EXEL COMPOSITES
FINANCIAL STATEMENTS 2014

CONTENTS

REVIEW BY THE BOARD OF DIRECTORS

Exel Composites is a leading composite technology company that designs, manufactures and markets composite products and solutions for demanding applications. Exel Composites provides superior customer experience through continuous innovation, world-class operations and long-term partnerships.

Exel Composites share is listed in the Small Cap Segment of the NASDAQ OMX Helsinki Ltd in the Industrials Sector.

Market environment

A general increase in the market demand has been seen in 2014. The market started to pick up especially during the third and fourth quarter of the year in the telecommunication, transportation and building, construction and infrastructure industry markets.

Order intake and order backlog January – December 2014

Order intake increased in 2014 by 18.0 per cent to EUR 82.3 (69.8) million on 2013.

The Group's order backlog increased to EUR 12.8 (10.5) million on 31 December 2014.

Sales review January – December 2014

Group net sales for the financial year 2014 increased 14.4 per cent to EUR 79.3 (69.3) million.

Net sales increased in the largest region, Europe, by 15.2 per cent compared to 2013. Net sales in the APAC region increased by 11.3 per cent and in the region Rest of the world by 7.4 per cent compared to the previous year.

Net sales of industrial applications increased by 16.7 per cent to EUR 47.5 (40.7) million.

Net sales of Construction and Infrastructure applications increased by 10.0 per cent to EUR 17.4 (15.8) million.

Net sales of Other applications grew by 12.3 per cent to EUR 14.3 (12.8) million.

MEUR	1.1. –31.12.2014	1.1. –31.12.2013	Change, %
Net sales by Region			
Europe	64.6	56.0	15.2
APAC	11.8	10.6	11.3
Rest of world	2.9	2.7	7.4
Total	**79.3**	**69.3**	**14.4**
Net sales by Customer Industry			
Construction and infrastructure	17.4	15.8	10.0
Industrial applications	47.5	40.7	16.7
Other applications	14.3	12.8	12.3
Total	**79.3**	**69.3**	**14.4**

Financial performance

The Group's operating profit in January – December 2014 improved by 83.5 per cent on the previous year and was EUR 8.9 (4.8) million or 11.2 (7.0) per cent of net sales. The main reasons for the increase were increased sales, improved productivity, efficiency improvement and better cost control.

The Group's operating profit before non-recurring items in 2014 was EUR 9.4 (5.5) million. The turnaround measures in Australia, including change in the operating model and transfer of Brisbane unit to Melbourne, have been completed. However, the financial performance of the Australian unit was not satisfactory in 2014. An impairment of EUR -0.5 million was recorded in the results of 2014 in the Australian business unit and deferred tax assets were reduced by EUR 0.4 million. Further corrective actions have been developed to improve the profitability. The focus is on generating more sales. The operating profit for 2013 included EUR 0.7 million of non-recurring items related to the CEO change and the reorganization of the Australian business unit.

In the local statutory accounts the parent company recognized a non-cash write-down of Australian subsidiary shareholding value totaling EUR 2.1 million (EUR 5.5 million non-cash write-down in 2013). Therefore, the parent company's profit for the financial period was EUR 2.8 million (loss of EUR 2.2 million in 2013).

The Group's net financial expenses in 2014 were EUR 0.4 (0.3) million. The Group's profit before taxes was EUR 8.5 (4.6) million and profit after taxes EUR 5.7 (3.1) million.

Financial position

Net cash flow from operating activities was strongly positive at EUR +10.7 (+7.8) million due to improved operating profit. Cash flow before financing, but after capital expenditure, amounted to EUR 6.3 (5.0) million. The capital expenditure on fixed assets amounted to EUR 4.4 (2.8) million. The increase was mainly due to investments in production lines and capacity expansion. Capital expenditure was financed with cash flow from business operations. At the end of the financial year, the Group's liquid assets stood at EUR 8.2 (9.4) million. Total depreciation of non-current assets during the year under review amounted to EUR 2.6 (2.7) million. In addition, an impairment of EUR -0.5 million was recorded in the results of the third quarter of 2014 in the Australian business unit and deferred tax assets were reduced by EUR 0.4 million.

The Group's consolidated total assets at the end of the financial year were EUR 52.4 (48.5) million. Interest-bearing liabilities amounted to EUR 5.6 (12.9) million. Net interest-bearing liabilities were EUR -2.6 (3.4) million.

Equity at the end of the financial year was EUR 29.7 (22.8) million and equity ratio 56.9 (47.2) per cent. The net gearing ratio was -8.7 (15.0) per cent.

Fully diluted total earnings per share were EUR 0.48 (0.26). Return on capital employed in 2014 was 25.2 (13.0) per cent. Return on equity was 21.7 (11.3) per cent.

The Company did not distribute any dividend for the financial year 2013.

Business development and strategy implementation

Exel Composites' Board of Directors adopted a new vision, strategy and long-term financial targets in November 2014. The new vision states: "Exel Composites is an agile, innovative global composite company with world-class operations providing superior customer experience".

The Company's new growth strategy focuses on accelerating growth in China, penetrating new applications and new market segments, creating a true global footprint and growing through new technologies. The Company will continue to develop world-class operations to differentiate from competitors. Acquisitions are targeted to boost growth and to cover market and technology white spots.

New long-term financial targets reflect the new growth strategy:

- Growth: Turnover growth 2x average market growth
- Profitability: EBIT margin over 10 per cent of net sales
- Capital efficiency: ROCE over 20 per cent

Financial targets are considered over a business cycle. Acquisitions will influence overall growth and profitability targets.

Exel Composites aims to distribute some 40 per cent of net income in dividends as permitted by the financial structure and growth opportunities.

In accordance with the new growth strategy, a decision was made in December 2014 to expand operations in Nanjing, China to meet the increased demand. The target is to double the production capacity of the Nanjing unit. The expansion project will be launched in the first quarter of 2015 and it is estimated to be completed during the first half of 2016.

Research and development

Research and development costs totaled EUR 1.8 (1.5) million, representing 2.3 (2.2) per cent of net sales. The main projects were connected with the development of new products and customer applications. Advanced laminates production was introduced at the Mäntyharju factory.

Risk management

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

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

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

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

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

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

The most significant near-term business risks are related to the general economic development, government regulations and financial crisis in the Euro area as well as to market demand. Continuing low demand in the Australian market may require further corrective actions which can have an impact on the profitability. The possible uncertainties in the Russian and East-European markets will have limited direct impact on Exel Composites.

Raw material prices, energy cost and other cost increases may continue to put pressure on profitability. The new European Community's anti-dumping tariffs imposed on Chinese glass fiber may have a negative effect on the result in terms in increased raw material prices. Currency rate changes, price competition and alternative competing materials may also have a negative effect on the result. The availability and cost of financing may continue to have an effect on the demand and increase the risk of credit losses.

Shares and share performance

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

At the end of December 2014, Exel Composites' share capital was EUR 2,141,431.74 and the number of shares was 11,896,843 each having the counter-book value of EUR 0.18. There were no changes in the share capital during the financial year. There is only one class of shares and all shares are freely assignable under Finnish law.

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

During the financial year the highest share price quoted was EUR 8.80 (6.70) and the lowest EUR 5.56 (5.10). At the end of the year, the share price was EUR 8.39 (5.75). The average share price during the financial year was EUR 6.42 (6.18).

Total shareholder return (TSR) in 2014 was 46 (11) per cent.

A total of 5,836,969 (2,022,018) shares were traded during the year, which represents 49.1 (17.0) per cent of the average number of shares. On 31 December 2014, Exel Composites' market capitalization was EUR 99.8 (68.4) million.

Shareholders and disclosures

Exel Composites had a total of 2,686 (2,752) shareholders on 31 December 2014. Information on Exel Composites' shareholders is available on the Company website at www.exelcomposites.com.

On 31 December 2014, 0.24 per cent of the shares and votes of Exel Composites were owned or controlled, directly or indirectly by the President and CEO and the members of the Board.

The Company's largest shareholder was Skandinaviska Enskilda Banken AB (nominee register), which owned 20.9 per cent of shares at the end of 2014. Other major shareholders included Nordea Bank Finland Plc 9.9 per cent (nominee register), Nordea Fennia Fund 5.1 per cent, Danske Fund Finnish Small Cap 4.1 per cent and Fondita Nordic Micro Cap 3.8 per cent.

Exel Composites received seven flagging announcements during the financial year.

On 13 February 2014 Exel Composites received a flagging announcement according to which the holding of Nordstjernan AB had fallen under 15 per cent of the voting rights and share capital in Exel Composites Plc. Through share transactions concluded on 13 February 2014, the holding of Nordstjernan AB decreased from 2,656,506 shares (22.3 per cent) to 1,656,506 shares, representing 13.9 per cent of the shares and voting rights of the Company.

