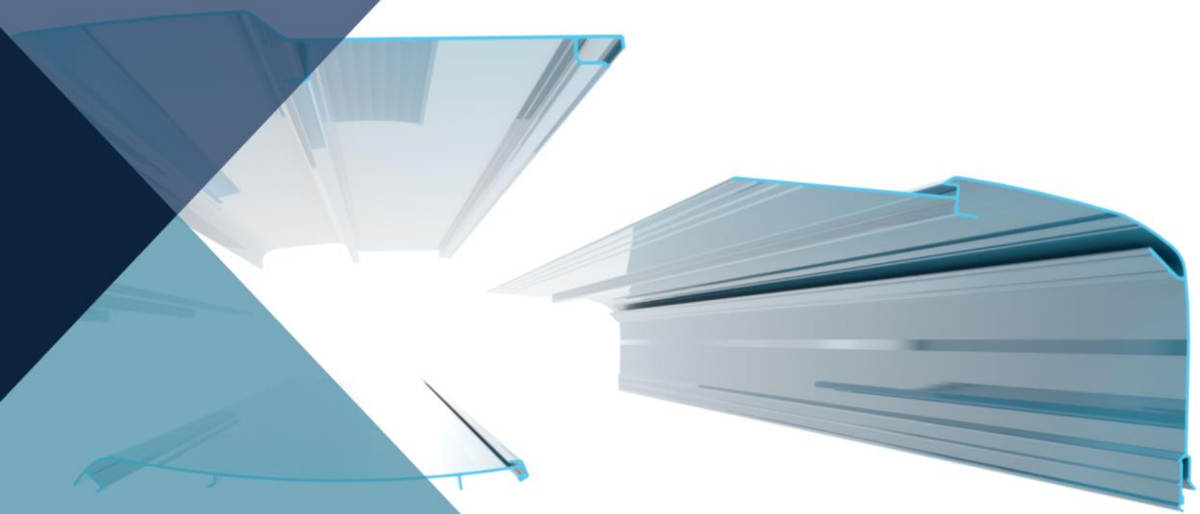
exel COMPOSITES



2023

ANNUAL REPORT

INFORMATION TO SHAREHOLDERS

Financial reporting and Annual General Meeting 2024

Exel Composites publishes the following financial reports in 2024:

- Financial Statements Release 2023: 16 February 2024
- Business Review January-March: 25 April 2024
- Half-year Financial Report January-June: 15 August 2024
- Business Review January-September: 31 October 2024

The Annual Report, Corporate Governance Statement and Remuneration Report for 2023 are available at the company's website www.exelcomposites.com.

The Annual General Meeting will be held on 26 March 2024 at 10:00 EEST at Scandic Marina Congress Center at the address Katajanokanlaituri 6, Helsinki, Finland.

Dividend proposal

The Board proposes to the Annual General Meeting that no dividend be paid for 2023 (EUR 0.20 per share for 2022) based on the adopted financial statements for the financial year ended on 31 December 2023.

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EXEL COMPOSITES IN BRIEF

Exel Composites is one of the largest manufacturers of composite profiles and tubes made with pultrusion and pullwinding technologies and a pultrusion technology forerunner in the global composite market. 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 in diverse industrial sectors such as wind power, transportation and building and infrastructure.

Our R&D expertise, collaborative approach and global footprint set us apart from our competition. Our composite solutions help customers save resources, reduce products' 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 over 600 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 respond to the growing demand for composite materials. This demand is driven by global megatrends, such as sustainability, energy transition, 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.

Focused businesses enable growth

Exel will become a more integrated designer and manufacturer of pultruded composite solutions for volume and customer-specific applications. This transformation will enable Exel to grow by capturing organic profitable growth from large and fast-growing applications driven by decarbonization and sustainability.

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

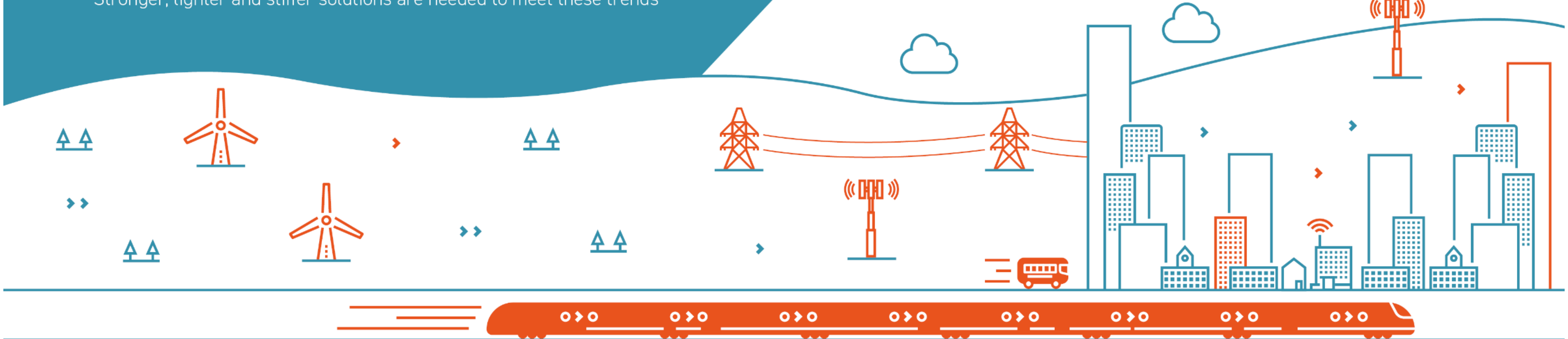
Longer lifecycles:
better efficiency, decreased cost, higher ROI

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

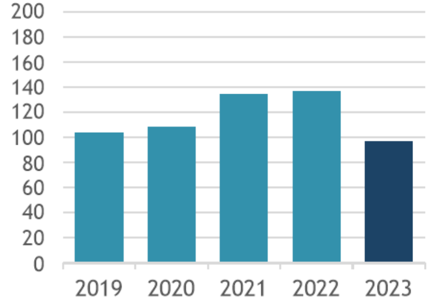
Caring

Innovative

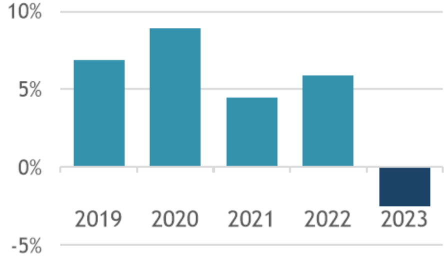
Long-term Group targets

Financial targets

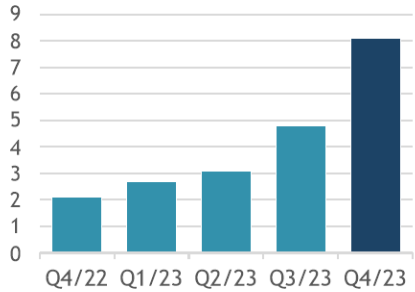
Organic growth
Over EUR 200 million annual revenue by 2028



Profitability
Adjusted operating profit margin >10% by 2028

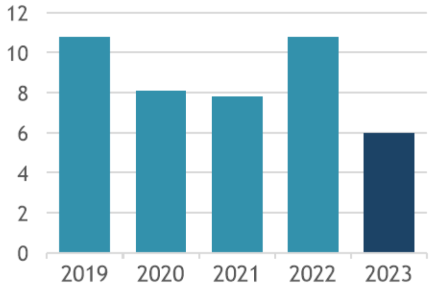


Financial position
Net debt / adjusted EBITDA* <3x by 2028



Sustainability targets

Zero harm
No lost time incidents (LTI)**



Environmental responsibility

GHG (scope 1 & 2) reduction according to UN established targets

Zero landfill by 2028

100% of research having positive sustainability impact

Employee engagement

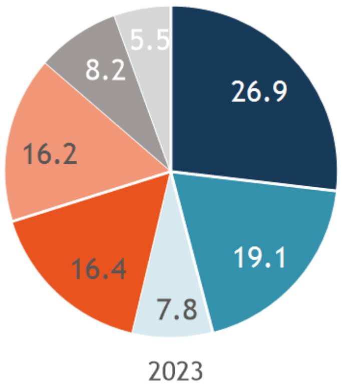
Employee NPS score year-on-year improvements based on baseline 2024

*Last 12 months' adjusted EBITDA, ** Number of injuries per million hours worked

Financial targets are considered over a business cycle. 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.

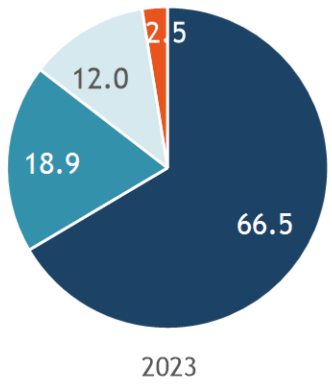
Revenue distribution in 2023

Share of revenue by customer industry %



- Buildings and infrastructure
- Equipment and other industries
- Wind power
- Machinery and electrical
- Transportation
- Defense
- Telecommunications

Share of revenue by region[1] %



- Europe
- North America
- Asia-Pacific
- Rest of the world

[1] Revenue by customer location

CEO REVIEW

Challenging market environment weighed on our profitability despite counteractions

Our revenue in 2023 decreased from 2022. This was impacted by the challenging overall market environment, customer destocking of inventories accumulated due to Covid-19 pandemic and supply chain disruption, as well as the temporary demand decrease and postponement of business in the wind power equipment market. Exel's revenue decreased in all main geographies and customer industries, except in the Defense industry.

For these reasons the adjusted operating profit for the year decreased to -2.4 million (8.0). During the year we took multiple successful actions to activate sales and contain costs, but these were not sufficient to offset the decline in revenue. In 2023 costs were lower than in 2022 mainly due to EUR 4.8 million lower personnel costs and EUR 1.4 million savings in operational fixed costs. Our organization did well in securing cash flow from operations, which was positive EUR 4.4 million (6.8) in 2023, and a favorable result in an otherwise challenging year.

Strategy implementation continued and prepared us for the future

Exel launched a new transformative strategy in October 2023 setting us on the course of organic growth and solid profitability. We launched new Group targets including updated long-term financial targets and began immediately implementing our new strategy. In the first days of 2024 we announced adoption of a new operating model simplifying our structure into two global business units. We will align resources fully within these businesses: Engineered Solutions Business Unit concentrating on tailored solutions in multiple industries, and Industrial Solutions Business Unit concentrating on selected applications with significant growth potential. Mr Juha Honkanen and Ms Kathy Wang were promoted from within Exel to take the lead of the new business units, respectively.

We have a clear vision of Exel's future footprint, and we are working to align with it. In 2023 we completed the downsizing of the pultrusion operations in Runcorn, UK and put the facility up for sale and completed the sale of the real estate related to closed manufacturing facility in Nanjing, China. In addition, we completed the first of our three strategic factory reviews by refocusing our US operations.

In January 2024 we announced the second strategic factory review concerning Belgium. Our strategic wind program and factory construction in India, announced in July 2023, are progressing according to plan.

Safety, sustainability and quality are important pillars of our strategy. We intensified our focus on safety, and we are pleased by having reached the lowest lost time incident rate of 6.0 (10.8) in Exel's history, on our way to Zero Harm. During the year we achieved quality certificates for APQP4Wind in India and China and are readying us for automotive IATF 16949 certification. We continue to adopt solar and sustainable energy sources in our operations and furthering circularity by waste recycling and management.

Outlook for 2024

Exel Composites expects revenue to increase and adjusted operating profit to increase significantly in 2024 compared to 2023. Our opening backlog for 2024 is higher than it was a year ago. However, the visibility to market development is still limited, and considering the overall economic sentiment we expect demand to be somewhat soft in the first half of 2024 while Exel will continue to have free production capacity. We at Exel have a clear execution plan. We look forward to 2024 with confidence.

Exel Composites' ambition is to distribute a minimum of 40% of net income in dividends when permitted by the financial structure and growth opportunities. Based on this dividend policy, the Board suggests that no dividend to be paid for 2023.

I would like to thank all Exel employees for their hard work and dedication as well as our customers and other stakeholders for the continued cooperation and trust.

Paul Sohlberg
President and CEO

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 applications in several industries from wind power and transportation to building and infrastructure. Our competitive edge and core expertise lies in chemistry, materials science, pultrusion knowledge as well as cost-efficient manufacturing processes.

Composites are materials made of two or more component materials that are reinforcing. In Exel Composites' products this being fiber reinforced composites. We predominantly use glass and carbon fibers as reinforcements of resin, which in more technical terms is called a matrix. Different types of resins can be used as a matrix, and additives, like 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 typically components of a customer's end-product. The product portfolio includes, for example, profiles, tubes, and laminates. Products are designed in close collaboration with the customers to achieve a lighter, stronger, or stiffer solution.

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, before undergoing further processing such as machining, surface treatments or painting. 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 geometries. Exel also has further processing capabilities to supply complete composite solutions including machining and coating.

Climate-related risks and opportunities impact Exel Composites' business model on various levels. Exel Composites 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. Composites' properties, such as lightness and durability, enable 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.

Market environment

The pultruded composites market is fragmented. Exel Composites is 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. Global presence differentiates Exel from its competitors and enables head-to-head competition with global suppliers of traditional materials. According to industry associations, the annual value of composites market of approximately EUR 85 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. The global composites market is estimated to grow at an annual average rate of approximately 7% in the coming years. Growth rate varies by region, production technology and end-use application. Exel Composites sees growth potential for composites as a material as well as for pultrusion as a production technology within the composites market.

North America is the largest composites market, followed by Asia and Europe. North America and Europe are more mature markets with steady growth prospects, while Asia, especially China and India grow faster.

Exel Composites' customers are typically original equipment manufacturers, system integrators or distributors. Our customer industries are Buildings and Infrastructure, Wind Power, Equipment and Other industries, Machinery and Electrical, Transportation, Telecommunications and Defense. Our business portfolio is diversified across a variety of customer industries and regions, reducing the impact of sudden fluctuations in demand within the portfolio. Demand drivers differ between customer industries as well as regions. In the short to mid-term wind power is expected to be the fastest growing and largest customer industry for us given its size and favorable demand outlook. The global wind power market has enjoyed, and is expected to continue to enjoy, tailwind from energy transition given its vital role in accelerating the global energy transition to reach 2050 net zero targets. Net zero targets coupled with growing energy security concerns create a positive outlook for wind energy market and pultrusion products within that market.

In 2023, global economic uncertainly driven by the Russian war in Ukraine, cost inflation, and the overall slowdown of the market caused uncertainty in Exel Composites' business environment.

In the long-term, interest towards composite materials is steadily growing, supported by global megatrends such as sustainability, energy transition, longer life cycles and urbanization. The main benefits of composites include lightness, energy efficiency, durability, and the need for less maintenance. 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 Composites' 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.

