 1 January	-186	-145
Amortization for the period	-94	-119
Impairment charge and write-downs	0	0
Disposals	0	76
Exchange rate differences	-4	3
Accumulated amortization at 31 December	**-284**	**-186**
Book value at 1 January	150	272
Book value at 31 December	**96**	**150**

Advance payments and construction in progress

	2021	2020
Acquisition cost at 1 January	911	1,280
Additions	2,006	3,053
Transfers between asset groups	-2,083	-3,377
Disposals	-171	-44
Exchange rate differences	7	-2
Acquisition cost at 31 December	**670**	**911**
Book value at 1 January	911	1,280
Book value at 31 December	**670**	**911**

NOTE 21 OTHER NON-CURRENT ASSETS

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

	2021	2020
Book value at 1 January	48	104
Decreases	0	-55
Change in fair value	0	0
Book value at 31 December	**48**	**48**

NOTE 22 INVENTORIES

ACCOUNTING PRINCIPLE: 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.

	2021	2020
Raw materials	11,916	7,643
Work in progress	3,760	2,869
Finished products and goods	8,267	5,670
Total inventories	**23,944**	**16,182**

During 2021 an expense of EUR 134 (30) thousand was recognized to reduce the book value of inventories to their net realizable value.

NOTE 23 TRADE AND OTHER RECEIVABLES

ACCOUNTING PRINCIPLE: Financial assets
Financial assets are classified within the scope of IFRS 9 as financial assets at amortized cost, at fair value through profit or loss, at fair value through other comprehensive income 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.

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

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 ability 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 2021 and 2020.

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.

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

An impairment of trade receivables is recognized in accordance with IFRS 9. The Group applies the simplified approach allowed by IFRS 9 as the accounts receivable does not contain significant financing component. To measure the lifetime expected credit losses trade receivables have been grouped based on credit risk characteristics and aging category. Expected credit losses have been measured based on historical loss rates adjusted by forward looking estimates and individual assessment.

	2021	2020
Trade receivables	21,646	17,895
Deferred income	498	617
Other receivables	3,141	2,136
Tax receivables	1,008	238
Total receivables	**26,292**	**20,887**

During the 2021 financial year credit losses of EUR 284 (-55) thousand were recorded, consisting of actual credit losses amounting to EUR 7 (-133) thousand and change in the bad debt provision amounting to EUR 277 (78) thousand covering all overdue trade receivables which are over 90 days overdue.

Ageing analysis of trade receivables as at 31 December

			Past due but not impaired		
	Total	Neither past due nor impaired	<30 days	30-60 days	61-90 days
2021	21,646	15,420	3,892	1,001	1,333
2020	17,895	9,483	6,551	1,025	836

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

NOTE 24 CASH AND CASH EQUIVALENTS

ACCOUNTING PRINCIPLE: 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.

Cash assets and short-term deposits consist of cash-in-hand and bank accounts, which amounted to EUR 15,593 (11,974) thousand.

NOTE 25 INTEREST-BEARING LOANS AND BORROWINGS

ACCOUNTING PRINCIPLE: Financial liabilities
Financial liabilities within the scope of IFRS 9 are classified as financial liabilities at amortized cost, at fair value through profit or loss, at fair value through other comprehensive income or as derivatives designated as hedging instruments in an effective hedge. The Group determines the classification of its financial liabilities at initial recognition. 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, excluding derivative 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.

Non-current interest-bearing loans and borrowings

	2021	2020
Loans from financial institutions	13,100	9,800
Lease liabilities	2,140	2,332
Pension loans	330	751
Total	**15,570**	**12,883**

Current interest-bearing loans and borrowings

	2021	2020
Loans from financial institutions	36,200	28,886
Lease liabilities	1,218	1,089
Cheque account with overdraft facility	0	284
Total	**37,418**	**30,258**

EUR 35.5 million of current interest-bearing liabilities were commercial papers. To secure the payment of commercial papers, the company had at the end of the financial year unused, non-current (over 12 months) revolving credit facilities for EUR 40.0 million.

Maturity of non-current interest-bearing liabilities (other than lease liabilities)

	2021	2020
2022	0	700
2023	700	700
2024	8,200	4,200
2025	4,200	4,200
2026	0	0
Later	330	751
Total	**13,430**	**10,551**

Maturity of non-current lease liabilities

	2021	2020
2022	0	966
2023	1,205	763
2024	784	481
2025	72	43
2026	35	0
Later	44	79
Total	**2,140**	**2,332**

NOTE 26 TRADE AND OTHER NON-INTEREST-BEARING LIABILITIES

ACCOUNTING PRINCIPLE: 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 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.

Provisions are included in Accrued expenses.

	2021	2020
Trade payables	19,728	10,124
Accrued expenses	5,817	9,816
Advance payments	1,275	1,072
Other current interest-free liabilities	3,622	2,172
Non-current interest-free liabilities	1,018	573
Total	**31,461**	**23,758**

NOTE 27 IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLES WITH INDEFINITE LIVES

Goodwill acquired through business combinations has been arisen from the following cash generating units (CGU):

Distribution of goodwill

	2021	2020
Finland	135	135
Belgium	209	209
Austria	688	688
China	4,260	3,956
USA	0	763
India	547	0
Exel Composites Group	6,970	6,847
Total	**12,809**	**12,597**

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

The Group makes a 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 coming years. Forecasts for periods further ahead in the future have been calculated on the assumption of annual growth of 1% on the industry in the long term. Sales margin levels used in the forecasts are expected to remain on average at the current level.

Discount rate is defined 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 after taxes used in the calculations was on average 8.2% (7.8).

We performed an impairment testing in Exel USA already in the third quarter of the year. The test resulted in an impairment in the intangible assets of EUR 1.8 million. In other units the impairment testing was performed according to our normal schedule during the last quarter of the year.