On 14 February 2014 Exel Composites received a flagging announcement according to which the holding of Lannebo Fonder AB had exceeded 5 per cent of the voting rights and share capital in Exel Composites Plc. Through share transactions concluded on 13 February 2014, the holding of Lannebo Fonder AB rose to 1,000,000 shares, representing 8.4 per cent of the shares and voting rights of the Company.

On 7 May 2014 Exel Composites received a flagging announcement according to which Ilmarinen Mutual Insurance Company had through share transactions concluded on 7 May 2014 sold its entire holding, 639,400 shares, or 5.37 per cent of the shares and voting rights of the Company.

On 10 June 2014 Exel Composites received a flagging announcement according to which Nordstjernan AB had through share transactions concluded on 9 June 2014 sold its entire holding, 1,656,506 shares, or 13.9 per cent of the shares and voting rights of the Company.

On 10 June 2014 Exel Composites received a flagging announcement according to which the holding of Redarnas Ömsesidiga Försäkringsbolag had exceeded 5 per cent of the voting rights and share capital in Exel Composites Plc. Through share transactions concluded on 9 June 2014, the holding of Redarnas Ömsesidiga Försäkringsbolag rose to 847,098 shares, representing 7.12 per cent of the shares and voting rights of the Company.

On 10 June 2014 Exel Composites received a flagging announcement according to which the holding of the investment funds administered by OP-Rahastoyhtiö Funds had exceeded 5 per cent of the voting rights and share capital in Exel Composites Plc. Through share transactions concluded on 9 June 2014, the holding of the investment funds administered by OP-Rahastoyhtiö Funds rose to 889,551 shares, representing 7.48 per cent of the shares and voting rights of the Company.

On 6 November 2014 Exel Composites received a flagging announcement according to which the holding of Evli Bank Plc had exceeded 5 per cent of the voting rights and share capital in Exel Composites Plc. Through share transactions concluded on 4 November 2014, the holding of Evli Bank Plc rose to 603,118 shares, representing 5.07 per cent of the shares and voting rights of the Company.

Significant related-party transactions

Exel Composites' permanent public insiders include Exel Composites' Board members, the President and CEO and the members of the Group Management Team. No significant related-party transactions were conducted by the Group or the permanent insiders during the financial year 2014.

Personnel

The number of employees on 31 December 2014 was 456 (408), of whom 205 (198) worked in Finland and 251 (210) in other countries. The average number of personnel during the financial year was 433 (427).

The harmonization of the Group's operations was continued. The aim is seamless collaboration across the units in order to enhance synergies and productivity as well as to implement best practices and efficient business processes. In 2014 focus was on improving production speed and yield.

The building and strengthening of global functions continued in 2014. A new global sales organization structure was introduced where the sales is region-based instead of being factory-based. Now the sales persons sell the entire Exel Group product portfolio regardless of their location.

Group-wide practices are supported by our global ERP- and CRM-programs, which are in use in all the units. A decision to renew the ERP-program based on the harmonized processes was made at the end of the year.

Environment, health and safety

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

Special attention was given to occupational health and safety in 2014. The Group is rolling out the Occupational Health and Safety Management System OHSAS 18001 over all sites. Exel Composites' environmental issues are managed using ISO 14001 standard as a guideline in all the units of the Group.

Incentive programs

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

The Group has long-term incentive programs for the President and CEO and the Group Management Team and selected key employees of the Company. The aim of the programs is to combine the objectives of the shareholders and the executives in order to increase the value of the Company, to commit the executives to the Company and to offer the executives a competitive reward program based on holding the Company's shares. The Board of Directors makes the decision on the programs annually.

In February 2014 Exel Composites' Board of Directors approved a new program for selected key employees of the Company. The program is based on long-term monetary incentive program and is targeted at some 20 executives for the earning period 2014 – 2016. The President and CEO and the members of the Group Management Team are included in the target group of the new incentive program.

The 2014 program includes one earning period, the calendar years 2014 –2016. The potential long-term monetary performance reward from the program is based on the Group's cumulative Economic Profit and on the Group's Total Shareholder Return (TSR). The potential reward will be paid in 2017.

The maximum reward to be paid will be one million EUR.

No reward will be paid to an executive, if his or her employment or service with the Group Company ends before the reward payment for reasons other than retirement unless the Board decides otherwise.

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

Corporate Governance

Exel Composites issues a Corporate Governance Statement for the financial year 2014. The Corporate Governance Statement has been composed in accordance with recommendation 54 of the new Corporate Governance Code and Chapter 2, Section 6 of the Finnish Securities Market Act. The Corporate Governance Statement is issued separately from the Board of Directors' report. Further information concerning the corporate governance matters is available at the Group's website at www.exelcomposites.com.

Decisions of the AGM 2014

The Annual General Meeting of Exel Composites Plc held on 27 March 2014 approved the Board's proposal not to distribute any dividend for the financial year 2013.

The Annual General Meeting authorized the Board of Directors to acquire the Company's own shares by using unrestricted equity. The maximum amount to be acquired is 600,000 shares. The authorization is valid until 30 June 2015.

Board of Directors and Auditors

On 27 March 2014, the Annual General Meeting appointed Heikki Hiltunen, Peter Hofvenstam, Göran Jönsson and Reima Kerttula to continue on the Board of Directors. Kerstin Lindell was appointed as a new member of the Board as Heikki Mairinoja was no longer available for re-election.
At the formative meeting of the Board of Directors held after the AGM, the Board of Directors re-elected from among its members Peter Hofvenstam as its Chairman.

The Board of Directors convened 9 times in 2014 and the average attendance rate at these meetings was 98 per cent. The fees paid to the Board of Directors totaled EUR 141 (163) thousand in 2014.

The Board of Directors reviewed the independence of Board members in accordance with Recommendation 15 of the Corporate Governance Code in its April 2014 meeting. Heikki Hiltunen, Reima Kerttula and Kerstin Lindell are independent Board members. Peter Hofvenstam was considered as independent from the Company, but non-independent from a major shareholder until 10 June 2014, since he was the Vice President of Nordstjernan AB.

Göran Jönsson is considered as non-independent from the Company as former President and CEO of the Company. The Board was considered to comply with the Corporate Governance independency rules.

The Annual General Meeting of Exel Composites has elected a Shareholders' Nomination Board, which nominates candidates to the Annual General Meeting for election as Board members and proposes the fees to be paid to the Board members. The Nomination Board included the Chairman and persons nominated by the four largest shareholders as of 1 November 2014. In 2014 the Nomination Board comprised Jari Kivihuhta (Nordea Bank Finland Plc) as Chairman, Tuomas Virtala (Danske Capital Finland), Magnus von Knorring (Fondita Funds Management Company Ltd), Karri Alameri (OP Financial Group), and Peter Hofvenstam, the Chairman of the Board of Directors, as an expert member. The Nomination Board met four times.

Ernst & Young, Authorized Public Accountants, with Juha Hilmola, APA, as principal auditor, were elected to serve as company auditor in the AGM in 2014.

The fees paid to the auditors for audit services totaled EUR 163 (176) thousand and for non-audit services EUR 51 (71) thousand in 2014.

Changes in Group Management

Mr. Riku Kytömäki was appointed President and CEO and member of the Group Management Team as of 2 January 2014.

Ms. Tiina Hiltunen was appointed Senior Vice President Human Resources and member of the Group Management Team as of 1 August 2014.

Adoption of International Financial Reporting Standards (IRFS)

All IFRS's in force on 31 December 2014 that are applicable to Exel Composites' business operations, including all SIC- and IFRIC-interpretations thereon, have been complied with when preparing year 2014 and comparable year 2013 figures. International financial reporting standards, referred to in the Finnish Accounting Act and in ordinances issued based on the provisions of this Act, refer to the standards and their interpretations adopted in accordance with the procedure laid down in regulation (EC) No 1606/2002 of the EU. The notes to the consolidated financial statements conform also with the Finnish accounting and company legislation.

Events after the review period

On 13 January 2015 Mr. Mikko Kettunen, 38, was appointed SVP, CFO and member of Exel Composites Plc's Group Management Team as of 7 April 2015. Mr. Kettunen succeeds Mr. Ilkka Silvanto, 63, who has been appointed SVP, Strategic Projects, effective as of 7 April 2015, and will continue reporting to CEO and being member of Group Management Team.

The Board of Directors of Exel Composites Plc has on 12 February 2015 approved a new incentive program for the executives of the Company. The aim of the new program is to combine the objectives of the shareholders and the executives in order to increase the value of the Company, to commit the executives to the Company and to offer the executives a competitive reward program. The new program is based on a long-term monetary performance reward, and the program is targeted at approximately 25 executives for the earning period 2015 – 2017. The CEO and members of the Group Management Team are included in the target group of the new incentive program.

The new program includes one earning period, the calendar years 2015 – 2017. The potential long-term monetary performance reward from the program for the earning period 2015 – 2017 will be based on the Group's cumulative Economic Profit and on the Group's Total Shareholder Return (TSR).