Exel Composites in the value chain

SUPPLY CHAIN

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

Example
Fiber providers supply Exel with reinforcement fibers necessary for the manufacturing process

MANUFACTURING

- Pultrusion
- Pullwinding
- Filament winding
- Continuous lamination

Further processing:
- Machining
- Painting
- Coating

CUSTOMER

- Original equipment manufacturers (OEM)
- System integrators
- Distributors

Example
Wind OEM that buys composite parts manufactured by Exel, integrates them into wind turbine blades and other wind turbine areas, which is then operated by the energy producers

END USER

- User of the final product

Example
Energy producers use wind turbines to harvest green energy

Order intake and order backlog

Order intake for 2023 decreased by 21.3% to EUR 98.1 million (124.7) from 2022.

Order backlog on 31 December 2023 was at EUR 29.8 million (29.1).

Revenue

Revenue for 2023 decreased by 29.3% to EUR 96.8 million (137.0) compared to 2022. The revenue decreased mainly due to the challenging overall market environment, customer destocking of inventories and the temporary demand decrease and postponement of business in the wind power equipment market. In addition to the decline particularly in the Wind power customer industry, revenue declined also for the other customer industries excluding the Defense customer industry where revenue increased.

Operating profit

Operating profit for 2023 decreased to EUR -4.9 million (3.0). Operating profit margin was -5.0% (2.2%). Adjusted operating profit decreased to EUR -2.4 million (8.0) and adjusted operating profit margin was -2.5% (5.9%).

For the full year the lower revenue decreased the adjusted operating profit. This was partially offset by lower costs in 2023 compared to 2022 mainly due to lower personnel costs and savings actions in operations to improve performance.

Items affecting comparability in 2023 amounted to a total of EUR 2.4 million (5.0). The main items were the restructuring costs related to the downsizing of the operations in the United Kingdom and write-down of fixed assets and inventories due to refocusing the operations in the United States partly offset by the sale of the real estate related to closed manufacturing facility located in Nanjing, China.

Net financial income/expenses in 2023 were EUR -3.4 million (0.6). The change in net financial income/expenses is mainly due to an increase in interest rates and foreign exchange rate impact on intercompany loans. Profit before taxes was EUR -8.3 million (3.6) and profit after taxes EUR -9.3 million (2.1).

Adjusted operating profit

EUR thousand	2023	2022
Operating profit	**-4,863**	**3,002**
Restructuring costs	2,234	1,066
Impairment losses and reversals	0	754
Costs related to planned or realized business acquisition and disposal	0	5
Expenses related to changes in legislation or legal proceedings and other claims	183	3,201
Adjusted operating profit	**-2,446**	**8,029**

Financial position

Net cash flow from operating activities for 2023 was EUR 4.4 million (6.8). The capital expenditure on fixed assets was EUR 3.5 million (4.6). Net cash flow from investing activities was EUR -3.1 million (2.0) and net cash flow before financing activities was EUR 1.4 million (8.8). At the end of the reporting period, the Group's liquid assets stood at EUR 11.0 million (17.4). Total depreciation, amortization and impairment of non-current assets during the year amounted to EUR 8.7 million (7.1).

On 31 December 2023, the Group's consolidated total assets were EUR 85.0 million (113.1). Interest-bearing liabilities, including lease liabilities, were EUR 43.8 million (48.5). Net interest-bearing liabilities were EUR 32.8 million (31.1). Current interest-bearing liabilities totaled EUR 39.4. EUR 25.0 million of current interest-bearing liabilities were commercial papers. On 31 December 2023, the company had EUR 36.0 million unused revolving credit facilities to fully secure the payment of commercial papers.

In 2023, Exel Composites' profitability weakened due to lower revenue impacted by general market demand causing indebtedness relative to adjusted EBITDA to rise. Subsequently, the Company has secured agreements with its lenders to adjust its covenants. Based on the assessed cash flow forecasts of the business and given the expected temporary nature of profitability decline, Exel expects to remain within its covenants.

Exel Composites is currently engaged in negotiations with its lenders on extending loans that enable Exel to meet its current liabilities as they fall due for a period of several years from the date of approval of the financial statements for the financial year 2023.

On 31 December 2023, equity was EUR 17.7 million (30.4) and equity ratio 20.9% (26.9%). Net gearing ratio was 185.7% (102.4%). Fully diluted total earnings per share were EUR -0.77 (0.19). Return on capital employed was -6.8% (3.7%). Return on equity was -38.7% (7.0%).

The company paid total dividends of EUR 2.4 million (2.4) in 2023 for the financial year of 2022 calculated for the outstanding number of shares. Dividend per share for the financial year 2022 was EUR 0.20 (0.20), which was 110.5% of net income.

Research and development

Research and development costs in 2023 totaled EUR 3.7 million (3.4), representing 3.8% (2.5%) of revenue.

Exel Composites' strategy

- **Organic growth**
  Capturing growth from large and fast-growing energy transition and decarbonization applications driven by sustainability.

- **Customer value**
  Focus on increasing value to customers through responsiveness, product platforms and composites design solutions in selected segments.

- **Profitability**
  New operating model with two business units, larger factories with clear roles and efficiency improvements throughout to deliver solid profitability.

- **High ambition**
  Skills and capabilities enabling Exel to achieve over EUR 200 million annual revenue and double digit adjusted operating profit margin within the next five years.

Business development and strategy implementation

In October 2023, Exel Composites announced a new transformative strategy to capture profitable growth with composite solutions driven by sustainability needs. Exel's aim is to become a more integrated designer and manufacturer of pultruded composite solutions for volume and customer-specific applications. To accelerate this transformation Exel announced a new operating model in January 2024. Exel organized its operations into two dedicated customer-centric business units: Engineered Solutions Business Unit concentrating on tailored solutions in multiple industries and Industrial Solutions Business Unit concentrating on selected applications with significant growth potential. The factory footprint will be organized to support the needs of the new business units.

Exel Composites set new long-term Group targets to support the new strategy. Exel Composites' long-term financial targets are:

- Annual revenue exceeding EUR 200 million by 2028
- Double digit adjusted operating profit margin by 2028
- Net debt to adjusted EBITDA less than three times by 2028

To further emphasize the importance of sustainability in Exel Composites' business and operations, the company also established sustainability targets as part of Group targets.

Sustainability targets relate to safety, environmental responsibility, and employee engagement. Sustainability targets are:

- Zero Harm: no lost time injuries (LTI)
- Environmental responsibility consists of the following three targets:
  - Zero landfill by 2028
  - 100% of research having positive sustainability impact
  - Greenhouse Gas emissions (scope 1 and scope 2) reduction according to UN established targets
- Employee engagement: Employee NPS score year-on-year improvements from base year of 2024

Exel Composites continued to focus on and develop its operations during the year. Operations in Runcorn, United Kingdom were downsized. Pultrusion production was shut down during the year and transferred to other production units.

Exel Composites started an important development program focusing on the attractive wind power market. Together with its partner in joint venture Kineco Exel Composites India, Exel Composites decided to expand manufacturing operations in India and started to construct a new production facility. The new facility will be optimized for serving wind power industry customers in India and globally and is expected to be ready for production in 2024.

As part of the process to reassess the factory footprint, Exel announced in October 2023 that it is planning to start a strategic review in three factories to define their role and necessity in the new operating model. During the last quarter of 2023, Exel Composites completed the strategic review for the first factory. Exel decided to refocus its operations and factory in the United States to manufacturing of tailored pullwinding tubes and customized pultruded composite profiles for the North American markets. In January 2024, Exel Composites announced that it has decided to start a strategic review of its operations in Belgium.

Near-term risks and uncertainties

Exel Composites' most significant near-term business risks are related to the development of general market demand, and preferences and strategies of its largest customers. Uncertainties remain in the global economy. Factors such as the prolonged or intensified unrests or wars and increased geopolitical uncertainty, market environment impacted by inflation, and the consequences to interest rates may affect the demand for Exel Composites' products.

The risk management and risks related to the operation of Exel Composites are described in detail in the Corporate Governance Statement for 2023 and at the company's website www.exelcomposites.com.

Governance and AGM 2023

Exel Composites Plc's Annual General Meeting was held on 10 May 2023 in Helsinki, Finland. The AGM adopted the financial statements and consolidated financial statements, approved the Remuneration Report 2022 for the Company's governing bodies, and discharged the members of the Board of Directors and the company's Presidents and CEOs in 2022 from liability for the financial year 2022.

The AGM approved the Board of Directors' proposal to distribute a dividend of EUR 0.20 per share for the financial year 2022. The dividend was paid to shareholders registered in the Company's shareholder register maintained by Euroclear Finland Ltd. on the record date for dividend payment, 6 September 2023. The dividend was on 15 September 2023.

According to the proposal by the Shareholders' Nomination Board, the AGM decided that the Board of Directors would consist of five (5) members. The AGM re-elected Jouni Heinonen, Petri Helsky, Helena Nordman-Knutson, Jouko Peussa and Kirsi Sormunen as members of the Board of Directors. The AGM elected Jouni Heinonen as Chairman of the Board of Directors.

The AGM confirmed the annual remuneration for the Board members as follows: for the Chairman of the Board of Directors EUR 45,000 (previous year EUR 45,000) and for each other Board member EUR 21,000 (21,000). Additionally, a remuneration to be paid for the Chairman of the Board of Directors of EUR 1,500 (1,500) for attendance at each Board and committee meeting and for each similar all-day Board assignment and for each other Board member EUR 1,000 (1,000) for attendance at each Board and committee meeting and for each similar all-day Board assignment. Additionally, for each committee meeting, the meeting fee for the committee chairman is EUR 1,500 (1,500). Travel expenses and other out-of-pocket expenses arising from the Board work will be compensated in accordance with the Company's established practice and travel rules. Out of the yearly remuneration 60% would be paid in cash and 40% in Company's shares.

Ernst & Young, Authorized Public Accountants, with Johanna Winqvist-Ilkka, APA, as principal auditor, were elected to serve as company auditor in the AGM in 2023.

The AGM authorized the Board of Directors to decide on the repurchase and/or on the acceptance as pledge of the Company's own shares by using unrestricted equity in accordance with the proposal of the Board of Directors. The maximum amount to be acquired is 600,000 shares in total. The authorization is effective until the end of the next Annual General Meeting, however no longer than until 30 June 2024.

The AGM authorized the Board of Directors to decide the issuance of shares and special rights entitling to shares. The maximum amount of the shares to be issued is 2,379,000 new shares, which corresponds to approximately 20.0 per cent of all shares of the company, and/or a maximum of 600,000 Company's own shares. The authorization is effective until the end of the next Annual General Meeting, however no longer than until 30 June 2024.

In 2023, the Nomination Board comprised persons nominated by the four largest shareholders as of 30 September 2023: Kalle Saariaho (OP Fund Management Company), Markus Lindqvist (Aktia Mikro Markka), Esko Torsti (Ilmarinen Mutual Pension Insurance Company), Petteri Vaarnanen (Sp-Fund Management Company) and Jouni Heinonen, Chairman of the Board of Directors, Exel Composites Plc, 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.

The Shareholders' Nomination Board proposes to the AGM 2024 that the Company's Board of Directors shall have five (5) members. The Shareholders' Nomination Board proposes that Jouni Heinonen, Petri Helsky, Helena Nordman-Knutson, Jouko Peussa and Kirsi Sormunen of the current members of the Board of Directors will be re-elected as members of the Board of Directors and that Jouni Heinonen will be re-elected as Chairman of the Board of Directors. The Shareholders' Nomination Board proposes that the annual remuneration for the Board members remain unchanged. For more information about the remuneration of the Board of Directors, see the Remuneration Report 2023.

Organization and personnel

On 31 December 2023, Exel Composites employed 623 (721) people, of whom 254 (279) in Finland and 369 (442) in other countries. The average number of employees during the reporting period was 667 (732).

Changes in Exel leadership team

Paul Sohlberg started as President and CEO on 20 March 2023.

Johanna Tuomisto, Senior Vice President, People and Culture, was appointed as a member of the Group Management Team as of 1 September 2023.

Incentive programs

Exel Composites' short-term incentive program covers all employees. President and CEO, Exel Leadership Team and office employees alike are entitled to a short-term incentive in addition to their fixed salary. The performance measures of the short-term incentive 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 short-term incentives are mainly based on factory profitability and production related performance measures.

The Group has long-term incentive programs for President and CEO, Exel Leadership Team and selected key employees of the company. The aim of the programs is to align 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 2023, Exel Composites announced the continuation of a share-based long-term incentive program for the top management of the company. The 2023 performance-based plan is a part of the share-based long-term incentive program published on 4 May 2017. The performance target applied to the plan that commenced at the beginning of 2023 is the relative total shareholder return (TSR) of Exel Composites' share where the TSR of Exel's share will be compared to the TSR of all shares listed on Nasdaq Helsinki.

Share and share performance

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

On 31 December 2023, 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 42,899 of its own shares which are part of the share-based long-term incentive program for the top management.

On 31 December 2023, the share price closed at EUR 2.54. During the review period, the average share price was EUR 3.60, the highest share price EUR 5.70 and the lowest share price EUR 2.42.

A total of 5,373,123 shares were traded at Nasdaq Helsinki Ltd., which represents 45.3% of the average number of shares. On 31 December 2023, Exel Composites' market capitalization was EUR 30.1 million (64.2). Total shareholder return (TSR) in 2023 was -50.4% (-30.7%).

Shareholders and disclosures

Exel Composites had a total of 8,442 (7,766) shareholders on 31 December 2023.

During 2023 Exel Composites received one flagging notification in accordance with the Finnish Securities Market Act regarding changes in shareholdings. On 7 June 2023 Exel Composites announced that the shareholding of Handelsbanken Fonder AB in Exel Composites has decreased to 4.85%.

According to the company's shareholder register held by Euroclear Finland Oy, on 31 December 2023 Exel Composites' two largest shareholders were the nominee register managed by Skandinaviska Enskilda Banken AB (6.45%) and Aktia Mikro Markka (6.41%).

On 31 December 2023, 0.43% (0.52) 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

The Group follows the same commercial terms in its transactions with related parties as in transactions with third parties. In 2023, no significant related-party transactions were conducted between the Group and its related parties. Receivables and liabilities from Group companies are presented in notes 52 and 55 of the Parent company's Financial Statements.

Corporate Governance Statement

Exel Composites issues a Corporate Governance Statement for the financial year 2023, 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

On 15 January 2024, Exel Composites announced changes to Exel's leadership team. As of 23 January 2024, members of the Exel leadership team are:

Paul Sohlberg, President and CEO
Mikko Rummukainen, CFO
Juha Honkanen, Executive Vice President, Engineered Solutions Business Unit
Kathy Wang, Executive Vice President, Industrial Solutions Business Unit
Kim Sjödahl, Senior Vice President, Technology and Sustainability
Johanna Tuomisto, Senior Vice President, People and Culture

On 15 January 2024, Exel Composites announced it has decided to start a strategic review of its operations in Belgium.