On the basis of the impairment test, the recoverable amount of all cash-generating units exceeded the corresponding balance sheet values. In Great Britain and Belgium business units the recoverable amounts are most sensitive to future growth rate, sales margin and discount rate assumptions.

The sensitivity analysis of goodwill impairment tests indicates that if the group revenue declines more than 6% (4) there would be a situation where the recoverable value would not exceed the carrying amount. Alternatively, the revenue margin must decline over 2% (1) or average discount rate to increase to over 11.3% (10.0).

Testing assumptions used for the Great Britain and Belgium business units included 1% growth rate for the future years and discount rate varied depending on the business unit between 7.6% and 11.2%. Sales margin is forecasted to improve in all above-mentioned business units as a result of implemented structural savings as well as due the reduced negative impact of Covid-19 pandemic. Depending on the business unit a decrease by 0.5 – 0.9 percentage points from the current level in annual growth rate or by 0.7 – 1.0 percentage points in sales margin or alternatively an increase by 1.2 – 2.0 percentage points in discount rate would result in goodwill or other asset write-down need.

NOTE 28 FINANCIAL RISK MANAGEMENT

ACCOUNTING PRINCIPLE: 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 IFRS 9. 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. Derivative financial instruments are presented in Note 30. 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 2021 or 2020.

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), the Chinese renminbi (RMB), the Hong Kong dollar (HKD) and the Indian rupee (INR). 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 protected as needed by forward agreements and currency options.

The Group's translation exposure in main currencies at the end of the financial year was as follows:

Net investment

	2021	2020
AUD	3,763	3,404
GBP	7,560	6,717
RMB	18,230	13,596
INR	1,350	0
HKD	2,689	2,018
USD	-12,905	-5,589

The Group's sensitivity to main currencies when all other variables are constant is the following (as at the end of the financial year):

2021	AUD	GBP	RMB	INR	HKD	USD
Increase in currency rate vs. EUR, %	5%	5%	5%	5%	5%	5%
Effect on equity, EUR	188	378	911	68	134	-645

2020	AUD	GBP	RMB	INR	HKD	USD
Increase in currency rate vs. EUR, %	5%	5%	5%	5%	5%	5%
Effect on equity, EUR	170	336	680	0	101	-279

Interest rate risk

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

Currency	Amount, EUR thousands	%
EUR	49,300	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 or by agreements on maximum interest rate. At the balance sheet date, the Group had no interest swap contracts. 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 was EUR 496 (397) thousand.

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. The excess cash is held in liquid instruments. In addition to cash reserves and interest rate investments, the Group had unused, committed credit limits on 31 December 2021 amounting to EUR 40.0 million. Committed credit limits secure the repayment of short-term liabilities, such as commercial papers.

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, credit limits and commercial papers.

The table below summarizes the maturity profile of the Group's financial liabilities at the end of the financial year based on contractual undiscounted payments.

2021	On demand	Less than 3 months	3-12 months	1-5 years	> 5 years	Total
Interest-bearing liabilities		35,500	1,918	15,196	375	52,988
Trade and other current payables		30,443				30,443

2020	On demand	Less than 3 months	3-12 months	1-5 years	> 5 years	Total
Interest-bearing liabilities		18,783	11,475	12,053	830	43,140
Trade and other current payables		23,185				23,185

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. Approximately half of the Group's trade receivables are secured with credit insurance.

Counterparty risk refers to a situation in which a contracting 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 2021, 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 23.

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.

	2021	2020
Interest-bearing liabilities	52,988	43,140
Cash and cash equivalents	15,593	11,974
Net interest-bearing liabilities	37,395	31,167
Shareholders' equity	31,182	28,880
Net gearing, %	119.9	107.9

NOTE 29 CONTINGENT LIABILITIES

	2021	2020
Operating leases		
Not later than one year	11	22
1-5 years	8	0
Other liabilities	64	253

NOTE 30 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

ACCOUNTING PRINCIPLE: Valuation and impairment of financial assets and derivative financial instruments
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.

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.

Net fair values and nominal values of financial assets and liabilities

	2021 Net fair value	2021 Nominal value	2020 Net fair value	2020 Nominal value
Trade and other receivables	26,292	26,292	20,887	20,887
Cash and cash equivalents	15,593	15,593	11,974	11,974
Interest rate swap agreements	0	0	-40	2,852
Bank loans	49,856	49,300	38,340	38,686
Current credit facilities	0	0	284	284
Trade and other payables	31,791	31,791	23,846	23,846

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

NOTE 31 PENSION AND OTHER POST-EMPLOYMENT OBLIGATIONS

ACCOUNTING PRINCIPLE: 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. 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 or corporate bonds with maturities corresponding to the maturity 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 are recognized in full as a component of other comprehensive income.

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.

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 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.

Amounts recognized in the income statement

	2021	2020
Pension cost for the financial year	3,092	2,119
Differences in benefit schemes	23	15
Total included in personnel expenses	**3,115**	**2,133**

Amounts recognized in the balance sheet

	2021	2020
At the beginning of financial period	751	690
Pension expenses in the income statement	23	15
Defined benefit plan actuarial gains (+) / losses (-)	-53	46
At the end of financial period	**720**	**751**

NOTE 32 SHARE CAPITAL

ACCOUNTING PRINCIPLE: Share capital
Ordinary shares are included in shareholders' equity. Expenses incurred directly from new share issues are recorded in shareholders' equity as a reduction of received payments.