The potential reward from the earning period 2015 – 2017 will be paid in 2018. No reward will be paid to an executive, if his or her employment or service with the Group Company ends before the reward payment unless the executive is leaving the Company due to retirement.

The maximum reward to be paid on the basis of the earning period 2015 – 2017 will be EUR 1.5 million.

The Board of Directors of Exel Composites has on 12 February 2015 made a decision to expand its operations in Austria to meet the increased customer demand. The target is to more than double the production capacity in Austria. The total cost estimate of the project is EUR 8 million. The expansion project will be launched in the first half of 2015 and it is estimated to be completed during the second half of 2016.

Outlook for full year 2015

The market has stabilized and we can see positive signs in the Company's key market segments. However, uncertainties relating to general growth prospects in the economy continue. The Company implements its new strategy by reinforcing the organization, especially in sales resources, product development and operations development, and by increasing its capacity. These efforts are expected to reduce the 2015 operating profit margin compared to 2014, but will position the Company better for long-term profitable growth.

Board proposal for dividend distribution

Exel Composites' financial goals include distributing dividends equal to some 40 per cent of the profit for the financial year as permitted by the financial structure and growth opportunities.

On 31 December 2014 Exel Composites Plc's distributable funds totaled EUR 13,551 thousand, of which profit for the financial period accounted for EUR 2,781 thousand.

The financial position of the Group is strong. The Board has therefore decided to propose to the Annual General Meeting that a dividend of EUR 0.20 (EUR 0.00) per share, a payout ratio of 41.7 per cent, be paid for the 2014 financial year.

As a basis for its proposal, the Board of Directors has made an assessment of the Group's financial position and ability to meet its commitments, as well as the Group's outlook and investment requirements. The Board considers the proposed dividend well-balanced given the prospects, the capital requirements and the risks of the Group's business activities.

The proposed record date for dividends is 30 March 2015. If the Annual General Meeting approves the Board's proposal, the dividend will be paid on 8 April 2015.

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

EUR 1,000	Notes	1.1.–31.12.2014	1.1.–31.12.2013
Net sales	6	**79,253**	**69,290**
Other operating income	9	707	667
Increase(+)/Decrease(-) in inventories of finished goods and work in progress		1,237	-1,287
Materials and services		-30,371	-24,750
Employee benefit expenses	11	-22,691	-21,128
Depreciation	13	-2,634	-2,691
Amortization	13	-482	0
Other operating expenses	10,12	-16,133	-15,258
Operating profit		**8,887**	**4,843**
Financial income	14	402	378
Financial expenses	15	-832	-664
Profit before tax		**8,457**	**4,557**
Income taxes	16	-2,754	-1,477
Profit/loss for the period		**5,702**	**3,080**
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Exchange differences on translating foreign operations	16	1,370	-2,174
Income tax relating to components of other comprehensive income		0	0
Other comprehensive income to be reclassified to profit or loss in subsequent periods, net of tax		**1,370**	**-2,174**
Item that will not be reclassified to profit or loss:			
Defined benefit plan actuarial gains (+)/ losses(+), net of tax	16	**-90**	**0**
Total comprehensive income		**6,983**	**906**
Profit and loss attributable to:			
Equity holders of the parent company		5,702	3,080
Non-controlling interest		0	0
Comprehensive income attributable to:			
Equity holders of the parent company		6,983	906
Non-controlling interest			0
Total earnings per share, basic and diluted	18	**0.48**	**0.26**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR 1,000	Notes	31.12.2014	31.12.2013
ASSETS			
Non-current assets			
Goodwill	20	9,676	9,393
Other intangible assets	20	686	921
Tangible assets	21	12,533	10,796
Other non-current assets	22	74	70
Deferred tax assets	17	285	641
Total non-current assets		**23,253**	**21,821**
Current assets			
Inventories	23	10,034	7,936
Trade and other receivables	24	10,906	9,273
Cash at bank and in hand	25	8,218	9,438
Total current assets		**29,158**	**26,648**
Total assets		**52,411**	**48,468**
EQUITY AND LIABILITIES			
Shareholders' equity	33		
Share capital		2,141	2,141
Other reserves		79	72
Invested unrestricted equity fund		2,539	2,539
Translation differences		3,534	2,164
Retained earnings		21,426	15,924
Equity attributable to the equity holders of parent company		**29,720**	**22,841**
Non-controlling interest			
Total equity		**29,720**	**22,841**
Non-current liabilities			
Interest-bearing loans and borrowings	27,31	4,623	1,761
Non-current interest-free liabilities	26	454	402
Deferred tax liabilities	17	505	440
Total non-current liabilities		**5,581**	**2,603**
Current liabilities			
Interest-bearing loans and borrowings	27	1,000	11,105
Trade and other current liabilities	26	15,599	11,920
Income tax payable	26	512	0
Total current liabilities		**17,110**	**23,024**
Total equity and liabilities		**52,411**	**48,468**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

31.12.2014

EUR 1,000	Share Capital	Other reserves	Invested Unre-stricted Equity Fund	Transla-tion Dif-ferences	Retained Earnings	Non-con-trolling Interest	Total
Balance at 1 January 2013	**2,141**	**45**	**8,488**	**4,337**	**16,427**	**0**	**31,438**
Profit for the period	-	-	-	-	3,080	-	3,080
Other comprehensive result	-	-	-	-2,174	-	-	-2,174
Additional capital repayment	-	-	-5,948	-	-	-	-5,948
Dividend	-	-	-	-	-3,569	-	-3,569
Other items	-	27	-	-	-14	-	14
Balance at 31 December 2013	**2,141**	**72**	**2,539**	**2,164**	**15,924**	**-**	**22,841**
Balance at 1 January 2014	**2,141**	**72**	**2,539**	**2,164**	**15,924**	**0**	**22,841**
Comprehensive result	-	-	-	1,370	5,702	-	7,072
Defined benefit plan actuarial gains(+)/ loss(-), net of tax	-	-	-	-	-90	-	-90
Other items	-	7	-	-	-7	-	0
Dividend	-	-	-	-	0	-	0
Correction of an error in previously issued financial statements*	-	-	-	-	-104	-	-104
Balance at 31 December 2014	**2,141**	**79**	**2,539**	**3,534**	**21,426**	**-**	**29,720**

* Correction of actuarial losses in prior year related to the pension liability in Exel Composites N.V.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31.12.2014

EUR 1,000	Notes	1.1.–31.12.2014	1.1.–31.12.2013
Cash flow from operating activities			
Profit for the period		5,702	3,080
Non-cash adjustments to reconcile profit to net cash flow	36	7,425	4,088
Change in working capital		455	1,658
Cash flow generated by operations		13,582	8,826
Interest paid		-167	-213
Interest received		56	39
Other financial items		-328	-196
Income taxes paid		-2,464	-668
Net cash flow from operating activities		10,679	7,788
Cash flow from investing activities			
Proceeds from sale of activities		0	0
Purchase of non-current assets		-4,354	-2,767
Proceeds from sale of non-current assets		0	0
Net cash flow from investing activities		-4,354	-2,767
Cash flow before financing		6,325	5,021
Proceeds from long-term borrowings		5,000	
Repayments of long-term borrowings		-2,840	-5,000
Change in short-term loans		-9,700	9,700
Repayments of finance lease liabilities		-5	-11
Additional capital repayment		0	-5,948
Dividends paid		0	-3,569
Net cash flow from financing		-7,545	-4,828
Change in liquid funds		-1,220	193
Liquid funds at the beginning of period		9,438	9,245
Liquid funds at the end of period		8,218	9,438

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All figures in EUR thousands unless otherwise stated)

The consolidated financial statements of Exel Composites Plc for the year ended 31 December 2014 were authorized for issue in accordance with a resolution of the Board of Directors on 12 February 2015. Final decision to adopt or reject the financial statements is made by shareholders in Annual General Meeting on 26 March 2015.

NOTE 1 CORPORATE INFORMATION

Exel Composites is a leading composite technology company that designs, manufactures and markets composite products and solutions for demanding applications. Exel Composites provides superior customer experience through continuous innovation, world-class operations and long-term partnerships.

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

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

NOTE 2 BASIS OF PREPARATION

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

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

Statement of Compliance

The consolidated financial statements of Exel Composites have been prepared in compliance with International Financial Reporting Standards (IFRS), applying IAS and IFRS standards, as well as SIC and IFRIC interpretations, valid on 31 December 2014. The notes to the consolidated financial statements are also in compliance with the Finnish Accounting and Companies Acts.

Basis of Consolidation

Exel Composites' consolidated financial statements include the accounts of the parent company Exel Composites Plc and its subsidiaries as at 31 December each year. Subsidiaries are viewed as companies in which it owns, directly or indirectly, over 50 per cent of the voting rights or in which it is in a position to govern the financial and operating policies of the entity. 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. The Group had no non-controlling interests in 2014 and 2013.