Guidance for the full year 2024

Exel Composites expects revenue to increase and adjusted operating profit to increase significantly in 2024 compared to 2023.

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 2023, Exel Composites Plc's distributable funds totaled EUR 19.4 million, of which profit for the financial year accounted for EUR -4.2 million.

The Board proposes to the Annual General Meeting that no dividend be paid based on the adopted financial statements for the financial year ended on 31 December 2023.

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

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE · 12 RESPONSIBLE CONSUMPTION AND PRODUCTION · 13 CLIMATE ACTION

SOCIAL HANDPRINT

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

8 DECENT WORK AND ECONOMIC GROWTH

ENVIRONMENTAL FOOTPRINT

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

12 RESPONSIBLE CONSUMPTION AND PRODUCTION · 13 CLIMATE ACTION

Exel Composites is committed to responsible and sustainable operations, guided by our corporate values and the Code of Conduct. Exel's purpose is to solve challenges and save resources with composites. Exel provides sustainable composite solutions that help our customers save resources and mitigate climate change. Composites' properties, such as lightness and durability, enable 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 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, and 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 2023 on 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 Report and signed by the Board. The scope of consolidation of sustainability reporting is the same as for financial statements. In 2023, a sustainability team coordinated 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. 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 the sustainable use of natural resources, sustainable and safe production and products, the work community's wellbeing, and open interaction and cooperation. The results of the program are evaluated based on annually collected indicator data.

Exel Composites has defined the sustainability focus areas to be:

- **Enabling solutions:** Responsible products and composites at end-of-life
- **Social handprint:** Health and safety, responsible employer, responsible business
- **Environmental footprint:** Energy efficiency and reduced emissions, circular economy and waste management, water consumption, responsible supply chain

The key United Nations Sustainable Development Goals (SDGs) where Exel can best contribute through its business have been selected to be:

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

Exel Composites established its sustainability targets in 2023. Sustainability targets relate to safety, environmental responsibility, and employee engagement. Sustainability targets are:

- Zero Harm: no lost time injuries (LTI)
- Environmental responsibility consists of the following three targets:
  - Zero landfill by 2028
  - 100% of research having positive sustainability impact
  - Greenhouse Gas emissions (scope 1 and scope 2) reduction according to UN established targets
- Employee engagement: Employee NPS score year-on-year improvements from base year of 2024

In 2023, Exel's sustainability work focused on further developing the fundaments of the Group sustainability program. A dedicated sustainability team, representing different areas of the organization, coordinated Group sustainability matters in general. To emphasize the importance of sustainability in the new strategy, the responsibility of sustainability function was elevated to the leadership level in early 2024.

In autumn 2023 Exel started to carry out the first sustainability double materiality assessment process to identify material impacts as well as financial risks and opportunities. The process follows the requirements of the Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS). The process has continued in early 2024 and results will be available in 2024. Exel will publish its first CSRD report in FY2024 according to schedule.

Exel complements its non-financial reporting by following the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) to the extent possible.

In alignment with the EU Taxonomy Regulation, Exel Composites analyzed the share of taxonomy-eligible economic activities and taxonomy-aligned economic activities contributing to climate mitigation and climate adaptation. Out of Exel's revenue in 2023, 28.1% was taxonomy-eligible of which 23.9% was also taxonomy-aligned. The taxonomy-eligible activities in revenue were related to the manufacture of renewable energy technologies (applications for wind power), the manufacture of energy efficiency equipment for buildings (composite window and door profiles), the manufacture of aircraft (structural profiles for aerospace applications), the manufacture of rail rolling stock constituents (structural profiles for electric trains and trams), the manufacture of automotive and mobility components constituents (structural profiles for electric busses) and the manufacture of other low carbon technologies (composite applications for electric trolling motors). All the other above listed categories except the manufacture of other low carbon technologies were also taxonomy-aligned activities.

The EU Taxonomy disclosure in more detail is available on page 37.

Enabling solutions

Our aim in Enabling solutions

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 (European Pultrusion Technology Association), EuCIA (European Composites Industry Association) and ACMA (American Composites Manufactures Association)

* United Nations Sustainable Development Goals

MAIN THEMES	OUR PROGRESS IN 2023	(scale 1-3)
Responsible products	• Meeting or exceeding customers' safety and quality specifications, passed customer audits and participation in customer sustainability programs • Good NPS score in the 2023 customer survey	◇ ◆ ◇
Composites at end-of-life	• Active collaboration in industry initiatives promoting recyclability of composites	◇ ◆ ◇

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 2023, our NPS score continued in good level following the previous year's trend.

Many of our customers require Exel Composites 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 increased sustainability focus globally also increases the demand for composites. The properties of the composite materials enable more environmentally friendly solutions, where the most significant benefits occurring during the service life of the end-product on the environment and climate. Composites are often lighter than alternative materials, they are durable and non-toxic. A composite product does not leak or emit into the air or the ground. In addition to their long service life and 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, and lighter wall panels in public transportation enable reduced energy consumption, etc.

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'.

Exel is using a EuCIA-developed environmental impact calculation tool to include CO2 and energy demand data in its cost calculation. Understanding the carbon footprint for the 'cradle-to-gate' phase, makes it 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 years. 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 recycling into cement. 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 CO_2 emissions.

In 2023, Exel has recycled most of the composite waste to cement production from the Finnish units through this newly implemented recycling process. Exel Composites was an active member in the KiMuRa project which was finalized in 2022. The KiMuRa project, led by the Finnish Plastics Industries Federation, was a successful project finding a technically and economically viable recycling process for industrial composite waste into cement. During the two-year project phase a considerable amount of composite waste from the Finnish units was delivered for testing.

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

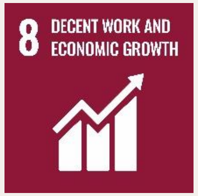
The production of raw materials in composite industry has the most significant impact on carbon footprint.

Social handprint

Our aim in Social handprint

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 policies 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 2023	(scale 1-3)
Health and safety	• Safety improvement actions 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. • Cooperation with local universities and schools	◇ ◇ ◆
Responsible business	• Enforcement of corporate values, Code of Conduct, and Supplier Code of Conduct • Actions taken based on the Human Rights assessment findings	◇ ◆ ◇

Injury prevention and safety first

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

Health and safety issues are an integral part of our responsible management, and all our sites have a safety organization with defined responsibilities. All employees are covered by the health and safety management system based on local laws. A variety of chemicals are used in the production process, and some of our employees are in 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. Exel Composites has valid ISO 45001 certificate covering its employees in Europe and China.

The core of Exel Composites' health and safety efforts lies in preventive measures, including proper safety gear, regular safety trainings and communication, risk assessments as well as internal and external evaluations. The number of injuries per million hours worked (lost time injuries, LTI) is a key performance indicator. Exel Composites has a target of no LTI. 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 injury prevention in all factories.

In 2023, there were 6.0 LTIs, which is an improvement from the previous year (10.8). The injuries related to working methods have reduced from the previous year following the increased focus on safe operating methods and additional training. In 2023, the injuries were mainly slips and trips. To improve safety, we are focusing on increasing awareness and identifying risks. Exel Composites makes a root cause analysis of each accident and share the results globally to help preventing accidents in the future. The units in the United States and China had no injuries in 2023. No fatal injuries occurred at any of the manufacturing sites in 2023, similarly to earlier years.

The use of toxic and carcinogenic chemicals is forbidden. The chemical handling processes and personal protection equipment at Exel Composites are designed and allowed for chemicals that are non-toxic, non-carcinogenic and non-mutagenic. 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. Exel Composites has made investments to replace the cleaning agent in use with a less hazardous detergent.

Monitoring air quality and volatile organic compounds (VOC) emissions as well as efficient ventilation on 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

	2023	2022	2021	2020	2019
Lost time injuries, LTI 1)	6.0	10.8	7.8	8.1	10.8
Recordable work-related injuries	8	19	-	-	-
Reports on unsafe conditions	770	762	808	976	1,175

[1)] Number of injuries 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 and success. Exel Composites aims to be an inspiring and fair workplace for its employees where people can grow and use their skills.

In 2023, the human resources organization continued to support employee wellbeing and satisfaction at the workplace. Exel Composites conducts employee surveys on a regular basis. In 2023, Exel Composites conducted an employee survey on working practices and processes to support the new strategy and to align the company for the future success. The survey helped to identify potential improvement areas to help Exel Composites grow faster and to achieve its strategic objectives. In 2023, Exel Composites established the employee engagement target to improve employee NPS score year-on-year from base year of 2024.

The annual Performance Development Review (PDR) process is an important measure to review individual and team performance and to secure a continuous dialogue between the managers and their teams. 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.

Exel Composites continued to further develop and expand the PDR process across the Group in 2023. Exel Composites' aim is that all its employees are involved in at least one formal PDR meeting with their manager each year.

All of Exel Composites' employees are eligible for annual incentives 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 Composites also cooperates with local universities and chambers of commerce, which is an important way to raise awareness of Exel Composites as an attractive employer and promote education and research in connection to composites.

In Finland, for example, Exel Composites continued to support a local foundation for the disabled in 2023. Exel Composites' university and school collaborations continued in 2023 in several countries, for example in Belgium and Finland. Exel Composites was also present at 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 Composites 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 on the intranet and company's website.

Employee-related KPIs

	2023	2022	2021	2020	2019
Number of employees, on average	667	732	715	665	660
Number of employees, end of period	623	721	753	674	648
Employees' age, average	44	43	43	43	43
Employees with permanent contract, total	616	-	-	-	-
Employees with permanent contract, female	133	-	-	-	-
Employees with permanent contract, male	483	-	-	-	-
Employees with permanent contract, %	98.9	98.5	97.3	97.5	98.8
Employees with temporary contract, total	7	-	-	-	-
Employees with temporary contract, female	3	-	-	-	-
Employees with temporary contract, male	4	-	-	-	-
Employees with temporary contract, %	1.1	1.5	2.7	2.5	1.2
Number of years at Exel, average	9.2	8.4	7.8	8.4	8.0
Employee turnover	149	-	-	-	-
Employee turnover, %	22.3	19.3	22.1	18.9	25.6

Employees by country

	2023	2022
Finland	254	277
China	145	136
Belgium	58	64
Austria	57	58
United States	55	99
India	27	28
United Kingdom	17	50
Other countries	10	9

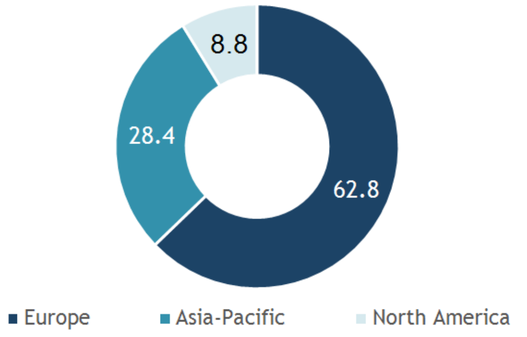
Employees by region

	2023	2022
Europe	391	453
North America	55	99
Asia-Pacific	177	169
Total	623	721

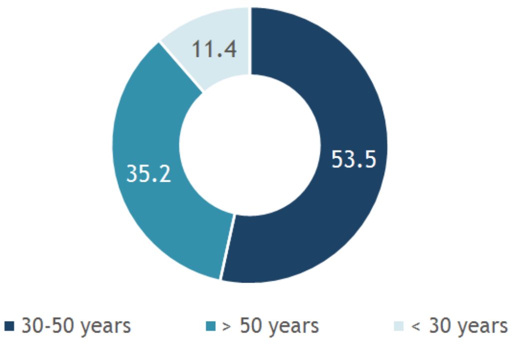
Age and gender diversity

	2023	2022
All employees		
Total	623	-
Female	136	-
Male	487	-
By age group		
<30 years	71	-
30-50 years	333	-
>50 years	219	-
Group Management Team		
Female	1	1
Male	6	6
By age group		
<30 years	0	0
30-50 years	3	2
>50 years	4	5
Board of Directors		
Female	2	2
Male	3	4
By age group		
<30 years	0	0
30-50 years	0	0
>50 years	5	6

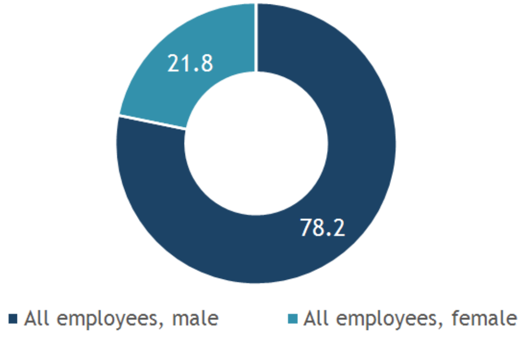
Employees per region, %



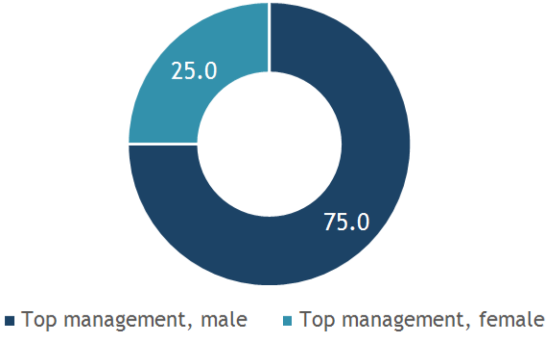
Age distribution, %



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 Composites 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. Employees can contact their manager, business unit manager or HR to raise any concerns or when in doubt about the best course of action in a particular situation. In addition, an anonymous and confidential whistleblowing channel is available for both internal and external stakeholders. New employees sign Exel Composites' Code of Conduct already during the recruitment process and it is part of the employment contract.

In 2023, Exel Composites conducted an internal campaign to raise awareness of the whistleblower channel among our employees, promoting the channel through emails and on the intranet. During the year Exel Composites did not receive any suspected misconduct reports through the company's whistleblowing channel. There were no pending legal cases regarding corruption brought against the company or its employees.

Exel Composites completed a human rights assessment to assess its operations to identify potential adverse human rights impacts in line with its commitment to the United Nations Guiding Principles on Business and Human Rights in early 2023. Assessment covered impacts which Exel Composites may cause or contribute to through its activities and impacts directly linked to Exel Composites' operations or products through business relationships. Impacts were assessed for the likelihood and severity of the related risk. The assessment was conducted together with an external expert, relevant internal stakeholders and utilizing publicly available information. During the year, Exel Composites took actions to implement the human rights assessment findings across business units and operations and started the work to integrate human rights impact assessment into management systems.

Exel Composites currently manages human rights issues mainly through its health and safety management system and through supplier management. Exel Composites has not identified any controversies regarding human rights in 2023.