	Number of shares (1,000)	Share capital	Invested unrestricted equity fund	Total
1.1. 2020	11,897	2,141	2,539	4,681
31.12.2020	11,897	2,141	2,539	4,681
31.12.2021	11,897	2,141	2,539	4,681

Authorizations by the AGM

Repurchase and/or the acceptance as pledge of the company's own shares
On 23 March 2021 the Annual General Meeting authorized the Board of Directors to repurchase and/or accept as pledge of the company's own shares as follows:

The amount of own shares to be repurchased and/or accepted as pledge on the basis of the authorization shall not exceed 600,000 shares in total, which corresponds to approximately 5.0 per cent of all the shares in the company. Only the unrestricted equity of the company can be used to repurchase own shares based on the authorization.

Own shares can be repurchased at a price formed in public trading on the date of the repurchase or otherwise at a price formed on the market.

The Board of Directors decides on how own shares will be repurchased and/or accepted as pledge. Shares can be repurchased using, inter alia, derivatives. Own shares can be repurchased otherwise than in proportion to the shareholdings of the existing shareholders (directed repurchase). The Board of Directors shall decide on other terms of the share repurchase and/or acceptance as pledge.

Shares may be repurchased to be used as consideration in possible acquisitions or in other arrangements that are part of the company's business, to finance investments, as part of the company's incentive program or to be retained, otherwise conveyed or cancelled by the company.

The authorization cancels the authorization given to the Board of Directors by the General Meeting 2020 to decide on the repurchase and/or acceptance as pledge of the company's own shares.

The authorization is effective until the end of the next Annual General Meeting, however no longer than until 30 June 2022.

Exel Composites held 63,337 own shares at the end of 2021, which have been repurchased to be used as part of the company's incentive program.

Issuance of shares and special rights entitling to shares
On 21 March 2019 the Annual General Meeting authorized the Board of Directors to decide on the issuance of shares and special rights entitling to shares referred to in Chapter 10, Section 1 of the Companies Act as follows:

The amount of shares to be issued on the basis of the authorization may be a maximum of 1,189,684 new shares, which corresponds to approximately 10.0 per cent of all shares in the company, and/or a maximum of 600,000 Company's own shares.

The Board of Directors decides on all the conditions of the issuance of shares and of special rights entitling to shares. The issuance of shares and of special rights entitling to shares may be carried out in deviation from the shareholders' pre-emptive rights (directed issue).

The shares to be issued based on the authorization can be used as consideration in possible mergers and acquisitions and other business arrangements, to finance investments or as a part of the Company's incentive program for personnel.

The authorization cancels the authorization given to the Board of Directors by the General Meeting on 17 March 2016 to decide on the issuance of shares as well as special rights entitling to shares.

The authorization is effective until 30 June 2022.

These authorizations were not exercised in 2021.

NOTE 33 LONG-TERM COMPENSATION

ACCOUNTING PRINCIPLE: Long-term compensation
The Group has long-term incentive programs for the President and CEO, the Group Management Team and selected key employees of the company. The programs aim to combine the objectives of the shareholders and the executives 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 Board makes the decision on the program annually.

The cost of the programs will be accounted for as operating expenses during the duration of the programs.

On 31 December 2021 the Group had three share-based long-term incentive programs:

The 2019 plan is part of a share-based long-term incentive program for the earning period 2019-2021 and was targeted at approximately 20 executives. The President and CEO and the Group Management Team were included in the target group of the 2019 incentive program. 75% of the potential share-based performance reward is based on cumulative adjusted operating profit (EBIT) and 25% on total shareholder return of the company's share (TSR). The potential share reward is payable in 2022. The maximum number of shares to be paid under this individual plan is 196,000 shares, of which President and CEO's share is 50,000 shares. The estimated payout (to be confirmed in March 2022) is 49,000 shares in total.

The 2020 plan is part of a share-based long-term incentive program for the earning period 2020-2022 and is targeted at approximately 20 executives. The President and CEO and the Group Management Team are included in the target group of the 2020 incentive program. 75% of the potential share-based performance reward is based on cumulative adjusted operating profit (EBIT) and 25% on total shareholder return of the company's share (TSR). The potential share reward is payable in 2023. The maximum number of shares to be paid under this individual plan is 125,000 shares, of which President and CEO's share is 32,000 shares.

The 2021 plan is part of a share-based long-term incentive program for the earning period 2021-2023 and is targeted at approximately 20 executives. The President and CEO and the Group Management Team are included in the target group of the 2021 incentive program. 75% of the potential share-based performance reward is based on cumulative adjusted operating profit (EBIT) and 25% on total shareholder return of the company's share (TSR). The potential share reward is payable in 2024. The maximum number of shares to be paid under this individual plan is 100,000 shares, of which President and CEO's share is 25,600 shares.

The 2018 program, the earning period of which ended in 2020, was based on a long-term monetary incentive program and was targeted at 17 executives for the earning period 2018-2020. The President and CEO and the members of the Group Management Team were included in the target group of the 2018 incentive program. 75% of the potential share-based performance reward was based on cumulative operating profit (EBIT) and 25% on total shareholder return of the company's share (TSR). The maximum number of shares to be paid under this individual plan in 2021 was 122,000 shares, of which President and CEO's share was 33,973 shares. In 2021, a total reward of 10,287 shares (3,813 paid in shares and 6,474 in cash) was paid out under the 2018 plan to 17 executives. The President and CEO's share of the reward was 2,780 shares (1,390 in shares and 1,390 in cash). The share rewards were paid in March 2021. The shares were acquired at an average price of EUR 8,51 per share on 18 March 2021.

The profit and loss of 2021 includes EUR 50 thousand of costs related to these incentive programs.