NOTE 3 CHANGES IN ACCOUNTING POLICIES ANS DISCLOSURES

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

The Group has adopted following new and amended IFRS standards as of 1 January 2014. When the adoption of the standard or interpretation is deemed to have an impact on the financial statements or performance of the Group, its impact is described below:

Investment Entities (Amendmends to IFRS 10, IFRS 12 and IAS 27)

Amendmends allow an exception to consolidation requirement for investment entities as defined in IFRS 10 Consolidated Financial

Statements. Investment entities are required to account for their subsidiaries at fair value through profit and loss. The amendmends have had no impact on Group's financial statements as none of the Group companies qualify as investment entities under IFRS 10.

Offsetting Financial Assets and Financial Liabilities – Amendmends to IAS 32
These amendmends clarify requirements for offsetting financial assets and liabilities, including setting criteria for offsetting under clearing house settlement mechanisms. Group companies have not had offsetting arrangements during the financial period ending on 31 December 2014. Consequently, the amendmends have not impacted the Group's financial position or disclosures.

Recoverable Amount Disclosures for Non-Financial Assets – Amendmends to IAS 36
The amendmend reduces the number of circumstances requiring disclosure of recoverable amount of assets of cash-generating units. It also clarifies the required disclosures, introducing an explicit requirement to disclose the discount rate used in determining impairment or reversal thereof under situations in which the recoverable amount has been determined based on present value technique. The Group has applied the amendmend in its financial statements for the financial period ending 31 December 2014.

Novation of derivatives and Continuation of Hedge Accounting – Amendments to IAS 39
Under the amendmends, hedge accounting does not have to be discontinued when a derivative designated as a hedging instrument has been novated, provided that certain requirements are met. Exel Composites Group does not use hedge accounting, and the amendmends consequently have not impacted on its financial statements.

IFRIC 21 Levies
A liability is recognized for a levy, when the activity designated in applicable legislation as triggering the payment occurs. If a threshold is set for levy payment, no liability is recognized prior to reaching that threshold. IFRIC 21 must be applied retrospectively. The Group has already applied liability recognition principles set in IAS 37 Provisions, Contingent Liabilities and Contingent Assets. Consequently, IFRIC 21 has not had an effect on the Group's financial position.

Annual Improvements 2010 – 2012 Cycle
IASB issued amendmends to the following six standards under its annual improvement cycle of 2010 – 2012: IFRS 2 Share-based Payment, IFRS 3 Business Combinations, IFRS 8 Operating Segments, IFRS 13 Fair Value Measurement, IAS 16 Property, Plant and Equipment, IAS 24 Related Party Disclosures and IAS 38 Intangible Assets. None of these amendmends impacted the Group's financial statements.

Annual Improvements 2011 – 2013 Cycle
Four standards were amended as part of 2011 – 2013 annual improvement cycle: IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 3 Business Combinations, IFRS 13 Fair Value Measurement and IAS 40 Investment Property. These covered choice of applicable standards in the first IFRS adoption (IFRS 1), exception for joint ventures (IFRS 3), portfolio exception (IFRS 13) and clarification of interrelationship between IFRS 3 and IAS 40. None of these amendmends affected the Group's financial statements as the Group is an existing IFRS preparer with no joint-ventures or investment properties.

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

New standards

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers

Amendmends to standards

IFRS 11	Accounting for Acquisitions of Interests in Joint Operations
IAS 16 and 38	Clarification of Acceptable Methods of Depreciation and Amortization
IAS 16 and 41	Agriculture: Bearer Plants
IAS 19	Defined Benefit Plans: Employee Contributions

NOTE 4 SIGNIFICANT ACCOUNTING JUDGEMENTS, 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 revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. The preparation of impairment tests requires the use of estimates.

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

Estimates and assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

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

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

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

Pension and other post-employment benefits
The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuation involves making assump-

tions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

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

NOTE 5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business Combinations And Goodwill

Business combinations from 1 January 2009

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisitions costs incurred are expensed.

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

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

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

Business combinations prior to 31 December 2008

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

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

The Group does not have any associates or joint ventures.

Non-current assets held for sale and discontinued operations

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

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

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Sales of products are recognized as income once the risk and benefits related to ownership of the sold products have been transferred to the buyer and the Group no longer has the possession of, or control over, the products. Sales of services are recognized as income once the service has been rendered. Revenue arising from projects lasting over 12 months and having a material impact on the Group's financial position and performance is recognized in accordance with IAS standard 11.

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

Foreign currency translation

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

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

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

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

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

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

Foreign currency exchange gains and losses related to business operations and translating monetary items have been entered in the income statement. Foreign exchange differences from business operations are included in other items above profit for the year. Foreign exchange differences from foreign currency loans and cash at bank are included in financial items.

Intangible assets

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

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

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

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

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

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

Research and development

Research costs are expensed as incurred. Costs incurred from development projects, which are often connected with the design and testing of new or advanced products, are recorded in the balance sheet as intangible assets from the time that the product can be technically achieved, it can be utilized commercially, and the product is expected to create a comparable financial benefit. Other development costs are recorded as expenses. Capitalized development costs are amortized on a straight-line basis beginning from the commercial production of the product during the period they are effective, yet no longer than five years. There were no capitalized development costs during 2013 and 2014.

Computer software

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

Other intangible assets

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

Property, plant and equipment

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

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

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

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

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

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

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

Government grants

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, 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 2014 and 2013, the Group had no assets where the borrowing costs would have been capitalized.

Financial assets

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

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

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

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

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

"Held-to-maturity financial assets" include non-derivative financial assets with fixed or determinable payments and fixed maturities when the Group has the positive intention and ability to hold them to maturity. After initial measurement held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. The Group did not have any held-to-maturity investments during the years ended 31 December 2014 and 2013.

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

A financial asset is derecognized when:

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

Cash and short-term deposits

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

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

Financial liabilities

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

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

Derivative financial instruments and hedging

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

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

Hedges for net investments in foreign units are recorded in the same way as cash-flow hedges. A hedge on a foreign subsidiary's equity is recorded in shareholders' equity in the same way as the exchange rate difference in shareholders' equity. The Group did not hedge its net foreign investments exposure during 2014 or 2013.

Impairment of non-financial assets

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

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

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

Impairment of financial assets

The Group assesses on each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

Lease agreements

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

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

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

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

Inventories

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

Trade receivables

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

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

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

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

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

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

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

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

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

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

In defined benefit pension plans, the present value of future pension payments on the closing date is presented less the fair value of the plan-related assets on the closing date. 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 periodised 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.

Share-based compensation
The Group has long-term incentive programs for the President and CEO and the Group Management Team and selected key employees of the Company. The aim of the programs is to combine the objectives of the shareholders and the executives in order to increase the value of the Company, to commit the executives to the Company and to offer the executives a competitive reward program based on holding the Company's shares.

The 2012 program includes matching shares and a long-term monetary performance reward, and the program is targeted at 18 executives for the earning period 2012 – 2014. The members of the Group Management Team are included in the target group of the 2012 incentive program.

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

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

The 2013 program includes one earning period, the calendar years 2013 – 2015. The potential long-term monetary performance reward from the program for the earning period 2013 – 2015 will be based on the Group's cumulative Economic Profit and on the Group's Total Shareholder Return (TSR).

The potential reward from the earning period 2013 – 2015 will be paid in 2016. The maximum reward to be paid on the basis of the earning period 2013 – 2015 will be one million EUR. The 2014 program includes one earning period, the calendar years 2014 – 2016. The potential long-term monetary performance reward from the program for the earning period 2014 – 2016 will be based on the Group's cumulative Economic Profit and on the Group's Total Shareholder Return (TSR).

The potential reward from the earning period 2014 – 2016 will be paid in 2017. The maximum reward to be paid on the basis of the earning period 2014 – 2016 will be one million EUR.

No reward will be paid to an executive, if his or her employment or service with the Group Company ends before the reward payment unless the executive is leaving the Company due to retirement or unless the Board decides otherwise.

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

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

Provisions
A provision is recognized in the balance sheet when the Group has a legal or actual obligation on the basis of a prior event, the materialization of the payment obligation is probable and the size of the obligation can be reliably estimated and requires a

financial payment or causes a financial loss. If compensation for a share of the obligation can be received from a third party, the compensation is recorded as a separate asset item, but only when it is practically certain that said compensation will be received.

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

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

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

Dividends

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

Earnings per share

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

NOTE 6 SEGMENT INFORMATION

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

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

Operating segments

The Group has one operating segment, Exel Composites.

Geographical information

The Group's geographical information is given for Europe, APAC (Asia Pacific) and Rest of world. Net sales of geographical distribution are presented according to the customers, while assets are presented according to the location of the assets.

Net sales outside the Group according to location of customers

EUR 1,000	2014	2013
Europe	64,562	56,124
APAC	11,760	10,462
Rest of world	2,931	2,704
Total	**79,253**	**69,290**

Revenue from the biggest customer amounted to EUR 18,551thousand (2013: EUR 13,915 thousand).