Identified potential salient issues for own operations include occupational health and safety, protection against discrimination at work and freedom of association. Other salient issues in the value chain include labor rights and working conditions in the supply chain, and environmental and health impacts for surrounding communities. Salient issues will be revisited on a regular basis as well as with significant changes in business.

Environmental footprint

Our aim in Environmental footprint

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 2023	(scale 1-3)
Energy efficiency and reduced emissions	• Actions to reduce energy consumption and improve energy efficiency	◇ ◇ ◆
Circular economy and waste management	• Remarkable reduction in the amount of landfilled production waste in the Group, other actions initiated within the circular economy initiative • Collaboration to increase recyclability of composites	◇ ◆ ◇
Sustainable supply chain	• Three on-site 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 reduce greenhouse gas emissions (scope 1 and 2) according to UN established targets. The aim 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.

Exel Composites has solar power plants on the factory roof in Joensuu, Finland and Kapfenberg, Austria. The solar power plants generated approximately 274 MWh/a of renewable energy for the sites to use in their operation in 2023. The Joensuu solar power plant has acted as a pilot project in exploring the opportunities to increase the share of renewable energy. A significantly larger solar power plant in Austria had its first year of operations in 2023.

In 2023, Exel Composites' greenhouse gas emissions from own operations (scope 1 and 2) were 3.3 thousand tons (5.3). The majority of the total is indirect greenhouse gas emissions (scope 2) due to the purchased energy. Exel has ensured the use of carbon-neutral energy by purchasing guarantees of origin in Finland. For scope 3 emissions calculation, Exel made initial investigations on raw material, their transportation and employee commuting. The initial results shows that the weight of raw material is considerable in Exel's carbon footprint.

Circular economy and waste management

Recyclability and circular economy principles in our operations is one of the most important topics for Exel. Exel's long-term target is to reach zero landfill. 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 process 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 2023, Exel continued to collaborate with several sustainable raw material and recycling companies focusing on processing surplus fiber into new raw material. Exel has supplied clean surplus fibers for tests and is committed to testing new recycled materials in its own production. In addition, Exel investigated cooperation opportunities with recycling companies processing scrap profiles into new raw materials and started trials with several European companies. Bio-based resins and fibers have been tested and implemented in limited quantities for evaluation purposes, and it is expected that the amount of bio-based raw materials will increase steadily.

To reduce the amount of new materials purchased, in 2023, surplus resin and solvents continued to be recycled in production whenever possible. In 2022, Exel invested in more ecological washing machines in Belgium and the United States. In 2023, Exel continued to investigate options for a more ecological washing for tools in the other factories.

Composite waste can be used as derived fuel in energy production. This is widely used in Central Europe. 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. 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 currently possible in some locations in Europe.

In 2023, 35% of Exel Composites' composite waste was recycled, 56% was utilized in energy production and 7% of composite waste was landfill waste.

Manufacturing units in Austria, China and the United states did not have any landfill waste in 2023. Composite waste from these units was recycled or is reused in energy. Most of the composite waste from the Finnish units were recycled to cement production reducing the landfill of composite waste in Finland when compared to the previous year. This development followed the implementation of recycling process after the KiMuRa project finalization.

Production KPIs

	2023	2022	2021	2020	2019
Energy usage, GWh	19.6	21.7	25.1	21.4	22.1
Energy usage, change from previous year, %	-9.7	-13.6	17.1	-2.8	11.0
Greenhouse gas emissions (scope 1), tCO2e	558	649	-	-	-
Greenhouse gas emissions (scope 2), tCO2e	2,747	4,611	-	-	-
Greenhouse gas emissions, (scope 1 and 2), tCO2e, total*	3,305	5,260	-	-	-
Energy usage in proportion to production, change from previous year, %	22.6	8.2	4.1	-3.5	-17.0
Energy usage is impacted mainly by the number of manufacturing units and their geographical location (i.e. heating need) as well as production load					
Recycled waste, tons	804	825	-	-	-
Reused waste in energy production, tons	1,296	1,755	-	-	-
Landfill waste, tons	163	685	-	-	-
Special waste, tons	45	47	-	-	-
Total waste, tons	2,308	3,312	-	-	-
Total waste per ton produced, change from previous year, %	-6.1	-5.3	-	-	-

*Comparative figure for 2022 has been corrected due to a unit error in Annual Report 2022

Water consumption and protection of groundwater

There are no material risks of leaking from factories. Producing composites is not a water intensive process. Water is used mainly for sanitary purposes and to a 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. According to the environmental permit, the company has built an extinguishing water recovery system in Joensuu 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 and 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. Exel conducts supplier audits also using self-assessment questionnaires. The audit topics include environmental, 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 2023, Exel conducted a self-assessment questionnaire audit for suppliers in one customer industry product. In addition, three key suppliers were successfully audited through on-site factory visits. The evaluation of solutions to ensure a more systematic and consistent approach of supplier selection and audit processes is ongoing.

As part of our circular economy initiative, Exel researches and evaluates the use of alternative, sustainable raw materials in production. 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 towards them 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, where product properties are also 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 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)

Exel Composites complements its non-financial reporting by following the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) to the extent possible.

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 2023:** • Page 5 RISK MANAGEMENT **Annual Report 2023:** • 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 Report 2023:** • Page 34 CLIMATE-RELATED RISKS AND OPPORTUNITIES • Page 10 BUSINESS MODEL • Page 10 MARKET ENVIRONMENT • Page 13 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 2023:** • Page 5 RISK MANAGEMENT **Annual Report 2023:** • Page 34 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 Report 2023:** • Page 30 ENVIRONMENTAL FOOTPRINT Estimates on scope 3 greenhouse gas emissions have not yet been calculated. Scope 3 emissions reporting will be added according to the Corporate Sustainability Reporting Directive (CSDR) requirements.

EU Taxonomy disclosure

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 2023

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 2023, companies are required to disclose the proportion of Taxonomy-eligible and Taxonomy-non-eligible economic activities in the total turnover, capital expenditure and operational expenditure for the financial year 2023. For the activities that are eligible, companies are required to also disclose the share of taxonomy-aligned activity.

Preparation and accounting policy

Exel Composites' taxonomy-eligible and taxonomy-aligned economic activities have been identified 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 has been complemented with an externally produced model, which uses an extensive company and product database as a basis.

In 2023 new activities were added in the EU Taxonomy and the company decided to reassess some of its activities. In 2022 the company had included activities under the section 3.3. 'Manufacture of low carbon technologies for transport' but found them now more suitable under section 3.19. 'Manufacture of rail rolling stock constituents'. In addition, the activity for manufacturing airship parts, which was reported under section 3.6. 'Manufacture of other low carbon technologies' in 2022, is now reported under the new section 3.21. 'Manufacturing of aircraft'.

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).

Minimum Social Safeguards

Exel Composites has reviewed the Minimum Safeguards with respect to human rights, anti-corruption, competition and taxation. Based on the review Exel has determined its activities to meet the minimum safeguards. Read more about Exel's human rights assessment in the Non-financial section under Social handprint of this report.

Exel Composites' taxonomy-eligible and aligned 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.

Exel's taxonomy-eligible and taxonomy-aligned activities are currently found in the energy, transport, and construction sectors.

Exel has determined its turnover taxonomy-eligible activities to be included under the sections 3.1. 'Manufacture of renewable energy technologies', 3.5. 'Manufacture of energy efficiency equipment for buildings', 3.6. 'Manufacture of other low carbon technologies', 3.18. 'Manufacture of automotive and mobility components', 3.19. 'Manufacture of rolling stock constituents' and 3.21. 'Manufacturing of aircrafts'. Exel has evaluated the DNSH criteria and found activities to meet requirements.

Exel has determined that activities under sections 3.1., 3.5., 3.18., 3.19. and 3.21. are taxonomy-aligned. Activities under sections 3.6. are taxonomy-eligible but not taxonomy-aligned as technical screening criteria was not yet fully met.

The taxonomy-eligible turnover was lower in 2023 than in 2022 as Exel Composites' total turnover was lower. The proportion of taxonomy-eligible of total turnover at 28.1% was lower than in 2022 (37.8%) mainly due to lower Wind Power customer segment's turnover that is included in section 3.1. 'Manufacture of renewable energy technologies'.

Turnover

- **Manufacture of renewable energy technologies:** Exel manufactures composite applications used in wind turbines 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 better performance.
- **Manufacture of automotive and mobility components:** Exel manufactures structural profiles such as side panels for electric buses.
- **Manufacture of rolling stock constituents:** Exel manufactures structural profiles such as side panels for electric trains and trams.
- **Manufacturing of aircrafts:** Exel manufactures structural profiles for aerospace applications.
- **Manufacture of other low carbon technologies:** Exel manufactures composite applications for electric trolling motors.

Capital expenditure

- **Manufacture of renewable energy technologies**
- **Manufacture of energy efficiency equipment for buildings**
- **Manufacture of automotive and mobility components**
- **Manufacture of rolling stock constituents**
- **Energy generation using solar photovoltaic technology:** Exel has installed solar power plants on the factory roof of its two factories to generate renewable energy for the sites to use in their operations.
- **Installation, maintenance and repair of energy efficiency equipment**
- **Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings**

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.

Proportion of turnover from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2023

Financial year 2023		2023		Substantial contribution criteria						DNSH criteria ('Do No Significant Harm')									
Economic activities	Code	Turnover EUR thousand	Proportion of turnover, 2023 %	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Climate change mitigation Y / N	Climate change adaptation Y / N	Water Y / N	Pollution Y / N	Circular economy Y / N	Biodiversity Y / N	Minimum safeguards Y / N	Proportion of Taxonomy-aligned (A.1) or eligible (A.2) turnover, 2022 %	Category enabling activity E	Category transitional activity T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
Manufacture of renewable energy technologies	CCM 3.1	7,535	7.8	Y	N	N/A	N/A	N/A	N/A	Y	Y	Y	Y	Y	Y	Y	19.6	E	
Manufacture of energy efficiency equipment for buildings	CCM 3.5	9,203	9.5	Y	N	N/A	N/A	N/A	N/A	Y	Y	Y	Y	Y	Y	Y	9.6	E	
Manufacturing of aircraft	CCM 3.21	222	0.2	Y	N/A	N/A	N/A	N/A	N/A	Y	N	Y	Y	Y	Y	Y		E	
Manufacture of rail rolling stock constituents	CCM 3.19	2,412	2.5	Y	N/A	N/A	N/A	N/A	N/A	Y	N	Y	Y	Y	Y	Y		E	
Manufacture of automotive and mobility components	CCM 3.18	3,763	3.9	Y	N/A	N/A	N/A	N/A	N/A	Y	N	Y	Y	Y	Y	Y		E	
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**23,135**	**23.9**	100.0													21.0		
Of which Enabling		**23,135**	**23.9**	100.0															
Of which Transitional																			
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Manufacture of other low carbon technologies	CCM 3.6	4,062	4.2																
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**4,062**	**4.2**														16.7		
A. Turnover of Taxonomy eligible activities (A.1 + A.2)		**27,197**	**28.1**														37.8		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Turnover of Taxonomy-non-eligible activities (B)		69,618	71.9																
Total		**96,815**	**100.0**																

Proportion of CapEx from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2023

Financial year 2023		2023		Substantial contribution criteria						DNSH criteria ('Do No Significant Harm')									
Economic activities	Code	CapEx EUR thousand	Proportion of CapEx, 2023 %	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Climate change mitigation Y / N	Climate change adaptation Y / N	Water Y / N	Pollution Y / N	Circular economy Y / N	Biodiversity Y / N	Minimum safeguards Y / N	Proportion of Taxonomy-aligned (A.1) or eligible (A.2) CapEx 2022 %	Category enabling activity E	Category transitional activity T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
Manufacture of renewable energy technologies	CCM 3.1	10	0.3	Y	N	N/A	N/A	N/A	N/A	Y	Y	Y	Y	Y	Y	Y	2.7	E	E
Manufacture of energy efficiency equipment for buildings	CCM 3.5	43	1.1	Y	N	N/A	N/A	N/A	N/A	Y	Y	Y	Y	Y	Y	Y	6.3	E	
Manufacture of rail rolling stock constituents	CCM 3.19	36	0.9	Y	N/A	N/A	N/A	N/A	N/A	Y	N	Y	Y	Y	Y	Y		E	
Manufacture of automotive and mobility components	CCM 3.18	12	0.3	Y	N/A	N/A	N/A	N/A	N/A	Y	N	Y	Y	Y	Y	Y		E	
Electricity generation using solar photovoltaic technology	CCM 4.1	335	8.4	Y	N	N/A	N/A	N/A	N/A	Y	Y	N/A	N/A	Y	Y	Y			
Installation, maintenance and repair of energy efficiency equipment	CCM 7.3	33	0.8	Y	N	N/A	N/A	N/A	N/A	Y	Y	N/A	Y	N/A	N/A	Y		E	
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	CCM 7.4	10	0.2	Y	N	N/A	N/A	N/A	N/A	Y	Y	N/A	N/A	N/A	N/A	Y		E	
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**481**	**12.1**	100.0													2.7		
Of which Enabling		**481**	**12.1**	100.0															
Of which Transitional																			
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Manufacture of other low carbon technologies	CCM 3.6	37	0.9																
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		37	0.9														11.0		
A. CapEx of Taxonomy eligible activities (A.1+A.2)		**518**	**13.0**														13.7		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
CapEx of Taxonomy-non-eligible activities		3,470	87.0																
Total		**3,987**	**100.0**																

Proportion of OpEx from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2023

Financial year 2023		2023		Substantial contribution criteria						DNSH criteria ('Do No Significant Harm')									
Economic activities	Code	OpEx EUR thousand	Proportion of OpEx, 2023 %	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Climate change mitigation Y / N	Climate change adaptation Y / N	Water Y / N	Pollution Y / N	Circular economy Y / N	Biodiversity Y / N	Minimum safeguards Y / N	Proportion of Taxonomy-aligned (A.1) or eligible (A.2) OpEx, 2022 %	Category enabling activity E	Category transitional activity T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
Collection and transport of non-hazardous waste in source segregated fractions	CCM 5.5	169.6	3.4	Y	N	N/A	N/A	N/A	N/A	Y	Y	N/A	N/A	Y	N/A	Y	4.2		
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**169.6**	**3.4**	100.0													4.2		
Of which Enabling		**169.6**	**3.4**	100.0															
Of which Transitional																			
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)																			
Opex of Taxonomy eligible activities (A.1+A.2)		**169.6**	**3.4**														4.2		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
OpEx of Taxonomy-non-eligible activities		4,809.2	96.6																
Total		**4,978.7**	**100.0**																