The administration of the share-based incentive plan and the acquisition of shares are conducted through an arrangement made with Evli Awards Management Oy (EAM) as per the decision of the Board of Directors on 12 June 2017 and according to the stipulations of the Companies Act for financing the purchase of own shares (the Finnish Companies Act, Chapter 13, Section 10, Subsection 2) relating to incentive plans. As a part of this arrangement EAM founded EAM EXL1V Holding Oy (Holding company) which acquires the shares with Exel's funding and according to the agreement. These shares will be delivered to the employees according to Exel's share plan terms and conditions. The Holding company is owned by the EAM in legal terms, but according to the agreement Exel has control over the company and acts as the principal, whereas EAM is an agent through the Holding company. This control arising from contractual terms means, that the Holding company is consolidated into the Group's IFRS financial statements as a structured entity.

No reward will be paid to an executive based on the 2019, 2020 and 2021 programs, if his or her employment or service with the company ends before the reward payment unless the executive is leaving the company due to retirement or unless the Board decides otherwise. The programs also include a one-year lock-up period, and the restriction on leaving the Company is extended to the end of the lock-up.

NOTE 34 DISTRIBUTABLE FUNDS

The parent company's distributable funds on 31 December 2021 were EUR 13,255 thousand.

NOTE 35 CASH FLOW FROM BUSINESS OPERATIONS

Non-cash adjustments to the result for the financial year

	2021	2020
Depreciation, impairment charges and write-offs	8,202	6,021
Taxes	2,509	1,755
Financial expenses	1,881	3,584
Interest expenses on lease liabilities	66	92
Financial income	-2,368	-1,390
Other adjustments	2	68
Total	**10,292**	**10,131**

Acquisitions of subsidiaries

In Cash flow from investing activities the Acquisitions of subsidiaries include EUR 2,534 thousand related to the purchase of Nanjing Jianhui Composites Materials and EUR 1,306 thousand related to the investment in Kineco Exel Composites India through a directed share issue through which Exel Composites acquired 55% of the shares of Kineco Exel Composites India. Cash amounting to EUR 1,409 thousand that Kineco Exel Composites India had in its balance sheet at the time of the acquisition, mainly as a consequence of this share issue, has been deducted from the total.

NOTE 36 RELATED-PARTY TRANSACTIONS

Exel Composites' related parties include the controlling parent company, all companies belonging to Exel Composites Group as well as Exel Composites' Board of Directors, President and CEO, Group Management Team and executives of the parent company and subsidiaries. The company evaluates and monitors transactions concluded between the company and its related parties to ensure that any conflicts of interest are appropriately taken into account in the decision-making process.

In 2021, no significant related-party transactions were conducted between the Group and its related parties.

The Group's parent company and subsidiary relationships

Name of subsidiary	Domicile	Group share of holding	Group control
EAM EXL1V Holding	Finland	0	100
Exel GmbH	Germany	100	100
Exel Composites N.V.	Belgium	100	100
Exel Composites GmbH	Austria	100	100
Exel Composites (Nanjing) Co. Ltd.	China	100	100
Exel Composites (Australia) Pty. Ltd.	Australia	100	100
Pacific Composites Ltd.	Australia	100	100
Pacific Composites (Europe) Ltd.	UK	100	100
Fibreforce Composites Ltd.	UK	100	100
Pacific Composites Ltd.	New Zealand	100	100
Exel Composites Store Ltd.	Finland	100	100
Exel Composites (HK) Holding Limited	Hong Kong	100	100
Nanjing Jingheng Composite Material Co. Ltd.	China	100	100
Jianhui FRP Trading Co. Limited	Hong Kong	100	100
Exel Composites USA Holdings Inc.	USA	100	100
Diversified Structural Composites Inc.	USA	100	100
Kineco Exel Composites India	India	55	55

The ultimate parent company is Exel Composites Plc.

Management remuneration

Senior management accrued salaries, fees and bonuses

	2021	2020
President and CEO	471	438
Members of the Board of Directors	180	173
Total	**651**	**611**

Salaries and fees per person

President and CEO and Board of Directors	2021	2020
Riku Kytömäki President and CEO	471	438
Reima Kerttula Chairman (as of 17 March 2016, member until 17 March 2016)	58	57
Petri Helsky Member (as of 17 March 2016)	31	29
Helena Nordman-Knutson Member (as of 4 April 2017)	30	29
Jouko Peussa Member (as of 17 March 2016)	30	29
Kirsi Sormunen Member (as of 20 March 2020)	31	28
Maija Strandberg Member (until 20 March 2020)	0	1
Total	**651**	**611**

The accrued pension costs of President and CEO amounted to EUR 74 (57) thousand. The President and CEO's pension plan is pursuant to the employment pension legislation.

The holdings of the senior management on 31 December 2021

Number of shares and votes	2021	2020
Riku Kytömäki President and CEO	72,978	71,588
Reima Kerttula Chairman (as of 17 March 2016, member until 17 March 2016)	23,618	21,561
Petri Helsky Member (as of 17 March 2016)	8,868	7,911
Helena Nordman-Knutson Member (as of 4 April 2017)	7,726	6,769
Jouko Peussa Member (as of 17 March 2016)	8,868	7,911
Kirsi Sormunen Member (as of 20 March 2020)	3,125	2,168
Total	**125,183**	**117,908**

NOTE 37 EVENTS AFTER THE REPORTING PERIOD

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

In February 2022, Exel Composites announced the continuation of a share-based long-term incentive program for the top management of the company. The 2022 performance-based plan is part of the share-based long-term incentive program published on 4 May 2017. Similarly to the previous programs within this plan, the performance targets applied to the plan that commenced at the beginning of 2022 are adjusted operating profit (EBIT) and the total shareholder return of the company's share (TSR).