Total assets according to geographic location

EUR 1,000	2014	2013
Europe	29,754	25,702
APAC	14,154	12,687
Rest of world	0	0
Total	**43,908**	**38,389**

Capital expenditure according to geographic location

EUR 1,000	2014	2013
Europe	3,489	2,434
APAC	865	333
Rest of world	0	0
Total	**4,354**	**2,767**

NOTE 7 BUSINESS COMBINATIONS

The Group did no acquisitions in 2014 or 2013.

NOTE 8 EXCHANGE RATES

The income statements of subsidiaries, whose measurement and reporting currency is not the euro, are translated into the Group reporting currency using the average exchange rate, whereas the assets and liabilities of the subsidiaries are translated using the exchange rates on the reporting date. The 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. Key exchange rates for Exel Composites Group applied in the accounts are:

Country	**Currency**	**Average rate 2014**	**Average rate 2013**	**Balance sheet rate 2014**	**Balance sheet rate 2013**
Australia	AUD	1.47250	1.37700	1.48290	1.54230
UK	GBP	0.80647	0.84925	0.77890	0.83370
China	RMB	8.20373	8.16549	7.53580	8.34910
Sweden	SEK	9.09660	8.65049	9.39300	8.85910
USA	USD	1.32890	1.32815	1.21410	1.37910

NOTE 9 OTHER OPERATING INCOME

EUR 1,000	**2014**	**2013**
Rental income	18	25
Other operating income	689	642
Net gain on disposal of non-current assets	0	0
Total	**707**	**667**

Other operating income includes Exel Sports Brands' licensing income of EUR 0.4 (0.6) million and government grants of EUR 0.2 (0.0) million.

NOTE 10 OTHER OPERATING EXPENSES

EUR 1,000	**2014**	**2013**
Rental expenses	1,034	1,477
Other operating expenses	15,099	13,782
Total	**16,133**	**15,258**

The fees paid in 2014 to the external auditor for auditing Exel Group companies totaled EUR 163 (176) thousand, while the fees paid for non-audit services totaled EUR 51 (71) thousand.

NOTE 11 EMPLOYEE BENEFIT EXPENSES

EUR 1,000	**2014**	**2013**
Wages and salaries	18,662	17,355
Pension costs – defined contribution schemes	2,061	1,795
Pension costs – defined benefit schemes	11	-2
Other employee benefits	1,957	1,981
Total	**22,691**	**21,128**

Personnel	**2014**	**2013**
Average number of personnel	433	427

NOTE 12 RESEARCH AND DEVELOPMENT EXPENDITURE

The income statement includes research and development costs entered as costs amounting to EUR 1,837 thousand in 2014 (EUR 1,511 thousand in 2013). These costs are included in the income statement under Employee Benefit Expenses and Other Operating Expenses.

NOTE 13 DEPRECIATION, AMORTIZATION AND IMPAIRMENT

Depreciation of assets, EUR 1,000	2014	2013
Intangible assets	339	408
Tangible assets		
Buildings	264	263
Machinery and equipment	2,030	2,012
Total	2,634	2,683

Impairment and write-down of assets, EUR 1,000	2014	2013
Intangible assets	132	0
Goodwill	0	0
Tangible assets		
Land	8	8
Buildings	0	0
Machinery and equipment	342	0
Total	482	8

NOTE 14 FINANCIAL INCOME

EUR 1,000	2014	2013
Interest income on loans and receivables	56	39
Dividend income	1	1
Foreign exchange gains	340	221
Change in fair value of financial assets recognized at fair value through profit or loss (from derivatives)	0	116
Other finance income	4	0
Total finance income	402	378

NOTE 15 FINANCIAL EXPENSES

EUR 1,000	2014	2013
Interest expenses on debts and borrowings	154	216
Interest expenses under finance leases	0	0
Foreign exchange losses	529	353
Change in fair value of financial assets recognized at fair value through profit or loss (from derivatives)	38	0
Other finance expenses	112	95
Total finance expenses	832	664

Exchange differences for sales (exchange rate loss EUR -24 thousand) and purchases (exchange rate profit EUR -1 thousand) are entered in the income statement in the appropriate sales and purchase accounts.

NOTE 16 INCOME TAXES

The income tax entered as an expense consisted mainly of the following components for the years ended 31 December 2014 and 2013:

EUR 1,000	2014	2013
Income tax based on taxable income for the financial year	2,159	1,440
Income taxes from previous financial periods	58	-19
Deferred taxes	537	55
Total income taxes reported in the income statement	2,754	1,477

Income tax recognised in other comprehensive income 2014, EUR 1,000	Before tax	Tax effect	After tax
Exchange differences on translating foreign operations	1,370	0	1,370
Defined benefit plan actuarial gains (+)/losses	-133	43	-90
Total	**1,237**	**43**	**1,280**

Income tax recognised in other comprehensive income 2013, EUR 1,000	Before tax	Tax effect	After tax
Exchange differences on translating foreign operations	-2,174	0	-2,174
Defined benefit plan actuarial gains (+)/losses(+)	0	0	0
Total	**-2,174**	**0**	**-2,174**

A reconciliation between tax expense and the product of accounting profit multiplied by Finland's domestic tax rate for the years ended 31 December 2014 and 2013 is as follows:

Income tax reconciliation, EUR 1,000	2014	2013
Accounting profit before tax	8,457	4,557
Tax calculated at domestic tax rate 20,0% in 2014 and 24.5% in 2013	1,691	1,117
Difference between the domestic and foreign tax rates	318	330
Expenses not deductible for tax purposes	121	-242
Other	624	272
Tax charge	2,754	1,477
Effective tax rate	32.6	32.4

NOTE 17 DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

Deferred tax assets, EUR 1,000	1.1.2014	Recognized in income statement	Recognized in shareholders' equity	Exchange rate differences	31.12.2014
Intercompany profit in inventory	2	-1	-	-	1
Losses	215	-141	-	-	74
Other temporary differences	810	-367	80	36	559
Offset with deferred tax liabilities	-386	37	-	-	-349
Net deferred tax assets	**641**	**-472**	**80**	**36**	**285**

Deferred tax liabilities, EUR 1,000	1.1.2014	Recognized in income statement	Recognized in shareholders' equity	Exchange rate differences	31.12.2014
Accumulated depreciation					
Other temporary differences	826	28	-16	16	854
Offset with deferred tax assets	-386	37	-	-	-349
Net deferred tax liabilities	**440**	**65**	**-16**	**16**	**505**

Deferred tax assets, EUR 1,000	1.1.2013	Recognized in income statement	Recognized in shareholders' equity	Exchange rate differences	31.12.2013
Intercompany profit in inventory	3	-1	-	-	2
Losses	284	-69	-	-	215
Other temporary differences	970	-160	-	-	810
Offset with deferred tax liabilities	-505	120	-	-	-386
Net deferred tax assets	**752**	**-111**	**-**	**-**	**641**

Deferred tax liabilities, EUR 1,000	1.1.2013	Recognized in income statement	Recognized in shareholders' equity	Exchange rate differences	31.12.2013
Accumulated depreciation					
Other temporary differences	882	-56	-	-	826
Offset with deferred tax assets	-505	120	-	-	-386
Net deferred tax liabilities	**377**	**64**	**-**	**-**	**440**

Some deferred tax items related to the earlier accounting periods have been recorded directly to the equity. The Group had taxable net losses on 31 December 2014 of EUR 2,431 (EUR 858) thousand, of which the Company has recorded deferred tax assets of EUR 74 (215) thousand that are available for offset against future taxable profits of the companies in which the losses arose.

NOTE 18 EARNINGS PER SHARE

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

	2014	2013
Profit for the financial year (EUR 1,000) attributable to ordinary equity holders of the parent company	5,702	3,080
Weighted average number of outstanding shares during the financial year (1,000 shares)	11,897	11,897
Basic and diluted earnings per share (EUR/share)	0.48	0.26

NOTE 19 DIVIDENDS PER SHARE

The Annual General Meeting held on 27 March 2014 approved the Board's proposal not to distribute any dividend for the financial year 2013.

The Annual General Meeting held on 27 March 2013 approved the Board's proposal to distribute a dividend of EUR 0.30 per share.

The Extraordinary General Meeting held on 10 December 2013 approved the Board's proposal to pay an additional capital repayment from the reserve for invested unrestricted equity amounting to EUR 0.50 per share.

Following the balance sheet date the Board of Directors has proposed for approval at the Annual General Meeting that a dividend of EUR 0.20 per share be paid for the financial year 2014.

NOTE 20 INTANGIBLE ASSETS

The Group has no internally created intangible assets.