KEY FIGURES 2019-2023

Key figures illustrating financial trends

	2023	2022	2021	2020	2019
Revenue	96,815	136,988	134,365	108,595	103,784
Operating profit	-4,863	3,002	3,744	9,417	5,087
% of revenue	-5.0	2.2	2.8	8.7	4.9
Adjusted operating profit	-2,446	8,029	6,029	9,708	7,160
% of revenue	-2.5	5.9	4.5	8.9	6.9
EBITDA	3,832	10,123	11,946	n/a	n/a
Adjusted EBITDA	4,059	15,149	12,435	n/a	n/a
Profit before taxes	-8,254	3,600	4,165	7,124	3,885
Total assets	85,028	113,058	117,698	96,800	85,352
Return on equity %	-38.7	7.0	5.5	19.5	9.2
Return on capital employed, %	-6.8	3.7	4.8	14.1	8.6
Equity ratio, %	20.9	26.9	26.8	30.2	30.9
Net gearing, %	185.7	102.4	119.9	107.9	114.9
Net debt to adjusted EBITDA 1)	8.1	2.1	3.0	n/a	n/a
Capital expenditure	3,523	4,592	9,989	13,220	6,262
% of revenue	3.6	3.4	7.4	12.2	6.0
Research and development costs	3,711	3,426	3,310	2,884	2,859
% of revenue	3.8	2.5	2.5	2.7	2.7
Average personnel	667	732	715	665	660
Personnel at year end	623	721	753	674	648

Share data

	2023	2022	2021	2020	2019
Earnings per share (EPS), EUR	-0.77	0.19	0.14	0.45	0.20
Adjusted earnings per share (EPS), EUR 2)	-0.77	0.19	0.14	0.45	0.20
Equity per share, EUR	1.47	2.53	2.58	2.44	2.23
Dividend per share, EUR 3)	0	0.20	0.20	0.20	0.18
Payout ratio, %	0	103.4	139.8	44.1	88.8
Effective yield of shares, %	0	3.7	2.5	2.7	2.8
Price/earnings (P/E)	-3.23	29.95	57.87	16.26	32.00
Price to book ratio, (P/B)	1.70	2.11	3.07	3.02	2.91

[1] Last 12 months' adjusted EBITDA
[2] Adjusted for the dilution of option rights
[3] Board proposal for dividend to the AGM 2024

Environmentally sustainable activities

	2023	2022	2021	2020	2019
Turnover of taxonomy-eligible economic activities, %	28.1	37.8	32.6	-	-
Capital expenditure of taxonomy-eligible economic activities, %	13.0	13.7	11.6	-	-
Operational expenditure of taxonomy-eligible economic activities, %	3.4	4.2	3.1	-	-

CALCULATION OF KEY FIGURES

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.)

Adjusted EBITDA

operating profit + depreciations, amortization and impairments - material items affecting comparability (restructuring costs, costs related to planned or realized business acquisitions or disposals, etc.)

Net debt to adjusted EBITDA

$$\frac{\text{total interest-bearing debt - cash and equivalents}}{\text{adjusted EBITDA}}$$

Return on equity, %

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

Return on capital employed, %

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

Equity ratio, %

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

Net gearing, %

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

Earnings per share (EPS), EUR

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

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, %

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

Effective yield of shares, %

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

Price/earnings (P/E), %

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

Price to book ratio, (P/B)

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

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED COMPREHENSIVE INCOME STATEMENTS

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

EUR thousands	Notes	2023	2022
Revenue	5	**96,815**	**136,988**
Other operating income	7	4,902	957
Increase (+) / Decrease (-) in inventories of finished goods and work in progress		-6,837	-799
Materials and services		-33,483	-58,526
Employee benefit expenses	9	-34,251	-39,023
Depreciation	11	-6,505	-7,115
Impairment	11	-2,190	-6
Other operating expenses	8, 10	-23,314	-29,474
Operating profit		**-4,863**	**3,002**
Financial income	17	597	2,549
Financial expenses	16	-3,988	-1,951
Profit before tax		**-8,254**	**3,600**
Income taxes	15	-1,055	-1,455
Profit/loss for the period		**-9,309**	**2,145**

EUR thousands	Notes	2023	2022
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translating foreign operations	15	-1,092	-715
Items that will not be reclassified to profit or loss:			
Defined benefit plan actuarial gains (+) / losses (-), net of tax	15	-30	146
Total comprehensive income		**-10,432**	**1,577**
Profit/loss attributable to:			
Owners of the parent company		-9,130	2,293
Non-controlling interests		-179	-148
Comprehensive income attributable to:			
Owners of the parent company		-10,240	1,743
Non-controlling interests		-192	-166
Total earnings per share, basic and diluted, EUR	13	**-0.77**	**0.19**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at the end of the financial year

EUR thousands	Notes	2023	2022
ASSETS			
Non-current assets			
Goodwill	18	12,585	13,015
Other intangible assets	18	1,671	2,160
Tangible assets	19	23,332	28,643
Right-of-use assets	19	1,367	2,213
Other non-current assets	20	48	48
Deferred tax assets	14	643	1,807
Total non-current assets		**39,646**	**47,886**
Current assets			
Held for sale assets	20	545	1,070
Inventories	22	16,867	23,426
Trade and other receivables	23	17,019	23,279
Cash at bank and in hand	24	10,952	17,397
Total current assets		**45,383**	**65,172**
Total assets		**85,028**	**113,058**

EUR thousands	Notes	2023	2022
EQUITY AND LIABILITIES			
Share capital	32	2,141	2,141
Other restricted equity		1,080	1,080
Invested unrestricted equity fund		2,539	2,539
Translation differences		2,138	3,218
Retained earnings		18,669	18,671
Profit for the period		-9,130	2,293
Equity attributable to the equity holders of parent company		**17,438**	**29,944**
Non-controlling interests		**249**	**441**
Total equity		**17,687**	**30,385**
Non-current liabilities			
Interest-bearing liabilities	25, 30	4,200	12,400
Non-current lease liabilities	25	221	1,136
Non-current interest-free liabilities	26	1,300	1,244
Deferred tax liabilities	14	311	584
Total non-current liabilities		**6,032**	**15,364**
Current liabilities			
Interest-bearing liabilities	25	38,105	33,691
Current lease liabilities	25	1,264	1,271
Trade and other current liabilities	26	21,777	25,903
Income tax payable		163	328
Current liabilities related to Held for sale assets	26	0	6,116
Total current liabilities		**61,309**	**67,309**
Total equity and liabilities		**85,028**	**113,058**

CONSOLIDATED STATEMENT OF CASH FLOWS

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

EUR thousands	Notes	2023	2022
Cash flow from operating activities			
Profit for the period		-9,309	2,145
Non-cash adjustments to reconcile profit to net cash flow	35	9,539	8,732
Change in working capital		6,416	-1,188
Cash flow generated by operations		**6,646**	**9,689**
Interest paid		-1,746	-571
Interest received		-1	-28
Other financial items		-702	121
Income taxes paid		247	-2,444
Net cash flow from operating activities		**4,445**	**6,767**
Cash flow from investing activities			
Purchase of non-current assets		-3,523	-4,535
Proceeds from sale of non-current assets		447	6,554
Net cash flow from investing activities		**-3,076**	**2,018**
Cash flow before financing activities		**1,369**	**8,785**

EUR thousands	Notes	2023	2022
Cash flow from financing activities			
Change in short-term loans		-3,754	-3,176
Installments of lease liabilities		-1,332	-1,264
Dividends paid		-2,371	-2,371
Net cash flow from financing activities		**-7,457**	**-6,811**
Change in liquid funds		**-6,088**	**1,975**
Liquid funds at the beginning of period		17,397	15,593
Exchange rate fluctuations on liquid funds		-358	-170
Liquid funds at the end of period		10,952	17,397

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

As at the end of the financial year

EUR thousands	Share capital	Other restricted equity	Invested unrestricted equity fund	Translation differences	Retained earnings	Non-controlling interests	Total
2022							
Balance at the beginning of the period	**2,141**	**129**	**2,539**	**3,914**	**21,850**	**608**	**31,182**
Comprehensive result				-697	2,293	-166	**1,430**
Defined benefit plan actuarial gains (+) / loss (-), net of tax					146		**146**
Other items 3)		951			-951		**0**
Dividend					-2,371		**-2,371**
Acquisition / transfer of Treasury shares 2)					139		**139**
Share-based payments reserve					123		**123**
Postings related to previous financial period 1)					-265		**-265**
Balance at the end of the period	**2,141**	**1,080**	**2,539**	**3,218**	**20,965**	**441**	**30,385**
2023							
Balance at the beginning of the period	**2,141**	**1,080**	**2,539**	**3,218**	**20,965**	**441**	**30,385**
Comprehensive result				-1,080	-9,130	-192	**-10,401**
Defined benefit plan actuarial gains (+) / loss (-), net of tax					-30		**-30**
Other items					0		**0**
Dividend					-2,371		**-2,371**
Acquisition / transfer of Treasury shares 2)					0		**0**
Share-based payments reserve					6		**6**
Postings related to previous financial period 1)					99		**99**
Balance at the end of the period	**2,141**	**1,080**	**2,539**	**2,138**	**9,539**	**249**	**17,687**

1) Corrections related to taxation and other expenses of previous years, and postings related to treasury shares
2) Group's treasury shares are administrated by EAM EXL1V Holding Oy and shares are transferred in accordance to the long-term incentive plan
3) Increase of subsidiary's share capital by transfer from its retained earnings

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 1 March 2024. Final decision to adopt, change or reject the financial statements is made by shareholders in Annual General Meeting on 26 March 2024.

Exel Composites' official consolidated financial statements is published in accordance with the ESEF-directive in XHTML format including iXBRL tags. 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
Domicile of entity	Mäntyharju, Finland
Legal form of entity	Plc
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 2023. 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 AND DISCLOSURES

Standards and standard amendments issued during the 2023 financial period

- IFRS 17 Insurance Contracts
- 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
- IAS 12 International Tax Reform – Pillar Two Model Rules

had no material 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

- No new standards

Amendments to standards

- IAS 1 Classification of Liabilities as Current or Non-current
- IAS 1 Non-current Liabilities with Covenants
- IFRS 16 Lease Liability in a Sale and Leaseback
- IAS 7 Disclosures: Supplier Finance Arrangements
- IAS 21 Lack of Exchangeability

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 14.

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 18 and 19.

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

	2023	2022
Europe	64,372	76,651
North America	18,343	37,272
Asia-Pacific	11,638	20,930
Rest of world	2,461	2,135
Total	**96,815**	**136,988**

Revenue from the biggest customer amounted to EUR 7,221 (15,318) thousand in 2023. The revenue of the biggest customer was reported under the Wind power customer industry.

Total assets according to geographic location

	2023	2022
Europe	51,828	59,123
North America	8,289	19,926
Asia-Pacific	24,912	34,008
Total	**85,028**	**113,058**

Capital expenditure according to geographic location

	2023	2022
Europe	2,467	2,798
North America	281	881
Asia-Pacific	775	912
Total	**3,523**	**4,592**

NOTE 6 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	2023 Average rate	2022 Average rate	2023 Closing rate	2022 Closing rate
Australia	AUD	1.62850	1.51730	1.62630	1.56930
UK	GBP	0.86990	0.85261	0.86905	0.88693
China	RMB	7.65910	7.08020	7.85090	7.35820
India	INR	89.32490	82.71540	91.90450	88.17100
USA	USD	1.08160	1.05390	1.10500	1.06660
Hong Kong	HKD	8.46760	8.25150	8.63140	8.31630

NOTE 7 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.

	2023	2022
Insurance compensations	10	25
Grants	221	289
Rental income	16	15
Gain on disposal of fixed assets	4,569	15
Other operating incomes	87	612
Total	**4,902**	**957**

NOTE 8 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.

	2023	2022
Audit fees	236	206
Tax consultation provided by the Audit company	26	2
Other services provided by the Audit company	55	16
Rents on leases with short lease period	636	640
Rents on leases for assets with low value	55	9
Losses on disposal of assets	639	440
Production variable expenses	8,821	13,130
Other operating expenses	12,845	15,030
Total	**23,314**	**29,474**

NOTE 9 EMPLOYEE BENEFIT EXPENSES

	2023	2022
Wages and salaries	28,108	31,318
Pension costs - defined contribution schemes	2,822	3,329
Pension costs - defined benefit schemes	12	4
Other employee benefits	3,308	4,372
Total	**34,251**	**39,023**
Average number of personnel	667	732

NOTE 10 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 2023 and 2022.

The income statement includes research and development costs entered as costs amounting to EUR 3,711 (3,426) thousand in 2023. These costs are included in the income statement under Employee Benefit Expenses and Other Operating Expenses.

NOTE 11 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

	2023	2022
Intangible assets	869	884
Tangible assets		
Buildings	397	396
Buildings, right-of-use assets	1,199	1,198
Machinery and equipment	3,977	4,579
Machinery and equipment, right-of-use assets	63	58
Total	**6,505**	**7,115**

Impairment and write-down of assets

	2023	2022
Tangible assets		
Land	0	6
Machinery and equipment	2,190	0
Total	**2,190**	**6**

NOTE 12 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 10 May 2023 approved the Board's proposal to distribute a dividend of EUR 0.20 per share for the financial year 2022.

The Annual General Meeting held on 25 March 2022 approved the Board's proposal to distribute a dividend of EUR 0.20 per share for the financial year 2021.

Following the balance sheet date, the Board of Directors has proposed to the Annual General Meeting that no dividend be paid for 2023 based on the adopted financial statements for the financial year ended 31 December 2023.

NOTE 13 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.

	2023	2022
Profit for the financial year attributable to ordinary equity holders of the parent company, EUR thousands	-9,130	2,293
Weighted average number of outstanding shares during the financial year, 1,000 shares	11,854	11,850
Basic and diluted earnings per share, EUR/share	-0.77	0.19

NOTE 14 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 2023

	1 January	Recognized in income statement	Recognized in shareholders' equity	Exchange rate differences	31 December
Intercompany profit in inventory	33	69		0	102
Intercompany profit in fixed assets	83	-42		0	42
Losses	1,650	-1,137		-34	478
Other temporary differences	243	-169	10	3	87
Offset with deferred tax liabilities	-240	151			-88
IFRS16	38	-14		-1	23
Net deferred tax assets	**1,807**	**-1,141**	**10**	**-33**	**643**

Deferred tax liabilities in 2023

	1 January	Recognized in income statement	Exchange rate differences	31 December
Accumulated depreciation	81	35	-6	110
Other temporary differences	742	-461	7	288
Offset with deferred tax assets	-240	151		-88
IFRS16	1	0		0
Net deferred tax liabilities	**584**	**-274**	**1**	**311**

Deferred tax assets in 2022

	1 January	Recognized in income statement	Recognized in shareholders' equity	Exchange rate differences	31 December
Intercompany profit in inventory	30	4		0	33
Intercompany profit in fixed assets	112	-28		-1	83
Losses	1,624	-18		44	1,650
Other temporary differences	341	-35	-56	-7	243
Offset with deferred tax liabilities	-262	22			-240
IFRS16	46	-9		1	38
Net deferred tax assets	**1,891**	**-65**	**-56**	**37**	**1,807**

Deferred tax liabilities in 2022

	1 January	Recognized in income statement	Exchange rate differences	31 December
Accumulated depreciation	143	-61	-1	81
Other temporary differences	662	101	-21	742
Offset with deferred tax assets	-262	22		-240
IFRS16	1	0		1
Net deferred tax liabilities	**545**	**62**	**-23**	**584**

The Group had taxable net losses on 31 December 2023 of EUR 28,871 (22,201) thousand, of which the Company has recorded deferred tax assets of EUR 478 (1,650) 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 2023. The Group has concluded that it will not be able to utilize all of the taxable losses against future profits in the near future. The Group has therefore decided to write-off the deferred tax assets it has recorded on taxable losses.