PARENT COMPANY INCOME STATEMENT

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

EUR	Notes	2021	2020
Revenue	**38**	**56,435,417.15**	**39,273,004.88**
Variation in inventories of finished goods and work in progress		1,473,258.86	115,402.29
Other operating income	**39**	1,965,043.10	3,242,894.14
Materials and services	**40**	-28,486,277.92	-18,546,639.74
Personnel expenses	**41**	-15,915,670.20	-13,688,365.14
Depreciation, amortization and reduction in value	**42**	-2,569,641.13	-2,229,572.23
Other operating expenses	**43**	-5,460,586.96	-5,036,042.08
Operating profit / loss		**7,441,542.90**	**3,130,682.12**
Financial income	**45**	3,264,460.45	2,470,869.65
Financial expenses	**45**	-3,137,018.70	-2,129,006.74
Profit/ loss before appropriations and taxes		**7,568,984.65**	**3,472,545.03**
Appropriations	**46**	0.00	417,117.69
Income taxes	**47**	-1,626,881.44	-435,278.19
Other direct taxes		-47.79	-114.74
Profit/ loss for the period		**5,942,055.42**	**3,454,269.79**

PARENT COMPANY BALANCE SHEET

As at the end of the financial year

EUR	Notes	2021	2020
ASSETS			
Non-current assets			
Intangible assets	48	1,986,107.33	2,503,702.69
Tangible assets	49	6,944,115.75	7,208,146.65
Investments	50	23,657,278.93	22,106,301.47
Total non-current assets		**32,587,502.01**	**31,818,150.81**
Current assets			
Inventories	52	9,704,252.78	7,080,407.51
Current receivables	53	44,416,197.51	31,127,708.87
Cash at bank and in hand		3,940,204.92	19,294.48
Total current assets		**58,060,655.21**	**38,227,410.86**
TOTAL ASSETS		**90,648,157.22**	**70,045,561.67**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	54	2,141,431.74	2,141,431.74
Other reserves	54	2,539,278.34	2,539,278.34
Retained earnings/loss	54	4,774,148.41	6,912,472.85
Profit/loss for the period	54	5,942,055.42	3,454,269.79
Total equity		**15,396,913.91**	**15,047,452.72**
Liabilities			
Non-current liabilities	55	13,100,000.00	9,800,000.00
Current liabilities	56	62,151,243.31	45,198,108.95
Total liabilities		**75,251,243.31**	**54,998,108.95**
TOTAL EQUITY AND LIABILITIES		**90,648,157.22**	**70,045,561.67**

PARENT COMPANY CASH FLOW STATEMENT

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

EUR thousands	2021	2020
Cash flows from operating activities		
Profit/loss for the period	5,942	3,454
Adjustments to profit/loss for the period	-3,650	1,968
Cash flow before working capital changes	2,292	5,422
Working capital changes	-3,067	825
Operating cash flow before financial items and taxes	-775	6,247
Interest and other financial expenses paid relating to operating activities	-985	-758
Dividends received	1,693	949
Interests received	155	249
Income taxes paid	-525	162
Net cash flow from operating activities (A)	**-436**	**6,849**
Cash flows from investing activities		
Purchase of tangible and intangible assets	-1,788	-3,024
Proceeds from sale of tangible and intangible assets	27	2
Purchased subsidiary shares	-1,551	-1,215
Proceeds from sale of investments	0	54
Net cash flow from investing activities (B)	**-3,312**	**-4,183**
Cash flow from financing activities		
Proceeds from short-term borrowings	11,794	8,181
Repayment of short-term borrowings	-5,758	-16,070
Proceeds from long-term borrowings	4,000	7,000
Dividends and other distribution of profit paid	-2,367	-2,129
Net cash flow from financing activities (C)	**7,669**	**-3,018**
Net increase (+) / decrease (-) in cash and cash equivalents (A + B + C)	**3,921**	**-352**
Cash and cash equivalents at beginning of period	19	372
Cash and cash equivalents at end of period	3,940	19

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

All figures are in EUR thousands unless otherwise stated.

NOTE 38 REVENUE BY MARKET AREA

	2021	2020
Europe	42,727	31,097
North America	8,907	6,445
Asia-Pacific	4,584	1,471
Rest of world	218	260
Total	**56,435**	**39,273**

NOTE 39 OTHER OPERATING INCOME

	2021	2020
Service invoicing from Group companies	1,907	3,195
Other operating income	58	48
Total	**1,965**	**3,243**

During the financial year 1 January to 31 December 2021, the Group companies' internal service charge system was changed, as a result of which the service charges for previous years have been credited to subsidiaries and have been recorded to the Retained earnings/loss-account. The share of taxes has been adjusted from the Retained earnings/loss-account to Tax receivables. The data for the comparison year have not been restated in this note.

NOTE 40 MATERIALS AND SERVICES

	2021	2020
Purchases during financial period	-28,452	-17,780
Change in inventories	1,151	-103
External services	-1,185	-664
Total	**-28,486**	**-18,547**

NOTE 41 PERSONNEL

Average number of personnel during the financial year

	2021	2020
Office employees	90	86
Production employees	167	142
Total	**257**	**228**

Personnel expenses

	2021	2020
Wages and salaries	-13,270	-11,524
Pension expenses	-2,134	-1,713
Other social security expenses	-511	-452
Total	**-15,916**	**-13,688**

Paid wages, salaries and other remuneration of directors and management

	2021	2020
President and CEO	-448	-376
Members of the Board of Directors	-180	-173
Total	**-628**	**-549**

The accrued pension costs of President and CEO amounted to EUR 74 (57) thousand. The President and CEO's pension plan is pursuant to the employment pension legislation.

NOTE 42 DEPRECIATION, AMORTIZATION AND REDUCTION IN VALUE

Tangible and intangible assets are recognized in the balance sheet at cost less depreciation according to plan. Cost includes variable expenditure relating to the acquisition and production of the assets. Grants received are deducted from the cost. Depreciation according to plan is calculated using the straight-line method based on the useful life of the assets. Depreciation is started at the moment when the asset is taken into use.