Goodwill, EUR 1,000	**2014**	**2013**
Acquisition cost at 1 Jan.	14,363	16,052
Additions	0	0
Exchange rate differences	196	-1,689
Acquisition cost at 31 Dec.	14,559	14,363
Accumulated amortization at 1 Jan.	-4,969	-5,154
Impairment charge	0	0
Exchange rate differences	87	184
Accumulated amortization at 31 Dec.	-4,882	-4,969
Book value at 1 Jan.	9,393	10,898
Book value at 31 Dec.	9,676	9,393

Other intangible assets, EUR 1,000	**2014**	**2013**
Acquisition cost at 1 Jan.	5,084	5,722
Additions	15	9
Decreases	0	0
Transfers between asset groups	0	53
Exchange rate differences	116	-700
Acquisition cost at 31 Dec.	5,215	5,084
Accumulated amortization at 1 Jan.	-4,510	-4,854
Amortization for the period	-220	-248
Impairment charge and write-downs	-132	0
Decreases	0	0
Exchange rate differences	-97	592
Accumulated amortization at 31 Dec.	-4,959	-4,510
Book value at 1 Jan.	573	868
Book value at 31 Dec.	255	573

Other long-term expenses, EUR 1,000	2014	2013
Acquisition cost at 1 Jan.	3,468	3,313
Additions	86	94
Decreases	0	0
Transfers between asset groups	117	61
Translation differences	0	0
Acquisition cost at 31 Dec.	3,671	3,468
Accumulated amortization at 1 Jan.	-3,121	-2,961
Amortization for the period	-119	-160
Decreases	0	0
Translation differences	0	0
Accumulated amortization at 31 Dec.	-3,240	-3,121
Book value at 1 Jan.	348	352
Book value at 31 Dec.	431	348

NOTE 21 PROPERTY, PLANT AND EQUIPMENT

Land and water areas, EUR 1,000	2014	2013
Acquisition cost at 1 Jan.	860	875
Additions	0	0
Decreases	0	0
Transfer between asset groups	0	0
Exchange rate differences	68	-14
Acquisition cost at 31 Dec.	928	860
Impairment charge and write-downs	-229	-225
Exchange rate differences	-19	4
Book value at 1 Jan.	640	658
Book value at 31 Dec.	682	640

Buildings and structures, EUR 1,000	2014	2013
Acquisition cost at 1 Jan.	7,140	7,132
Additions	95	84
Decreases	0	0
Transfer between asset group	91	29
Exchange rate differences	184	-105
Acquisition cost at 31 Dec.	7,511	7,140
Accumulated amortization at 1 Jan.	-4,687	-4,509
Amortization for the period	-264	-263
Decreases	0	0
Amortization for the period	0	0
Exchange rate differences	-66	85
Accumulated amortization at 31 Dec.	-5,017	-4,687
Book value at 1 Jan.	2,453	2,624
Book value at 31 Dec.	2,494	2,453

Machinery and equipment, EUR 1,000	2014	2013
Acquisition cost at 1 Jan.	40,832	39,447
Additions	3,303	1,706
Decreases	-88	0
Transfers between asset groups	686	455
Exchange rate differences	237	-776
Acquisition cost at 31 Dec.	44,970	40,832
Accumulated amortization at 1 Jan.	-34,046	-32,698
Amortization for the period	-2,026	-2,002
Impairment charge and write-downs	-342	0
Decreases	13	0
Translation differences	-86	654
Accumulated amortization at 31 Dec.	-36,488	-34,046
Book value at 1 Jan.	6,784	6,747
Book value at 31 Dec.	8,481	6,784

Advance payments and construction in progress, EUR 1,000	2014	2013
Acquisition cost at 1 Jan.	914	638
Additions	855	874
Transfers between asset groups	-894	-598
Decreases	0	0
Exchange rate differences	0	0
Acquisition cost at 31 Dec.	875	914
Book value at 1 Jan.	914	638
Book value at 31 Dec.	875	914

Finance lease arrangements, EUR 1,000	2014	2013
Machinery and equipment		
Acquisition cost at 1 Jan.	1,810	1,810
Additions	0	0
Decreases	0	0
Exchange rate differences	0	0
Acquisition cost at 31 Dec.	1,810	1,810
Accumulated amortization at 1 Jan.	-1,806	-1,796
Amortization for the period	-4	-10
Impairment charge and write-down	0	0
Decreases	0	0
Exchange rate differences	0	0
Accumulated amortization at 31 Dec.	-1,810	-1,806
Book value at 1 Jan.	4	14
Book value at 31 Dec.	0	4

The Group had no assets for sale.

NOTE 22 OTHER NON-CURRENT ASSETS

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

EUR 1,000	2014	2013
Book value at 1 Jan.	70	64
Decreases	0	0
Change in fair value	4	6
Book value at 31 Dec.	74	70

NOTE 23 INVENTORIES

EUR 1,000	2014	2013
Raw materials	5,327	4,582
Work in progress	911	808
Finished products and goods	3,796	2,545
Total inventories	**10,034**	**7,936**

During the 2014 financial year an expense of EUR 0.5 million was recognized to reduce the book value of inventories to their net realizable value (EUR 0.3 million in 2013).

NOTE 24 TRADE AND OTHER RECEIVABLES

EUR 1,000	2014	2013
Trade receivables	9,664	8,297
Deferred income	288	241
Other receivables	954	735
Total receivables	**10,906**	**9,273**

During the 2014 financial year credit losses of EUR 135 thousand were recorded (EUR 76 thousand in 2013), consisting of actual credit losses amounting to EUR 2 thousand (EUR -2 thousand in 2013) and change in the bad debt provision amounting to EUR 133 thousand (EUR 74 thousand in 2013) covering all overdue trade receivables which are over 90 days overdue.

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

	Total	Neither past due nor impaired	Past due but not impaired < 30 days	30–60 days	61–90 days	91–180 days	181–365 days	Over 1 year
2014	**9,664**	6,575	2,523	467	99	0	0	0
2013	**8,297**	6,355	1,692	167	83	0	0	0

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

NOTE 25 CASH AND CASH EQUIVALENTS

Cash assets and short-term deposits consist of cash-in-hand and bank accounts amounting to EUR 8,218 (9,438) thousand.

NOTE 26 TRADE AND OTHER NON-INTEREST-BEARING LIABILITIES

EUR 1,000	**2014**	**2013**
Trade payables	8,675	5,627
Accrued expenses	6,270	4,753
Advance payments	172	100
Other current interest-free liabilities	995	1,440
Non-current interest-free liabilities	454	402
Total	**16,564**	**12,322**

NOTE 27 INTEREST-BEARING LOANS AND BORROWINGS

Non-current interest-bearing loans and borrowings, EUR 1,000	**2014**	**2013**
	Book values	**Book values**
Loans from financial institutions	4,000	1,440
Pension loans	623	321
Finance lease liabilities	0	0
Total	**4,623**	**1,761**

Current interest-bearing loans and borrowings, EUR 1,000	**2014**	**2013**
Short-term loans from financial institutions	0	11,100
Current portion of long-term debt (repayments)	1,000	0
Finance lease liabilities	0	5
Total	**1,000**	**11,105**

Maturity of non-current interest-bearing liabilities, EUR 1,000	**2014**	**2013**
2014	0	1,400
2015	1,000	1,440
2016	1,000	0
2017	1,000	0
2018	1,000	0
2019	1,000	0
Later	0	0
Total	**5,000**	**2,840**

In 2014 long-term loan was repaid and a new long-term loan of EUR 5.0 million was raised.

Maturity of finance lease liabilities, EUR 1,000	2014	2013
Finance lease liabilities – total value of minimum lease payments		
Not later than 1 year	0	5
1–5 years	0	0
Finance lease liabilities – present value of minimum lease payments		
Not later than 1 year	0	5
1–5 years	0	0
Future finance charges	0	0
Total finance lease liabilities	**0**	**5**

Among interest-bearing loans EUR 3,000 thousand (EUR 5,000 thousand in 2013) has been converted to fixed interest rates through interest rate swap agreements.

NOTE 28 IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLES WITH INDEFINITE LIVES

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

Distribution of goodwill, EUR 1,000	2014	2013
Finland	135	135
Germany	1,305	1,305
Belgium	209	209
Austria	688	688
Exel Composites Group	7,340	7,056
Total	**9,676**	**9,393**

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

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

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

The Group makes a so-called two-step Goodwill impairment where CGU level goodwill is tested first and thereafter Group level goodwill. The Group has allocated goodwill to group and smaller cash-generating units. The impairment of cash-generating units is tested by comparing the recoverable amounts to the carrying amounts. The recoverable amount of cash-generating units is determined based on calculations of value in use, which are based on discounted future cash flows. Future cash flows are based on the continual use of the item and forecasts made by management for the next five years. Forecasts for periods further ahead in the future have been calculated on the assumption of annual growth of 3% (3%) on the industry in the long term. The level of gross margins in these forecasts is expected to remain on average at the current level.

Discount rates are defined separately in order to reflect the effect of the different business risks on the expected return on equity. The cost of liabilities is defined according to the existing credit portfolio. The calculation of the average cost of capital takes into account the Group's targeted capital structure, as well as the effect of debt on the cost of Group equity. The discount rate before taxes used in the calculations varied between 10.5% – 18.0% (11.4% – 14.8%).