The old China subsidiary cumulated tax losses from 2016 to 2021. The subsidiary finalized the sale of its factory property and was able to utilize the deferred tax assets against the profit arising from the sale. Group decided to liquidate the subsidiary. The balance sheet of the subsidiary was cleared and the cash transferred to the parent company as return of capital.

Group's subsidiary in Belgium has cumulated tax losses from 2020 to 2022. The Group has estimated that the accumulated tax losses can be utilized in the coming years. At the end of 2023 the Belgium unit had EUR 240 thousand of deferred tax receivables on the losses. Tax losses can be carried forward indefinitely.

Group's subsidiary in UK accumulated taxable losses in 2023 due to restructuring costs. A total of EUR 238 thousand of deferred tax assets were recorded. 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 15 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.

	2023	2022
Income tax based on taxable income for the financial year	317	1,875
Income taxes from previous financial periods	-130	-547
Deferred taxes	867	127
Total income taxes reported in the income statement	**1,055**	**1,455**

Income tax recognized in other comprehensive income 2023

	Before tax	Tax effect	After tax
Exchange differences on translating foreign operations	-1,092	0	-1,092
Defined benefit plan actuarial gains (+) / losses (-)	-40	10	-30
Total	**-1,133**	**10**	**-1,123**

Income tax recognized in other comprehensive income 2022

	Before tax	Tax effect	After tax
Exchange differences on translating foreign operations	-715	0	-715
Defined benefit plan actuarial gains (+) / losses (-)	195	-49	146
Total	**-520**	**-49**	**-568**

Income tax reconciliation

	2023	2022
Profit before taxes	-8,254	3,600
Consolidated income taxes at Group's domestic tax rate (20%)	-1,651	720
Impact of different tax rates of foreign subsidiaries	-507	-76
Tax-exempt income and non-deductible expenses	9	115
Tax at source booked as cost	216	575
Income taxes for prior years	-130	-547
Effect of deferred tax assets not recognized	2,059	356
Revaluation of deferred taxes	900	119
Other items	158	192
Income tax recognized in consolidated income statement	1,055	1,455
Effective tax rate	-12.8	40.4

NOTE 16 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 2023 and 2022, the Group had no assets where the borrowing costs would have been capitalized.

	2023	2022
Interest expenses on debts and borrowings	1,732	555
Interest expenses on lease liabilities	38	52
Foreign exchange losses	1,687	845
Other finance expenses	531	498
Total finance expenses	**3,988**	**1,951**

Exchange differences for sales (exchange rate gain EUR -50 thousand) and purchases (exchange rate loss EUR 4 thousand) are entered in the income statement in the appropriate sales and purchase accounts.

NOTE 17 FINANCIAL INCOME

	2023	2022
Interest income on loans and receivables	120	43
Foreign exchange gains	476	2,496
Other finance income	1	10
Total finance income	**597**	**2,549**

NOTE 18 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.

Costs in SaaS arrangements
IFRIC's agenda decision on how to account for configuration and customization costs in SaaS arrangements has had no material effect on the consolidated financial statement.

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

	2023	2022
Acquisition cost at 1 January	20,030	19,777
Exchange rate differences	-490	253
Acquisition cost at 31 December	**19,540**	**20,030**
Accumulated amortization and impairment at 1 January	-7,015	-6,968
Exchange rate differences	60	-47
Accumulated amortization and impairment at 31 December	**-6,955**	**-7,015**
Book value at 1 January	13,015	12,809
Book value at 31 December	**12,585**	**13,015**

Other intangible assets

	2023	2022
Acquisition cost at 1 January	6,053	6,064
Additions	4	48
Disposals	0	-40
Transfers between asset groups	0	18
Exchange rate differences	-189	-37
Acquisition cost at 31 December	**5,868**	**6,053**
Accumulated amortization at 1 January	-5,298	-5,150
Amortization for the period	-212	-215
Disposals	0	40
Exchange rate differences	161	28
Accumulated amortization at 31 December	**-5,349**	**-5,298**
Book value at 1 January	755	914
Book value at 31 December	**519**	**755**

Other long-term expenses

	2023	2022
Acquisition cost at 1 January	8,459	8,175
Additions	32	13
Transfers between asset groups	384	176
Exchange rate differences	-83	95
Acquisition cost at 31 December	**8,792**	**8,459**
Accumulated amortization at 1 January	-7,053	-6,274
Amortization for the period	-657	-669
Exchange rate differences	70	-110
Accumulated amortization at 31 December	**-7,639**	**-7,053**
Book value at 1 January	1,405	1,899
Book value at 31 December	**1,152**	**1,405**

NOTE 19 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". Such asset is transferred to Held for sale assets and is presented separately from other assets.

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.

Land and water areas

	2023	2022
Acquisition cost at 1 January	1,416	1,877
Transfer to Held-for-sale assets	-374	-448
Exchange rate differences	7	-13
Acquisition cost at 31 December	**1,049**	**1,416**
Accumulated amortization at 1 January	-148	-299
Impairment charge and write-downs	0	-6
Transfer to Held-for-sale assets	151	151
Exchange rate differences	-3	6
Accumulated amortization at 31 December	**0**	**-148**
Book value at 1 January	1,267	1,578
Book value at 31 December	**1,049**	**1,267**

Buildings and structures

	2023	2022
Acquisition cost at 1 January	14,361	15,548
Additions	346	124
Disposals	0	-18
Transfer between asset group	216	96
Transfer to Held-for-sale assets	-1,028	-1,355
Exchange rate differences	8	-34
Acquisition cost at 31 December	**13,902**	**14,361**
Accumulated amortization at 1 January	-5,796	-5,970
Amortization for the period	-397	-396
Transfer to Held-for-sale assets	706	540
Exchange rate differences	-1	30
Accumulated amortization at 31 December	**-5,488**	**-5,796**
Book value at 1 January	8,565	9,578
Book value at 31 December	**8,415**	**8,565**

Buildings and structures, right-of-use assets

	2023	2022
Acquisition cost at 1 January	6,555	6,217
Additions	368	236
Exchange rate differences	-195	103
Acquisition cost at 31 December	**6,729**	**6,555**
Accumulated amortization at 1 January	-4,382	-3,152
Amortization for the period	-1,199	-1,198
Exchange rate differences	150	-31
Accumulated amortization at 31 December	**-5,431**	**-4,382**
Book value at 1 January	2,174	3,065
Book value at 31 December	**1,298**	**2,174**

Machinery and equipment

	2023	2022
Acquisition cost at 1 January	64,989	66,991
Additions	1,437	2,887
Disposals	-5,767	-6,160
Transfers between asset groups	1,114	1,194
Exchange rate differences	-494	76
Acquisition cost at 31 December	**61,279**	**64,989**
Accumulated amortization at 1 January	-46,951	-47,670
Amortization for the period	-3,977	-4,684
Impairment charge and write-downs 1)	-2,190	0
Disposals	4,696	5,296
Exchange rate differences	255	106
Accumulated amortization at 31 December	**-48,167**	**-46,951**
Book value at 1 January	18,037	19,321
Book value at 31 December	**13,112**	**18,037**

1) More details on write-downs in Note 27

Machinery and equipment, right-of-use assets

	2023	2022
Acquisition cost at 1 January	380	380
Additions	96	0
Disposals	-67	0
Exchange rate differences	-2	0
Acquisition cost at 31 December	**408**	**380**
Accumulated amortization at 1 January	-341	-284
Amortization for the period	-63	-58
Disposals	65	0
Exchange rate differences	1	0
Accumulated amortization at 31 December	**-338**	**-341**
Book value at 1 January	39	96
Book value at 31 December	**69**	**39**

Advance payments and construction in progress

	2023	2022
Acquisition cost at 1 January	773	670
Additions	1,704	1,879
Transfers between asset groups	-1,714	-1,484
Disposals	0	-298
Exchange rate differences	-8	6
Acquisition cost at 31 December	**756**	**773**
Book value at 1 January	773	670
Book value at 31 December	**756**	**773**

NOTE 20 OTHER NON-CURRENT ASSETS

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

	2023	2022
Book value at 1 January	48	48
Book value at 31 December	**48**	**48**

Held for sale assets, presented in current assets

Exel Composites has sold the closed factory real estate in Nanjing, China and the ownership of the sold property has been transferred.

Exel Composites has restructured its operations in the UK unit and decided to sell the factory real estate in Runcorn. The sale is estimated to take place during 2024. In the consolidated financial statements the property is presented as Held for sale assets with the book value on the closing date.

Land and water areas, held for sale

	2023	2022
Acquisition cost at 1 January	380	0
Disposals	-414	0
Transfer between asset groups	374	448
Exchange rate differences	34	-68
Acquisition cost at 31 December	**374**	**380**
Accumulated amortization at 1 January	-125	0
Disposals	140	0
Transfer between asset groups	-151	-151
Exchange rate differences	-15	26
Accumulated amortization at 31 December	**-151**	**-125**
Book value at 1 January	255	0
Book value at 31 December	**223**	**255**

Buildings and structures, held for sale

	2023	2022
Acquisition cost at 1 January	1,355	0
Disposals	-1,252	0
Transfer between asset group	1,028	1,355
Exchange rate differences	-101	0
Acquisition cost at 31 December	**1,029**	**1,355**
Accumulated amortization at 1 January	-540	0
Disposals	499	0
Transfer between asset group	-706	-540
Exchange rate differences	40	0
Accumulated amortization at 31 December	**-707**	**-540**
Book value at 1 January	815	0
Book value at 31 December	**322**	**815**

NOTE 21 LEASES

ACCOUNTING PRINCIPLE: Leases

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

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, warehouse and office 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 2.365% from 1 January 2023, or if stated in the lease contract the internal rate of the contract.

Income and expenses in the statement of profit or loss arising from leases	2023	2022
Depreciation expense of right-of-use assets (note 11)	-1,262	-1,256
Rental expenses relating to short-term leases (note 8)	-636	-640
Rental expenses relating to leases of low value assets (note 8)	-55	-9
Rental income (note 7)	16	15
Interest expenses on lease liabilities (note 16)	-38	-52
Deferred tax assets and liabilities relating to lease contracts (note 14)	-14	-9
	-1,989	**-1,951**

Cash outflow for leases	2023	2022
Paid interest expenses on lease liabilities (note 35)	-38	-52
Repayment of lease liabilities	-1,332	-1,264
Rental expenses	-691	-649
	-2,061	**-1,965**

Right of use assets are presented in note 19. Lease liabilities are presented in note 25.

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.

	2023	2022
Raw materials	7,297	11,147
Work in progress	2,725	3,737
Finished products and goods	6,846	8,543
Total inventories	**16,867**	**23,426**

During 2023 an expense of EUR 1,207 (1,570) 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, at initial recognition, within the scope of IFRS 9 as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss.

The Group's financial assets include cash and short-term deposits, trade receivables and other receivables. The objective is to hold these financial assets to collect contractual cash flows that are payments of principal and interest on the principal amount and therefore they are classified as subsequently measured at amortized cost.

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 another party.

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 the payment delays adjusted by forward looking estimates and individual assessment.

	2023	2022
Trade receivables	12,252	19,285
Deferred income	1,092	1,328
Other receivables	3,394	1,795
Tax receivables	281	870
Total receivables	**17,019**	**23,279**

During the 2023 financial year credit losses of EUR -2 (125) thousand were recorded, consisting of actual credit losses amounting to EUR 96 (177) thousand and change in the bad debt provision amounting to EUR -98 (-52) 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
2023	12,252	9,273	2,397	273	309
2022	19,285	13,059	4,351	1,099	776

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 amortized cost in the statement of financial position.

Cash assets and short-term deposits consist of cash-in-hand and bank accounts, which amounted to EUR 10,952 (17,397) thousand.

NOTE 25 INTEREST-BEARING LOANS AND BORROWINGS

ACCOUNTING PRINCIPLE: Financial liabilities
Financial liabilities within the scope of IFRS 9 are classified as subsequently measured at amortized cost or at fair value through profit or loss.

The Group's financial liabilities include trade and other interest-free payables, bank overdrafts and loans. These are classified as subsequently measured at amortized cost. The Group has no derivative liabilities.

Non-current interest-bearing loans and borrowings

	2023	2022
Loans from financial institutions	4,200	12,400
Lease liabilities	221	1,136
Total	**4,421**	**13,536**

Current interest-bearing loans and borrowings

	2023	2022
Loans from financial institutions	37,200	33,200
Lease liabilities	1,264	1,271
Cheque account with overdraft facility	731	491
Loans from others	174	0
Total	**39,369**	**34,962**

EUR 25.0 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 36.0 million. Interest-bearing loans and credit limits include a financial covenant (net debt to EBITDA).

In 2023, Exel Composites' profitability weakened due to lower revenue impacted by general market demand causing indebtedness relative to adjusted EBITDA to rise. Subsequently, the Company has secured agreements with its lenders to adjust its covenants. Based on the assessed cash flow forecasts of the business and given the expected temporary nature of profitability decline, Exel expects to remain within its covenants.

Exel Composites is currently engaged in negotiations with its lenders on extending loans that enable Exel to meet its current liabilities as they fall due for a period of several years from the date of approval of the financial statements for the financial year 2023.

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

	2023	2022
2024	0	0
2025	4,200	8,200
2026	0	4,200
2027	0	0
2028	0	0
Total	**4,200**	**12,400**

Maturity of non-current lease liabilities

	2023	2022
2024	0	0
2025	221	898
2026	0	159
2027	0	35
2028	0	35
Later	0	9
Total	**221**	**1,136**

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 present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The Group recognizes a provision against onerous 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. The Group had no provisions in the reporting period.

	2023	2022
Trade payables	9,827	13,691
Accrued expenses	6,620	12,571
Advance payments	578	182
Other current interest-free liabilities	4,753	5,575
Non-current interest-free liabilities	1,300	1,244
Total	**23,077**	**33,263**

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

	2023	2022
Finland	135	135
Belgium	209	209
Austria	688	688
China	4,360	4,525
India	501	522
Exel Composites Group	6,692	6,935
Total	**12,585**	**13,015**

Impairment tests are made annually on goodwill and intangible assets with an indefinite economic life. On the closing date the Exel Composites Group had no intangible assets with an unlimited economic life.