Planned depreciation periods

- Buildings and structures 5-20 years
- Machinery and equipment 5-15 years
- Other capitalized expenditure 5-8 years
- Goodwill 10 years
- Other intangible assets 5 years

Planned depreciation, amortization and reduction in value

	2021	2020
Depreciation according to plan	-2,570	-2,230
Total	**-2,570**	**-2,230**

NOTE 43 OTHER OPERATING EXPENSES

	2021	2020
Real estate, machinery and equipment expenses	-1,565	-1,441
External services, insurances and IT expenses	-2,398	-2,401
Other operating expenses	-1,497	-1,194
Total	**-5,461**	**-5,036**

NOTE 44 AUDITOR'S FEES

Authorized Public Accountants, Ernst & Young	2021	2020
Audit of financial statements	-107	-89
Engagements referred to in the Auditing Act, 1.1,2§	0	-5
Other fees	-4	-8
Total	**-111**	**-102**

NOTE 45 FINANCIAL INCOME AND EXPENSES

	2021	2020
Income from Group companies	1,293	1,347
Income from other investments held as non-current assets		
From others	0	56
	1,293	1,403
Other interest income and other financial income		
From Group companies	464	403
From others	1,507	665
	1,971	1,068
Total financial income	**3,264**	**2,471**
Interest and other financial expenses		
To Group companies	-2,035	-76
To others	-1,102	-2,053
	-3,137	-2,129
Total financial expenses	**-3,137**	**-2,129**
Total financial income and expenses	**127**	**342**

Interest and other financial expenses to Group companies include EUR 1 878 thousand evaluated impairment loss on receivables from group companies.

NOTE 46 APPROPRIATIONS

	2021	2020
Change in cumulative accelerated depreciation	0	417
Total	**0**	**417**

NOTE 47 INCOME TAXES

	2021	2020
Income taxes from ordinary activities	-1,627	-430
Income tax relating to previous financial years	0	-5
Total	**-1,627**	**-435**

NOTE 48 INTANGIBLE ASSETS

	Intangible assets	Other long-term expenses	Advance payments	Total
Acquisition cost at 1 January	946	4,758	303	6,006
Additions	20	0	156	176
Disposals	0	0	-3	-3
Transfer between items	79	153	-232	0
Acquisition cost at 31 December	**1,045**	**4,911**	**223**	**6,179**
Accumulated amortization and impairment at 1 January	-720	-2,783	0	-3,503
Amortization for the period	-66	-624	0	-690
Accumulated amortization and impairment at 31 December	**-786**	**-3,407**	**0**	**-4,193**
Book value at 1 January	226	1,975	303	2,504
Book value at 31 December	**259**	**1,504**	**223**	**1,986**

NOTE 49 TANGIBLE ASSETS

	Land and waters	Buildings	Machinery and equipment	Advance payments and construction in progress	Total
Acquisition cost at 1 January	90	3,711	18,596	573	22,971
Additions	0	0	58	1,755	1,813
Disposals	0	-16	-96	-167	-279
Transfer between items	0	292	1,531	-1,823	0
Acquisition cost at 31 December	**90**	**3,987**	**20,090**	**338**	**24,505**
Accumulated depreciation and impairment at 1 January	0	-2,546	-13,217	0	-15,763
Accumulated depreciation of disposals and transfers	0	0	82	0	82
Depreciation for the period	0	-112	-1,767	0	-1,880
Accumulated depreciation and impairment at 31 December	**0**	**-2,658**	**-14,903**	**0**	**-17,560**
Book value at 1 January	90	1,165	5,379	573	7,209
Book value at 31 December	**90**	**1,330**	**5,187**	**338**	**6,945**

NOTE 50 INVESTMENTS

	Group companies	Other shares and holdings	Total
Acquisition cost at 1 January	22,058	48	22,106
Additions	1,551	0	1,551
Disposals	0	0	0
Acquisition cost at 31 December	**23,609**	**48**	**23,657**
Book value at 1 January	22,058	48	22,106
Book value at 31 December	**23,609**	**48**	**23,657**

NOTE 51 COMPANIES OWNED BY PARENT COMPANY

Shares in subsidiaries

Name of company	Registration country	Owned by the parent company	Parent company control
EAM EXL1V Holding	Finland	0	100
Exel GmbH	Germany	100	100
Exel Composites N.V.	Belgium	100	100
Exel Composites GmbH	Austria	100	100
Exel Composites (Nanjing) Co. Ltd.	China	100	100
Exel Composites (Australia) Pty. Ltd.	Australia	100	100
Pacific Composites (Europe) Ltd.	UK	100	100
Exel Composites Store Oy	Finland	100	100
Exel Composites (HK) Holding Limited	Hong Kong	100	100
Jianhui FRP Trading Co. Limited	Hong Kong	100	100
Exel Composites USA Holdings Inc.	USA	100	100
Kineco Exel Composites India Private Limited	India	55	55

All Group companies are consolidated in the parent company's consolidated financial statements.

NOTE 52 INVENTORIES

	2021	2020
Raw materials and consumables	4,572	3,421
Work in progress	2,289	2,118
Finished products/ goods	2,184	816
Other inventories	659	725
Total	**9,704**	**7,080**

NOTE 53 CURRENT RECEIVABLES

Receivables from Group companies

	2021	2020
Trade receivables	8,211	5,069
Loan receivables	26,850	19,479
Other receivables	0	400
Total	**35,060**	**24,948**

Receivables from others

	2021	2020
Trade receivables	6,660	4,920
Other receivables	1,868	1,209
Prepayments and accrued income	828	51
Total	**9,356**	**6,179**
Total current receivables	**44,416**	**31,128**

Deferred tax assets amounting to EUR 63 (33) thousand have not been booked from cumulative depreciation exceeding the maximum tax depreciations by EUR 313 (164) thousand.