On the basis of the impairment test, the amount of money that can be accrued by all cash-generating units except Australia exceeded the corresponding balance sheet values.

Sensitivity of the impairment test
With regard to the assessment of value in use the management believes that the if the turnover drops over 7% (7%) there would be a situation where the carrying value would not exceed the recoverable amount. Alternatively the sales margin must decline over 4 (5) per cent units or discount rate increase to over 28% (18.7%).

NOTE 29 FINANCIAL RISK MANAGEMENT

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

Foreign currency risk
The Group operates internationally and is thus exposed to various transactions risks caused by currency positions and risks that are generated when investments made in different currencies are converted into the parent company's operating currency. In addition to the euro (EUR), the main currencies are the Australian dollar (AUD), the British pound (GBP), the US dollar (USD) and the Chinese renminbi (RMB). Foreign exchange risks are generated by commercial transactions, from monetary items in the assets and liabilities and from net investments in foreign subsidiaries. The objective of foreign exchange risk management is to protect the operating result and shareholders' equity against foreign exchange rate fluctuations.

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

Currency positions are assessed at their net amount in each currency generally for the following 12-month period. Currency flows are partly protected by forward agreements and currency options. The Group's transaction exposure is in USD amounting to USD 2.0 on 31 December 2014.

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

Net investment, EUR 1,000	31 Dec. 2014	31 Dec. 2013
AUD	7,377	12,123
GBP	6,947	5,717
RMB	5,603	4,056

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

31 December 2014	AUD	GBP	RMB
Increase in currency rate vs. EUR	5%	5%	5%
Effect on profit before tax in EUR			
Effect on equity EUR	369	347	280

31 December 2013	AUD	GBP	RMB
Increase in currency rate vs. EUR	5%	5%	5%
Effect on profit before tax in EUR			
Effect on equity EUR	606	286	203

Interest rate risk

The Group's currency-denominated borrowings are in the functional currencies of Group companies. The nominal values of interest-bearing liabilities on 31 December 2014 were divided to the currencies as follows:

Currency	Amount 1,000 EUR	%
EUR	5,000	100%
Total	**5,000**	**100%**

Non-current loans have adjustable rates of interest, but they are partially protected against interest rate risks by converting them to fixed interest rates through interest rate swaps. At the balance sheet date the Group had interest swap contracts with notional value of EUR 3,000 thousand, where the Group pays 0,63% fixed interest. The Group does not use the hedge accounting to the interest swap or option contracts.

The Group's exposure to the risk of changes in the market interest rates relates primarily to the Group's loans. The effect of one percentage point in the interest rates on 31 December 2014 was EUR 56 thousand (EUR 125 thousand in 2013).

Liquidity and funding risk

The Group aims to ensure adequate liquidity under all circumstances and to optimize the use of liquid assets in financing business operations. In addition, the objective is to minimize net interest costs and bank charges. Cash reserves are invested only in objects that can be realized quickly. In addition to cash reserves and interest rate investments, the Group had unused credit limits on 31 December 2014 amounting to EUR 41.1 million of which EUR 31.0 million were committed.

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

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

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

Year ended 31 Dec. 2014	On demand	Less than 3 months	3–12 months	1–5 years	> 5 years	Total
Interest-bearing liabilities		500	500	4,000		**5,000**
Trade and other current payables		16,110				

Year ended 31 Dec. 2013	On demand	Less than 3 months	3–12 months	1–5 years	> 5 years	Total
Interest-bearing liabilities		4,380	6,000	2,160		**12,540**
Trade and other current payables		11,920				11,920

Credit and counterparty risk

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

Counterparty risk refers to a situation in which a 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 the 2014 financial year, the Group's only counterparties were financial institutions.

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

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

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

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

EUR 1,000	**2014**	**2013**
Interest-bearing liabilities	5,623	12,866
Cash and cash equivalents	8,218	9,438
Net interest-bearing liabilities	-2,595	3,428
Shareholders' equity	29,720	22,841
Net gearing %	-8.7	15.0

NOTE 30 PENSION AND OTHER POST-EMPLOYMENT OBLIGATIONS

The Group operates a number of defined benefit and contribution pension schemes throughout the world.

The most significant pension scheme in Finland is the statutory Finnish employee pension scheme (TyEL) according to which benefits are directly linked to the employee's earnings. The TyEL pension scheme is mainly arranged with insurance companies. The disability share of the TyEL pension scheme is recognized as a defined benefit scheme.

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

Amounts recognized in the income statement, EUR 1,000	**2014**	**2013**
Service cost for the financial year	2,061	1,795
Differences in benefit schemes	11	-2
Total included in personnel expenses	**2,073**	**1,793**

Amounts recognized in the balance sheet, EUR 1,000	**2014**	**2013**
At the beginning of financial period	321	324
Pension expenses in the income statement	11	-2
Defined benefit plan actuarial gains (+)/losses(+)	133	0
Correction of an error in previously issued financial statement	158	0
At the end of financial period	**623**	**321**

NOTE 31 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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

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

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

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

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

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

EUR 1,000	2014 Net fair value	2014 Nominal value	2013 Net fair value	2013 Nominal value
Trade and other receivables	10,906	10,906	9,273	9,273
Cash and cash equivalents	8,218	8,218	9,438	9,438
Interest rate swap agreements	-38	3,000	-53	5,000
Bank loans	5,004	5,000	12,549	12,540
Finance leasing	0	0	5	5
Non-current loan facilities	0	0	0	0
Trade and other payables	16,110	16,110	11,920	11,920

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

NOTE 32 CONTINGENT LIABILITIES

EUR 1,000	2014	2013
Commitments on own behalf		
Mortgages	2,783	2,783
Floating charges	12,500	12,500
Operating leases		
Not later than one year	896	810
1–5 years	1,414	994
Other liabilities	6	6

NOTE 33 SHARE CAPITAL

EUR 1,000	Number of shares (1,000)	Share capital	Invested unrestricted equity fund	Total
1 January 2013	11,897	2,141	8,488	10,589
Share issue				
31 December 2013	11,897	2,141	2,539	4,681
Share issue				
31 December 2014	11,897	2,141	2,539	4,681

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

On 27 March 2014 the Annual General Meeting authorized the Board of Directors to acquire the Company's own shares by using unrestricted equity. The maximum amount to be acquired is 600,000 shares. The authorization shall also contain an entitlement for the Company to accept its own shares as pledge. The number of shares that can be acquired or held as pledges by the Company on the basis of this authorization shall not exceed one tenth (1/10) of all outstanding shares of the Company. The authorization is valid until 30 June 2015.

On 27 March 2013 the Annual General Meeting authorized the Board of Directors to issue a maximum of 2,400,000 new shares and convey a maximum of 600,000 own shares. By virtue of the authorization, the Board of Directors also has the right to grant option rights, convertible bonds and/or special rights referred to in Chapter 10, Section 1 of the Companies Act. The authorization is valid until 30 June 2016.

These authorizations have not been exercised during the year.

NOTE 34 LONG-TERM SHARE-BASED COMPENSATION

The Group has long-term incentive programs for the President and CEO and the Group Management Team and selected key employees of the Company. The aim of the program is to combine the objectives of the shareholders and the executives in order to increase the value of the Company, to commit the executives to the Company and to offer the executives a competitive reward program based on holding the Company's shares. The Board of Directors makes the decision on the programs annually.

The 2012 program includes matching shares and a long-term monetary performance reward, and the program is targeted at 18 executives for the earning period 2012 – 2014. The members of the Group Management Team are included in the target group of the 2012 incentive program.

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

Profit and on the Group's Total Shareholder Return (TSR).

The reward from the earning period 2012 – 2014 will be paid in 2015. The maximum reward to be paid on the basis of the earning period 2012 – 2014 will correspond to the value of up to 900,000 EUR for the monetary performance reward and up to 30,000 Exel Composites Plc shares for the matching shares reward. Based on the program a gross amount of 20,048 matching shares were earned. No monetary performance reward was earned. There will be no monetary performance reward paid and therefore the accrual was reduced by EUR 53 thousand in 2014.

The 2013 program is based on long-term monetary incentive program and is targeted at 18 executives for the earning period 2013 – 2016. The President and CEO and the members of the Group Management Team are included in the target group of the 2013 incentive program.

The 2013 program includes one earning period, the calendar years 2013 – 2015. The potential long-term monetary performance reward from the program for the earning period 2013 – 2015 is based on the Group's cumulative Economic Profit and on the Group's Total Shareholder Return (TSR).

The potential reward from the earning period 2013 – 2015 will be paid in 2016. The maximum reward to be paid on the basis of the earning period 2013 – 2015 will be one million EUR. The accrued cost for 2014 was EUR 364 thousand.