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 2.0% 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 11.5% (9.4).

As announced in October the Group completed the strategic review for the unit in United States. As a result of the review the Group decided to reorganize its operations in the United States and focus on manufacturing tailored pull-winding tubes and customized pultruded composite profiles. In connection to this decision the Group recorded a total of EUR 4.0 million asset write-down, consisting of inventory EUR 0.9 million, fixed assets EUR 2.2 million and deferred tax assets EUR 0.9 million.

For all 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 Austria, United Kingdom 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 5.2% (2.9) there would be a situation where the recoverable value would not exceed the carrying amount. Alternatively, the revenue margin must decline over 1.6 percentage point (1) or average discount rate to increase to over 13.6% (10.9)

Testing assumptions used for the Austria, United Kingdom and Belgium business units included 2.0% growth rate for the future years and discount rate varied depending on the business unit between 10.5% and 12.0%. Depending on the business unit a decrease by 0.7-8.1 percentage points from the current level in annual growth rate or by 1.7–5.8 percentage points in sales margin or alternatively an increase by 1.1–250.0 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.

In Finland the Group has a contract with the electricity supplier on fixed electricity prices (electricity derivative). This contract is intended to hedge about 70-90 % of the forecasted electricity consumption. The economic characteristics and risks of the derivative are closely related to the electricity supply contract (host) and is not treated as a separate derivative but as a part of the electricity procurement. The derivative can be measured at fair value which is presented in the note 30.

The Group did not hedge its net foreign investments exposure during 2023 or 2022. 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

	2023	2022
AUD	4,269	4,060
GBP	5,845	7,504
RMB	5,058	8,476
INR	553	980
HKD	2,426	1,779
USD	-24,203	-14,464

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

2023	AUD	GBP	RMB	INR	HKD	USD
Increase in currency rate vs. EUR, %	5%	5%	5%	5%	5%	5%
Effect on equity, EUR	213	292	253	28	121	-1,210

2022	AUD	GBP	RMB	INR	HKD	USD
Increase in currency rate vs. EUR, %	5%	5%	5%	5%	5%	5%
Effect on equity, EUR	203	375	424	49	89	-723

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	41,400	98%
INR	905	2%

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 423 (461) 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 2023 amounting to EUR 36.0 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.

In 2023, Exel Composites' profitability weakened due to lower revenue impacted by general market demand causing indebtedness relative to adjusted EBITDA to rise. Subsequently, the Company has secured agreements with its lenders to adjust its covenants. Based on the assessed cash flow forecasts of the business and given the expected temporary nature of profitability decline, Exel expects to remain within its covenants.

Exel Composites is currently engaged in negotiations with its lenders on extending loans that enable Exel to meet its current liabilities as they fall due for a period of several years from the date of approval of the financial statements for the financial year 2023.

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. The content of the table has been changed compared to previous annual reports. Accrued liabilities are no longer included in the Trade and other current payables. This change has also been reflected to the comparison information.

2023	On demand	Less than 3 months	3-12 months	1-5 years	> 5 years	Total
Interest-bearing liabilities		26,000	13,369	4,421	0	43,790
Trade and other current payables (excl. accrued liabilities)		15,157				15,157

2022	On demand	Less than 3 months	3-12 months	1-5 years	> 5 years	Total
Interest-bearing liabilities		29,500	5,462	13,527	9	48,498
Trade and other current payables (excl. accrued liabilities)		19,448				19,448

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 2023, 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.

	2023	2022
Interest-bearing liabilities	43,790	48,498
Cash and cash equivalents	10,952	17,397
Net interest-bearing liabilities	32,838	31,101
Shareholders' equity	17,687	30,385
Net gearing, %	185.7	102.4

NOTE 29 CONTINGENT LIABILITIES

	2023	2022
Operating leases		
Not later than one year	81	34
1-5 years	107	14
Other liabilities	3	3

Legal proceedings

Exel Composites' Belgian subsidiary was the defendant in a dispute, whose legal proceedings in the Dutch court took place during the autumn of 2023. The main point of the dispute was the disagreement between Exel Composites and the customer as to whether the products delivered to the customer have met the agreed criteria. The court dismissed the customer's claims in full. The decision is not yet legally binding.

NOTE 30 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

ACCOUNTING PRINCIPLE: Valuation of financial assets and liabilities
At initial recognition the Group measures a financial asset or liability at its fair value, which basically is the transaction price, and subsequently at amortized cost. A fair value can be measured to some financial liabilities which have been measured at amortized cost. Their fair values are based on the future cash flows that are discounted with market interest rates on the reporting date.

Note 23 presents the impairments in respect of trade receivables. Other financial assets are not subject to material impairment.

Net fair values and nominal values of financial assets and liabilities

	2023 Net fair value	2023 Nominal value	2022 Net fair value	2022 Nominal value
Trade and other receivables	17,019	17,019	23,279	23,279
Cash and cash equivalents	10,952	10,952	17,397	17,397
Bank loans	41,412	41,400	45,608	45,600
Current credit facilities	731	731	491	491
Trade and other payables (excl. accrued liabilities)	16,631	16,631	20,692	20,692
Electricity derivatives (note 28)	189	0	843	0

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.

Pension schemes elsewhere than in Finland include both defined benefit and defined contribution pension schemes.

Amounts recognized in the income statement

	2023	2022
Pension cost for the financial year	3,056	3,329
Differences in benefit schemes	-222	4
Total included in personnel expenses	**2,834**	**3,333**

Amounts recognized in the balance sheet

	2023	2022
At the beginning of financial period	529	720
Pension expenses in the income statement	-222	4
Defined benefit plan actuarial gains (+) / losses (-)	40	-195
At the end of financial period	**347**	**529**

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. 2022	11,897	2,141	2,539	4,681
31.12. 2022	11,897	2,141	2,539	4,681
31.12. 2023	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 10 May 2023 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 2022 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 2024.

Exel Composites held 42,899 own shares at the end of 2023, 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 10 May 2023 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 2,379,000 new shares, which corresponds to approximately 20.0 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.

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 2022 to decide on the issuance of shares as well as special rights entitling to shares.

The authorization is effective until the end of the next Annual General Meeting, however no longer than until 30 June 2024.

These authorizations were not exercised in 2023.

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 2023 the Group had three share-based long-term incentive programs and one program had the planned pay out date during 2023:

The 2020 plan, the earning period of which ended in 2022, was based on a share-based long-term incentive program and was targeted at approximately 20 executives. The President and CEO and the Group Management Team were included in the target group of the 2020 incentive program. 75% of the potential share-based performance reward was based on cumulative adjusted operating profit (EBIT) and 25% on total shareholder return of the company's share (TSR). The maximum number of shares that could have been paid under this individual plan was 125,000 shares, of which President and CEO's share is 32,000 shares. The plan resulted in no payable reward.

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. It is estimated (to be confirmed in March 2024) that there is no payout. The fair value at measurement date is EUR 7.78 / share.

The 2022 plan is part of a share-based long-term incentive program for the earning period 2022-2024 and is targeted at approximately 20 executives. The President and CEO and the Group Management Team are included in the target group of the 2022 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 2025. 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 fair value at measurement date is EUR 6.68 / share.

The 2023 plan is part of a share-based long-term incentive program for the earning period 2023-2025 and is targeted at approximately 20 executives. The President and CEO and the Group Management Team are included in the target group of the 2023 incentive program. The performance target to the plan is the relative total shareholder return (TSR) of the Exel Composites' share where the TSR of Exel's share will be compared to the TSR of all shares listed on Nasdaq Helsinki. The potential share reward is payable in the spring 2026. The maximum number of shares to be paid under this individual plan is 140,000 shares. The fair value at measurement date is EUR 3.95 / share.

The profit and loss of 2023 includes EUR 6 thousand of costs related to these incentive programs. In each program the fair value of a share at the measurement date is the closing price of the share on the date the Board decided on the program, adjusted with the estimated dividends to be paid during the program.

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 2020, 2021 and 2022 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 2023 were EUR 19,362 thousand.

NOTE 35 CASH FLOW FROM BUSINESS OPERATIONS

Non-cash adjustments to the result for the financial year

	2023	2022
Depreciation, impairment charges and write-offs	8,695	7,121
Profit/loss on sales of tangible and intangible assets	-3,929	425
Taxes	1,055	1,455
Financial expenses	3,950	1,899
Interest expenses on lease liabilities	38	52
Financial income	-597	-2,549
Other adjustments	328	329
Total	**9,539**	**8,732**

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, Exel Leadership 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.

The Group follows the same commercial terms in its transactions with related parties as in transactions with third parties. In 2023, no significant related-party transactions were conducted between the Group and its related parties. Receivables and liabilities from Group companies are presented in notes 52 and 55 of the Parent company's Financial Statements.

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. / Liquidated in 2023	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

	2023	2022
President and CEO	263	328
Members of the Board of Directors	238	247
Total	**501**	**575**

Salaries and fees per person

President and CEO and Board of Directors	2023	2022
Paul Sohlberg President and CEO (since 20 March 2023)	226	-
Jouni Heinonen Interim President and CEO (1 October 2022-19 March 2023)	38	36
Riku Kytömäki President and CEO (until 30 September 2022)	-	292
Jouni Heinonen Chairman (since 10 May 2023, member since 25 March 2022)	69	33
Petri Helsky Member (since 17 March 2016)	47	40
Helena Nordman-Knutson Member (since 4 April 2017)	38	34
Jouko Peussa Member (since 17 March 2016)	37	33
Kirsi Sormunen Member (since 20 March 2020)	38	33
Reima Kerttula Chairman (until 10 May 2023)	9	74
Total	**501**	**575**

The accrued pension costs of President and CEO amounted to EUR 38 (61) thousand. The President and CEO's pension plan is pursuant to the employment pension legislation.

The holdings of the senior management on 31 December 2023

Number of shares and votes	2023	2022
Paul Sohlberg President and CEO (since 20 March 2023)	0	-
Jouni Heinonen Chairman (since 10 May 2023, member since 25 March 2022 and Interim President and CEO 1.10.2022-19.3.2023)	8,804	1,316
Petri Helsky Member (since 17 March 2016)	12,278	10,184
Helena Nordman-Knutson Member (since 4 April 2017)	11,136	9,042
Jouko Peussa Member (since 17 March 2016)	12,278	10,184
Kirsi Sormunen Member (since 20 March 2020)	6,535	4,441
Reima Kerttula Chairman (until 10 May 2023)		26,439
Total	**51,031**	**61,606**

NOTE 37 EVENTS AFTER THE REPORTING PERIOD

On 15 January 2024, Exel Composites announced changes to Exel's leadership team. As of 23 January 2023, members of the Exel leadership team are:
Paul Sohlberg, President and CEO
Mikko Rummukainen, CFO
Juha Honkanen, Executive Vice President, Engineered Solutions Business Unit
Kathy Wang, Executive Vice President, Industrial Solutions Business Unit
Kim Sjödahl, Senior Vice President, Technology and Sustainability
Johanna Tuomisto, Senior Vice President, People and Culture

On 15 January 2024, Exel Composites announced it has decided to start a strategic review of its operations in Belgium.

PARENT COMPANY FINANCIAL STATEMENTS

PARENT COMPANY INCOME STATEMENT

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

EUR	Notes	2023	2022
Revenue	**38**	**43,304,498.50**	**56,449,983.99**
Variation in inventories of finished goods and work in progress		-1,255,832.81	-7,524.80
Other operating income	39	3,084,083.37	2,208,771.04
Materials and services	40	-19,535,203.68	-28,289,305.14
Personnel expenses	41	-14,236,350.51	-16,308,455.44
Depreciation, amortization and reduction in value	42	-2,452,518.00	-2,635,366.11
Other operating expenses	43	-8,144,455.96	-8,965,621.63
Operating profit / loss		**764,220.91**	**2,452,481.91**
Financial income	45	4,950,909.48	14,630,769.38
Financial expenses	45	-9,954,967.22	-1,331,818.14
Profit/ loss before appropriations and taxes		**-4,239,836.83**	**15,751,433.15**
Income taxes	46	-1,125.11	-630,724.89
Other direct taxes		0.00	-326.88
Profit/ loss for the period		**-4,240,961.94**	**15,120,381.38**

PARENT COMPANY BALANCE SHEET

As at the end of the financial year

EUR	Notes	2023	2022
ASSETS			
Non-current assets			
Intangible assets	47	1,080,153.79	1,400,295.82
Tangible assets	48	5,647,297.50	6,320,922.91
Investments	49	17,398,866.91	23,657,278.93
Total non-current assets		**24,126,318.20**	**31,378,497.66**
Current assets			
Inventories	51	6,981,019.65	9,654,407.55
Current receivables	52	42,228,686.10	46,413,985.76
Cash at bank and in hand		3,410,382.61	3,199,274.37
Total current assets		**52,620,088.36**	**59,267,667.68**
TOTAL ASSETS		**76,746,406.56**	**90,646,165.34**

EUR	Notes	2023	2022
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	53	2,141,431.74	2,141,431.74
Other reserves	53	2,539,278.34	2,539,278.34
Retained earnings/loss	53	21,063,836.44	8,286,273.03
Profit/loss for the period	53	-4,240,961.94	15,120,381.38
Total equity		**21,503,584.58**	**28,087,364.49**
Liabilities			
Non-current liabilities	54	4,200,000.00	12,400,000.00
Current liabilities	55	51,042,821.98	50,158,800.85
Total liabilities		**55,242,821.98**	**62,558,800.85**
TOTAL EQUITY AND LIABILITIES		**76,746,406.56**	**90,646,165.34**

PARENT COMPANY CASH FLOW STATEMENT

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

EUR thousands	2023	2022
Cash flows from operating activities		
Profit/loss for the period	-4,241	15,120
Adjustments to profit/loss for the period	7,184	-9,958
Cash flow before working capital changes	2,943	5,162
Working capital changes	-2,182	669
Operating cash flow before financial items and taxes	761	5,831
Interest and other financial expenses paid relating to operating activities	-2,296	-1,127
Dividends received	2,351	11,961
Interests received	1,345	703
Income taxes paid	540	-1,829
Net cash flow from operating activities (A)	**2,701**	**15,539**

EUR thousands	2023	2022
Cash flows from investing activities		
Purchase of tangible and intangible assets	-1,459	-1,426
Proceeds from sale of tangible and intangible assets	55	0
Subsidiary shares sold	3,665	
Net cash flow from investing activities (B)	**2,261**	**-1,426**
Cash flow from financing activities		
Proceeds from short-term borrowings	1,820	0
Repayment of short-term borrowings	-4,200	-12,483
Dividends and other distribution of profit paid	-2,371	-2,371
Net cash flow from financing activities (C)	**-4,751**	**-14,854**
Net increase (+) / decrease (-) in cash and cash equivalents (A + B + C)	**211**	**-741**
Cash and cash equivalents at beginning of period	3,199	3,940
Cash and cash equivalents at end of period	3,410	3,199

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

All figures are in EUR thousands unless otherwise stated.