Material items included in prepayments and accrued income

	2021	2020
Tax receivables	803	20
Other receivables	26	31
Total	**828**	**51**

NOTE 54 EQUITY

	2021	2020
Restricted equity		
Share capital 1 January	2,141	2,141
Share capital 31 December	**2,141**	**2,141**
Total restricted equity	**2,141**	**2,141**
Unrestricted equity		
Reserve for invested unrestricted equity fund 1 January	2,539	2,539
Reserve for invested unrestricted equity fund 31 December	**2,539**	**2,539**
Retained earnings 1 January	10,367	9,042
Distribution of dividends	-2,367	-2,129
Correction of a previous financial year error	-3,226	0
Retained earnings 31 December	**4,774**	**6,912**
Profit/loss for the financial year	**5,942**	**3,454**
Total unrestricted equity	**13,255**	**12,906**
Total equity	**15,397**	**15,047**

Calculation of distributable unrestricted equity 31 December

	2021	2020
Profit from previous financial years	4,774	6,912
Profit /loss for the financial year	5,942	3,454
Reserve for invested unrestricted equity fund	2,539	2,539
Total	**13,255**	**12,906**

During the financial year 1 January to 31 December 2021, the Group companies' internal service charge system was changed, as a result of which the service charges for previous years have been credited to subsidiaries and have been recorded to the Retained earnings/loss-account. The share of taxes has been adjusted from the Retained earnings/loss-account to Tax receivables.

NOTE 55 NON-CURRENT LIABILITIES

Liabilities to others

	2021	2020
Loans from financial institutions	13,100	9,800
Total	**13,100**	**9,800**
Total non-current liabilities	**13,100**	**9,800**

NOTE 56 CURRENT LIABILITIES

Liabilities to Group companies

	2021	2020
Loan from Group companies	7,750	3,391
Trade payables	3,941	1,235
Total	**11,691**	**4,626**

Liabilities to others

	2021	2020
Loans from financial institutions	36,200	29,169
Advances received	1,275	1,056
Trade payables	7,428	2,947
Other liabilities	775	591
Accruals and deferred income	4,783	6,809
Total	**50,461**	**40,572**
Current liabilities total	**62,151**	**45,198**

Material items included in accruals and deferred income

	2021	2020
Accrued personnel expenses	3,013	2,865
Other accruals and deferred income	1,770	3,944
Total	**4,783**	**6,809**

NOTE 57 FINANCIAL INSTRUMENTS

Derivative financial instruments
Interest rate risk

The Company's long-term loans are exposed to interest rate risk, which is why the Company has tied part of its loans to fixed interest rates with interest rate swaps, which expire in 2014 – 2021.

	2021 Fair value	2021 Nominal value	2020 Fair value	2020 Nominal value
Interest rate swaps	0	0	-40	2,852

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

NOTE 58 COMMITMENTS AND CONTINGENT LIABILITIES

Credit facilities

	2021	2020
Total amount of credit granted	42,300	32,300
In use	3	3,537

Pension liabilities

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

Leasing liabilities

	2021	2020
Payable during the following financial year	6	10
Payable in later years	8	0
Total	**14**	**10**

Commitments on behalf of Group companies

	2021	2020
Other guarantees	4,415	978
Guaranteed debt	60	0

NOTE 59 SHARE OWNERSHIP

Distribution of share ownership on 31 December 2021

	%
Private companies	13.01
Financial and insurance institutions	43.29
Public sector entities	3.96
Non-profit organizations	0.52
Households	38.19
Foreign	1.03
Total	100.00
Nominee registered	20.46

Distribution of share ownership on 31 December 2021

Number of shares	Number of shareholders	Percentage of shareholders	Total number of shares	Percentage of total number of shares
1 - 1,000	6,219	87.52	1,548,321	13.01
1,001 – 10,000	801	11.27	2,172,419	18.26
10,001 – 50,000	65	0.91	1,300,286	10.93
over 50,000	21	0.30	6,875,817	57.80
	7,106	100.00	11,896,843	100.00

NOTE 60 SHAREHOLDERS

Major shareholders on 31 December 2021

Shareholder	Number of shares	Percentage of shares and votes
Sijoitusrahasto Taaleritehdas Mikro Markka	800,000	6.72
OP-Finland Small Firms Fund	590,119	4.96
OP-Suomi Mikroyhtiöt - Erikoissijoitusrahasto	420,000	3.53
Danske Invest Finnish Equity Fund	394,054	3.31
Phoebus Fund	350,000	2.94
Sijoitusrahasto Säästöpankki Pienyhtiöt	288,710	2.43
Ilmarinen Mutual Pension Insurance Company	242,733	2.04
Veritas Pension Insurance Company Ltd.	226,163	1.90
Nelimarkka Heikki Antero	213,545	1.79
Matti Suutarinen	198,000	1.66
Nominee registered		
Skandinaviska Enskilda Banken AB	2,366,900	19.90
Citibank Europe PLC	27,341	0.23
Nordnet Bank AB	25,255	0.21
Other nominee registered	14,246	0.12
Others	5,739,777	48.25
Total	**11,896,843**	**100.00**

NOTE 61 SHARE PRICE AND TRADING

Share price

EUR	2021	2020	2019	2018	2017
Average price	8.58	5.55	4.54	5.40	6.00
Lowest price	6.58	3.40	3.92	3.98	4.84
Highest price	11.60	7.38	6.76	7.28	7.85
Share price at the end of financial year	8.10	7.38	6.48	4.00	6.57
Market capitalization, EUR million	95.9	87.3	76.6	47.3	77.7

Share trading

	2021	2020	2019	2018	2017
Number of shares traded	3,356,992	4,820,621	6,048,492	2,513,383	4,244,520
% of the average number of shares	28.4	40.8	50.8	21.1	35.8

Number of shares

	2021	2020	2019	2018	2017
Average number	11,832,712	11,827,648	11,819,843	11,819,843	11,862,199
Number at end of financial year	11,833,506	11,829,693	11,819,843	11,819,843	11,819,843

Exel Composites 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 Composites Plc's share has been quoted on Helsinki Exchange Main List. Exel Composites Plc's share was split on 21 April 2005. Exel Composites Plc's share is listed on Nasdaq Helsinki.

PROPOSAL FOR DISTRIBUTION OF PROFIT

Exel Composites Plc's distributable funds amount to EUR 13,255,482.17, of which the profit for the financial year is EUR 5,942,055.42.

The Board proposes to the Annual General Meeting that a dividend of EUR 0.20 per share be paid based on the adopted financial statements for the financial year ended 31 December 2021. The Board proposes that the dividend be paid in two installments.

Signatures of the Financial Statements and the Report of the Board of Directors

Vantaa, 14 February 2022

Reima Kerttula
Chairman of the Board of Directors

Helena Nordman-Knutson
Member of the Board of Directors

Petri Helsky
Member of the Board of Directors

Kirsi Sormunen
Member of the Board of Directors

Jouko Peussa
Member of the Board of Directors

Riku Kytömäki
President and CEO

Auditors' note

An auditor's report based on the audit performed has been issued today.

Vantaa, 15 February 2022

Ernst & Young
Authorized Public Accountants

Johanna Winqvist-Ilkka
Authorized Public Accountant

AUDITOR'S REPORT

(Translation of the Finnish original)
To the Annual General Meeting of Exel Composites Plc

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Exel Composites Plc (business identity code 1067292-7) for the year ended 31 December, 2021. The financial statements comprise the statement of comprehensive income, consolidated balance sheet, statement of cash flows, statement of changes in equity and notes, including a summary of significant accounting policies, as well as the parent company's income statement, balance sheet, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position as well as its financial performance and its cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Board of Directors.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the *Auditor's Responsibilities for the Audit of Financial Statements* section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 9 to the consolidated financial statements.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

Valuation of Goodwill

We refer to notes 4, 19 and 27 of the consolidated financial statements.

Goodwill amounted to 12,8 million euros as of 31 December 2021 comprising 10,9 % of total assets and 41,1 % of equity (2010: 12,6 million euros, 13 % of total assets and 43,6 % of equity). An impairment amounting to 0,8 million euros was recognized in the financial year 2021. Valuation of goodwill was a key audit matter because • the assessment process related to the annual impairment test is complex and judgmental; • the process contains significant estimates and assumptions relating to market or economic conditions extending to the future; and • because of the significance of the goodwill to the financial statements. There are a number of assumptions used to determine the value-in-use, including revenue growth, operating margin before depreciation and amortization and discount rate applied on cash-flows. Estimated values-in-use may vary significantly when the underlying assumptions are changed and the changes in above-mentioned individual assumptions may result in an impairment of goodwill.	Our audit procedures in connection with the valuation of goodwill included involving valuation specialists to assist us in evaluating the assumptions and methodologies by the management. Audit procedures included comparing the management's assumptions to externally derived data and to our own expectations. In particular those relating to the weighted average cost of capital used to discount the cash-flows. In addition, we tested the accuracy of the impairment calculations prepared by the management, compared the historical forecasting of the group with actual outcome and compared projections to the latest budgets approved by the board. We also compared the sum of discounted cash flows to the market capitalization of Exel Composites and evaluated the adequacy of the disclosures in note 27 such as information given with regards to the sensitivity analysis as well as whether a reasonably probable change in key assumptions could result in an impairment.

Revenue Recognition

We refer to note 5 of the consolidated financial statements.

Revenue is recognized when the control of the underlying products has been transferred to the customer. Revenue is a key performance measure which could create an incentive for revenue to be recognized before the risks and rewards as well as control over the goods have been transferred. Revenue recognition was determined to be a key audit matter and a significant risk of material misstatement referred to in EU Regulation No 537/2014, point (c) of Article 10(2).	Our audit procedures to address the risk of material misstatement relating to timing of revenue recognition included among others: • Analysis of the accounting principles applied as well as comparing them to the IFRS standards; • Testing of internal controls addressing the timing of the revenue recognition, including general IT controls over the most significant IT applications; • Substantive analytical procedures and test of details, and • Evaluation of the disclosures provided on revenues.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

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, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Information on our audit engagement
We were first appointed as auditors by the Annual General Meeting on April 6, 2007 and our appointment represents a total period of uninterrupted engagement of 15 years.

Other information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions based on assignment of the Board of Directors

We support that the financial statements and the consolidated 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 and the President and CEO of the parent company should be discharged from liability for the financial period audited by us.

Vantaa 15 February 2022

Ernst & Young Oy
Authorized Public Accountant Firm

Johanna Winqvist-Ilkka
Authorized Public Accountant

Exel Composites in brief

At Exel Composites, we use over 60 years' experience to solve challenges and help customers save resources. Our forward-thinking composite solutions made with continuous manufacturing technologies serve customers in a wide range of industries around the world. You can find our products used in applications from wind power and transportation to building and infrastructure.

Our collaborative approach and global footprint set us apart from our competition. We use our expertise to help customers reduce weight, improve performance and energy efficiency and decrease total lifetime costs. We want to be the first choice for sustainable composite solutions globally.

Headquartered in Finland, Exel Composites employs approximately 700 forward-thinking professionals around the world and is listed on Nasdaq Helsinki. To find out more about our offering and company please visit www.exelcomposites.com.