NOTE 38 REVENUE BY MARKET AREA

	2023	2022
Europe	32,999	40,313
North America	9,622	12,484
Asia-Pacific	605	3,500
Rest of world	79	153
Total	**43,304**	**56,450**

NOTE 39 OTHER OPERATING INCOME

	2023	2022
Service invoicing from Group companies	2,865	2,164
Other operating income	219	45
Total	**3,084**	**2,209**

NOTE 40 MATERIALS AND SERVICES

	2023	2022
Purchases during financial period	-17,730	-26,979
Change in inventories	-1,388	-76
External services	-417	-1,235
Total	**-19,535**	**-28,289**

NOTE 41 PERSONNEL

Average number of personnel during the financial year

	2023	2022
Office employees	92	94
Production employees	170	180
Total	**262**	**274**

Personnel expenses

	2023	2022
Wages and salaries	-11,791	-13,544
Pension expenses	-1,979	-2,250
Other social security expenses	-466	-515
Total	**-14,236**	**-16,308**

Paid wages, salaries and other remuneration of directors and management

	2023	2022
President and CEO	-246	-413
Members of the Board of Directors	-238	-247
Total	**-484**	**-660**

The accrued pension costs of President and CEO amounted to EUR 38 (61) 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 charged from the month when the asset was placed into service, latest from the following month.

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

	2023	2022
Depreciation according to plan	-2,453	-2,635
Total	**-2,453**	**-2,635**

NOTE 43 OTHER OPERATING EXPENSES

	2023	2022
Real estate, machinery and equipment expenses	-1,551	-1,570
External services, insurances and IT expenses	-4,711	-5,462
Other operating expenses	-1,882	-1,933
Total	**-8,144**	**-8,966**

NOTE 44 AUDITOR'S FEES

Authorized Public Accountants, Ernst & Young	2023	2022
Audit of financial statements	-137	-91
Other fees	-16	-16
Total	**-153**	**-106**

NOTE 45 FINANCIAL INCOME AND EXPENSES

	2023	2022
Income from Group companies	2,757	12,834
Other interest income and other financial income		
From Group companies	2,148	1,158
From others	46	638
	2,194	1,796
Total financial income	**4,951**	**14,631**
Interest and other financial expenses		
To Group companies	-6,770	-147
To others	-3,185	-1,185
	-9,955	-1,332
Total financial expenses	**-9,955**	**-1,332**
Total financial income and expenses	**-5,004**	**13,299**

In 2023, income from Group companies include EUR 407 thousand as dissolution profit related to closing of subsidiary.

NOTE 46 INCOME TAXES

	2023	2022
Income taxes from ordinary activities	-22	-623
Income tax relating to previous financial years	20	-8
Total	**-1**	**-631**

NOTE 47 INTANGIBLE ASSETS

	Intangible assets	Other long-term expenses	Advance payments	Total
Acquisition cost at 1 January	1,065	5,087	132	6,284
Additions	4	0	356	360
Disposals	0	0	0	0
Transfer between items	0	384	-384	0
Acquisition cost at 31 December	**1,069**	**5,471**	**104**	**6,643**
Accumulated amortization and impairment at 1 January	-853	-4,030	0	-4,883
Amortization for the period	-71	-609	0	-680
Accumulated amortization and impairment at 31 December	**-924**	**-4,639**	**0**	**-5,563**
Book value at 1 January	212	1,057	132	1,400
Book value at 31 December	**145**	**831**	**104**	**1,080**

NOTE 48 TANGIBLE ASSETS

	Land and waters	Buildings	Machinery and equipment	Advance payments and construction in progress	Total
Acquisition cost at 1 January	90	4,083	21,075	579	25,827
Additions	0	0	22	1,077	1,099
Disposals	0	0	0	0	0
Transfer between items	0	216	1,072	-1,287	0
Acquisition cost at 31 December	**90**	**4,299**	**22,168**	**368**	**26,925**
Accumulated depreciation and impairment at 1 January	0	-2,787	-16,719	0	-19,506
Depreciation for the period	0	-156	-1,617	0	-1,772
Accumulated depreciation and impairment at 31 December	**0**	**-2,943**	**-18,335**	**0**	**-21,278**
Book value at 1 January	90	1,296	4,356	579	6,321
Book value at 31 December	**90**	**1,356**	**3,833**	**368**	**5,647**

NOTE 49 INVESTMENTS

	Group companies	Other shares and holdings	Total
Acquisition cost at 1 January	23,609	48	23,657
Additions	0	0	0
Disposals	-6,258	0	-6,258
Transfer between items	0	0	0
Acquisition cost at 31 December	**17,351**	**48**	**17,399**
Book value at 1 January	23,609	48	23,657
Book value at 31 December	**17,351**	**48**	**17,399**

NOTE 50 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. Liquidated during 2023	China	0	0
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 51 INVENTORIES

	2023	2022
Raw materials and consumables	3,109	4,496
Work in progress	1,631	2,530
Finished products/ goods	1,646	1,935
Other inventories	595	693
Total	**6,981**	**9,654**

NOTE 52 CURRENT RECEIVABLES

Receivables from Group companies

	2023	2022
Trade receivables	10,746	7,136
Loan receivables	25,051	31,241
Other receivables	873	873
Total	**36,670**	**39,250**

Receivables from others

	2023	2022
Trade receivables	4,020	5,657
Other receivables	1,096	610
Prepayments and accrued income	443	897
Total	**5,559**	**7,164**
Total current receivables	**42,229**	**46,414**

Deferred tax assets amounting to EUR 24 (22) thousand have not been booked from cumulative depreciation exceeding the maximum tax depreciations by EUR 121 (112) thousand.

Material items included in prepayments and accrued income

	2023	2022
Tax receivables	227	800
Other receivables	216	97
Total	**443**	**897**

NOTE 53 EQUITY

	2023	2022
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	23,407	10,716
Distribution of dividends	-2,371	-2,371
Purchase/redemption of treasure shares	0	139
Correction of a previous financial year error	28	-198
Retained earnings 31 December	**21,064**	**8,286**
Profit/loss for the financial year	**-4,241**	**15,120**
Total unrestricted equity	**19,362**	**25,946**
Total equity	**21,504**	**28,087**

Calculation of distributable unrestricted equity 31 December

	2023	2022
Profit from previous financial years	21,064	8,286
Profit /loss for the financial year	-4,241	15,120
Reserve for invested unrestricted equity fund	2,539	2,539
Total	**19,362**	**25,946**

NOTE 54 NON-CURRENT LIABILITIES

Liabilities to others

	2023	2022
Loans from financial institutions	4,200	12,400
Total	**4,200**	**12,400**
Total non-current liabilities	**4,200**	**12,400**

NOTE 55 CURRENT LIABILITIES

Liabilities to Group companies

	2023	2022
Loan from Group companies	2,216	2,171
Trade payables	1,993	2,092
Total	**4,208**	**4,263**

Liabilities to others

	2023	2022
Loans from financial institutions	37,200	33,200
Advances received	337	166
Trade payables	4,526	5,637
Other liabilities	2,062	3,606
Accruals and deferred income	2,710	3,287
Total	**46,835**	**45,896**
Total current liabilities	**51,043**	**50,159**

Material items included in accruals and deferred income

	2023	2022
Accrued personnel expenses	2,298	2,981
Other accruals and deferred income	412	305
Total	**2,710**	**3,287**

NOTE 56 COMMITMENTS AND CONTINGENT LIABILITIES

Credit facilities

	2023	2022
Total amount of credit granted	40,300	42,300
In use	4,003	4,003

Pension liabilities

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

Leasing liabilities

	2023	2022
Payable during the following financial year	66	9
Payable in later years	106	11
Total	**173**	**20**

Commitments on behalf of Group companies

	2023	2022
Other guarantees	8,803	8,652
Guaranteed debt	531	1,525

NOTE 57 SHARE OWNERSHIP

Distribution of share ownership on 31 December 2023

	%
Private companies	17.55
Financial and insurance institutions	25.54
Public sector entities	5.91
Non-profit making entities	0.10
Private households	50.11
Foreign countries	0.79
Total	100.00
Nominee registered	6.87

Distribution of share ownership on 31 December 2023

Number of shares	Number of shareholders	Percentage of shareholders	Total number of shares	Percentage of total number of shares
1 - 1,000	7,228	85.62	1,837,644	15.45
1,001 – 10,000	1,105	13.09	3,036,737	25.53
10,001 – 50,000	87	1.03	1,623,406	13.65
over 50,000	22	0.26	5,399,056	45.38
Total	8,442	100.00	11,896,843	100.00

NOTE 58 SHAREHOLDERS

Major shareholders on 31 December 2023

Shareholder	Number of shares	Percentage of shares and votes
Erikoissijoitusrahasto Aktia Mikro Markka	762,984	6.41
OP-Finland Small Firms Fund	755,119	6.35
Ilmarinen Mutual Pension Insurance Company	496,547	4.17
Phoebus Fund	420,000	3.53
Säästöpankki Pienyhtiöt	288,710	2.43
Sumato Oy	231,821	1.95
Nelimarkka Heikki Antero	213,545	1.79
Veritas Pension Insurance Company Ltd	203,877	1.71
Suutarinen Timo	160,000	1.34
Renkkeli Oy	150,000	1.26
Nominee registered		
Skandinaviska Enskilda Banken AB	767,066	6.45
Citibank Europe PLC	13,161	0.11
Danske Bank AS Helsinki Branch	12,796	0.11
Other nominee registered	24,304	0.20
Others	7,396,913	62.18
Total	**11,896,843**	**100.00**

NOTE 59 SHARE PRICE AND TRADING

Share price

EUR	2023	2022	2021	2020	2019
Average price	3.60	6.30	8.58	5.55	4.54
Lowest price	2.42	5.02	6.58	3.40	3.92
Highest price	5.70	8.20	11.60	7.38	6.76
Share price at the end of financial year	2.54	5.42	8.10	7.38	6.48
Market capitalization, EUR million	30.1	64.2	95.9	87.3	76.6

Share trading

	2023	2022	2021	2020	2019
Number of shares traded	5,373,123	3,103,680	3,356,992	4,820,621	6,048,492
% of the average number of shares	45.2	26.2	28.4	40.8	50.8

Number of shares

	2023	2022	2021	2020	2019
Average number	11,853,944	11,850,080	11,832,712	11,827,648	11,819,843
Number at end of financial year	11,853,944	11,853,944	11,833,506	11,829,693	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 19,362,152.84, of which the loss for the financial year is EUR -4,240,961.94.

The Board proposes to the Annual General Meeting that no dividend will be paid.

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

Vantaa, 1 March 2024

Jouni Heinonen
Chairman of the Board of Directors

Petri Helsky
Member of the Board of Directors

Helena Nordman-Knutson
Member of the Board of Directors

Jouko Peussa
Member of the Board of Directors

Kirsi Sormunen
Member of the Board of Directors

Paul Sohlberg
President and CEO

Auditors' note

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

Vantaa, 4 March 2024

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 2023. The financial statements comprise the statement of comprehensive income, consolidated balance sheet, statement of cash flows, statement of changes in equity and notes, including material accounting policy information, 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 IFRS Accounting Standards 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 the 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 8 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, 18 and 27 of the consolidated financial statements.*	
Goodwill amounted to 12.6 million euros as of 31 December 2023 comprising 14.8% of total assets and 71.2% of equity (2022: 13.0 million euros, 11.5% of total assets and 42.8% of equity). 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 used 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 IFRS Accounting Standards 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 the 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 17 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.

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 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, we conclude that there is a material misstatement of the 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 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 4 March 2024

Ernst & Young Oy
Authorized Public Accountant Firm

Johanna Winqvist-Ilkka
Authorized Public Accountant

INDEPENDENT AUDITOR'S REPORT ON EXEL COMPOSITES OYJ'S ESEF CONSOLIDATED FINANCIAL STATEMENTS

(Translation of the Finnish original)

To the Board of Directors of Exel Composites Oyj

We have performed a reasonable assurance engagement on the iXBRL tagging of the consolidated financial statements included in the digital files 743700205JAMGM80QD88-2023-12-31-fi.zip of Exel Composites Oyj (business identity code: 1067292-7) for the financial year 1.1.-31.12.2023 to ensure that the financial statements are marked/tagged with iXBRL in accordance with the requirements of Article 4 of EU Commission Delegated Regulation (EU) 2018/815 (ESEF RTS).

Responsibilities of the Board of Directors and Managing Director

The Board of Directors and Managing Director are responsible for the preparation of the Report of Board of Directors and financial statements (ESEF financial statements) that comply with the ESEF RTS. This responsibility includes:

- preparation of ESEF financial statements in accordance with Article 3 of ESEF RTS
- Tagging the primary financial statements, notes to the financial statements and the entity identifier information in the consolidated financial statements included within the ESEF-financial statements by using the iXBRL mark ups in accordance with Article 4 of ESEF RTS
- Ensuring consistency between ESEF financial statements and audited financial statements

The Board of Directors and Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of ESEF financial statements in accordance the requirements of ESEF RTS.

Auditor's Independence and Quality Management

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

The firm applies International Standard on Quality Management (ISQM) 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor's Responsibilities

In accordance with the Engagement Letter we will express an opinion on whether the electronic tagging of the consolidated financial statements complies in all material respects with the Article 4 of ESEF RTS. We have conducted a reasonable assurance engagement in accordance with International Standard on Assurance Engagements ISAE 3000.

The engagement includes procedures to obtain evidence on:

- whether the tagging of the primary financial statements in the consolidated financial statements complies in all material respects with Article 4 of the ESEF RTS
- whether the tagging of the notes to the financial statements and the entity identifier information in the consolidated financial statements complies in all material respects with Article 4 of the ESEF RTS
- whether the ESEF financial statements are consistent with the audited financial statements

The nature, timing and extent of the procedures selected depend on the auditor's judgement including the assessment of risk of material departures from requirements sets out in the ESEF RTS, whether due to fraud or error.

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

Opinion

In our opinion the tagging of the primary financial statements, notes to the financial statements and the entity identifier information in the consolidated financial statements included in the ESEF financial statements 743700205JAMGM80QD88-2023-12-31-fi.zip of Exel

Composites Oyj for the year ended 1.1.-31.12.2023 complies in all material respects with the requirements of ESEF RTS.

Our audit opinion on the consolidated financial statements of Exel Composites Oyj for the year ended 1.1.-31.12.2023 is included in our Independent Auditor's Report dated 4.3.2024. In this report, we do not express an audit opinion any other assurance on the consolidated financial statements.

Helsinki 4.3.2024

Ernst & Young Oy
Authorized Public Accountant Firm

Johanna Winqvist-Ilkka
Authorized Public Accountant