The 2014 program is based on long-term monetary incentive program and is targeted at 20 executives for the earning period 2014 – 2016. The President and CEO and the members of the Group Management Team are included in the target group of the 2014 incentive program.

The 2014 program includes one earning period, the calendar years 2014 – 2016. The potential long-term monetary performance reward from the program for the earning period 2014 – 2016 is based on the Group's cumulative Economic Profit and on the Group's Total Shareholder Return (TSR).

The potential reward from the earning period 2014 – 2016 will be paid in 2017. The maximum reward to be paid on the basis of the earning period 2013 – 2015 will be one million EUR. The accrued cost for 2014 was EUR 240 thousand.

No reward will be paid to an executive, if his or her employment or service with the Group Company ends before the reward payment unless the executive is leaving the Company due to retirement or unless the Board decides otherwise.

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

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

NOTE 35 DISTRIBUTABLE FUNDS, 31 DECEMBER 2014

The parent company's distributable funds on 31 December 2014 were EUR 13,551 thousand.

NOTE 36 CASH FLOW FROM BUSINESS OPERATIONS

Non-cash adjustments to the result for the financial year, EUR 1,000	2014	2013
Depreciation, impairment charges and write-offs	3,115	2,691
Taxes	2,754	1,477
Financial expenses	832	664
Financial income	-402	-378
Other adjustments	1,126	-366
Total	**7,425**	**4,088**

NOTE 37 RELATED PARTY TRANSACTIONS

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

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

The ultimate parent company is Exel Composites Plc.

Management remuneration

Senior management accrued salaries, fees and bonuses, EUR 1,000	2014	2013
President & CEO	409	586
Members of the Board of Directors	141	163
Total	550	749

Salaries and fees per person, EUR 1,000	2014	2013
Riku Kytömäki, President and CEO	409	0
Peter Hofvenstam, Chairman of the Board	46	52

Members of the Board of Directors	2014	2013
Heikki Hiltunen	23	27
Göran Jönsson	24	28
Reima Kerttula	24	28
Kerstin Lindell (as of 27 March 2014)	23	0
Heikki Mairinoja (until 27 March 2014)	1	28

The accrued pension costs of CEO amounted to EUR 64 (58) thousand. The CEO's pension plan is pursuant to the employment pension legislation.

The holdings of the senior management on 31.12.2014 were:

Number of shares and votes	2014
Riku Kytömäki, President and CEO	9,500
Peter Hofvenstam, Chairman of the Board	6,208

Members of the Board of Directors	2014
Heikki Hiltunen	2,912
Göran Jönsson	5,912
Reima Kerttula	2,912
Kerstin Lindell (as of 27 March 2014)	1,066
Number of shares and votes total	28,510

NOTE 38 EVENTS AFTER THE REPORTING PERIOD

On 13 January 2015 Mr. Mikko Kettunen, 38, was appointed SVP, CFO and member of Exel Composites Plc's Group Management Team as of 7 April 2015. Mr. Kettunen succeeds Mr. Ilkka Silvanto, 63, who has been appointed SVP, Strategic Projects, effective as of 7 April 2015, and will continue reporting to CEO and being member of Group Management Team.

The Board of Directors of Exel Composites Plc has on 12 February 2015 approved a new incentive program for the executives of the Company. The aim of the new program is to combine the objectives of the shareholders and the executives in order to increase the value of the Company, to commit the executives to the Company and to offer the executives a competitive reward program. The new program is based on a long-term monetary performance reward, and the program is targeted at approximately 25 executives for the earning period 2015 – 2017. The CEO and members of the Group Management Team are included in the target group of the new incentive program.

The new program includes one earning period, the calendar years 2015 – 2017. The potential long-term monetary performance reward from the program for the earning period 2015 – 2017 will be based on the Group's cumulative Economic Profit and on the Group's Total Shareholder Return (TSR).

The potential reward from the earning period 2015 – 2017 will be paid in 2018. No reward will be paid to an executive, if his or her employment or service with the Group Company ends before the reward payment unless the executive is leaving the Company due to retirement.

The maximum reward to be paid on the basis of the earning period 2015 – 2017 will be EUR 1.5 million.

The Board of Directors of Exel Composites has on 12 February 2015 made a decision to expand the operations in Austria to meet the increased customer demand. The target is to more than double the production capacity in Austria. The total cost estimate of the project is EUR 8 million. The expansion project will be launched in the first half of 2015 and it is estimated to be completed during the second half of 2016.

PARENT COMPANY INCOME STATEMENT

EUR 1,000	Notes	1.1.–31.12.2014	1.1.–31.12.2013
Net sales	1	**39,199**	**33,801**
Increase (+) / Decrease (-) in inventories of finished goods and work in progress		1,152	-290
Other operating income		661	710
Materials and services			
Materials and supplies			
Purchases during financial period		15,079	12,620
Increase (-) or decrease (+) in inventories		-328	-540
		-14,751	-12,080
External services		-428	-162
Personnel expenses	2		
Wages and salaries		9,908	8,514
Pension costs		1,727	1,412
Other personnel expenses		527	445
		-12,163	-10,371
Depreciation and write-down	3		
Planned depreciation		-1,319	-1,254
Other operating expenses	4	-6,962	-6,311
Operating profit		**5,390**	**4,043**
Financial income and expenses	5		
Other interest and financial income		1,286	680
Interest paid and other financial expenses		-2,796	-6,025
		-1,511	-5,345
Profit before extraordinary items		**3,879**	**-1,302**
Group subsidy	6	0	0
Profit before appropriations and taxes		**3,879**	**-1,302**
Direct taxes	7	-1,098	-907
Profit for the period		**2,781**	**-2,209**

PARENT COMPANY BALANCE SHEET

EUR 1,000	Notes	31.12.2014	31.12.2013
ASSETS			
Non-current assets	8		
Intangible assets			
Intangible assets		114	151
Other capitalized expenditure		431	348
		545	498
Tangible assets			
Land and water		90	90
Buildings		1,255	1,258
Machinery and equipment		3,417	2,756
Construction in progress		781	909
		5,543	5,013
Investments			
Holdings in Group companies	9	16,975	22,401
Other shares and holdings		53	53
		17,028	22,454
Total non-current assets		**23,116**	**27,966**
Current assets			
Inventories			
Raw materials and consumables		3,169	2,841
Work in progress		911	808
Finished goods		1,370	320
		5,450	3,969
Current receivables	10		
Trade receivables		2,725	3,990
Receivables from Group companies		1,245	757
Other receivables		28	27
Prepaid expenses and accrued income		672	346
		4,671	5,120
Cash in hand and at bank		1,527	1,331
Total current assets		**11,647**	**10,420**
Total assets		**34,764**	**38,386**

EUR 1,000	Notes	31.12.2014	31.12.2013
LIABILITIES AND SHAREHOLDERS' EQUITY			
Equity	11		
Share capital		2,141	2,141
Share premium reserve		0	0
Invested unrestricted equity fund		2,539	2,539
Retained earnings		8,230	10,439
Profit for the financial period		2,781	-2,209
Total equity		15,692	12,911
LIABILITIES			
Non-current liabilities	12		
Loans from financial institutions		4,000	1,440
Current liabilities	13		
Loans from financial institutions		1,000	11,100
Accounts payable		172	119
Trade payables		3,132	2,086
Liabilities to Group companies		6,877	7,820
Other liabilities		357	379
Accrued liabilities and deferred income		3,535	2,531
Total current liabilities		15,072	24,035
Total liabilities		19,072	25,475
Total liabilities and shareholders' equity		34,764	38,386

PARENT COMPANY CASH FLOW STATEMENT

EUR 1,000	2014	2013
Cash flow from business operations		
Profit for the year	2,781	-2,209
Profit for the year adjustments	4,039	7,548
Change in net working capital	328	3,142
Interest paid and other financial expenses	-575	-411
Dividend received	1,001	517
Interest received	34	11
Income taxes paid	-1,299	-745
Cash flow from business operations	**6,309**	**7,853**
Cash flow from investing activities		
Capital expenditure	-1,916	-1,634
Installments in subsidiaries' shares	0	-3,259
Proceeds from sale of fixed assets	3,343	0
Net cash flow from investments	**1,427**	**4,893**
Cash flow before financing	**7,736**	**2,960**
Cash flow		
Proceeds from long-term borrowings	5,000	0
Repayments of long-term borrowings	-2,840	-5,000
Change of current loans	-9,700	9,700
Group subsidies	0	0
Additional capital repayment	0	-5,948
Dividend paid	0	-3,569
Cash flow from financing	**-7,540**	**-4,817**
Change in liquid funds	196	-1,857
Liquid funds Jan. 1	1,331	3,188
Liquid assets from merger	0	0
Liquid funds Dec. 31	**1,527**	**1,331**

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

NOTE 1 NET SALES BY MARKET AREA

EUR 1,000	2014	2013
Europe	34,962	30,510
APAC	1,521	1,227
Rest of world	2,717	2,064
Total	39,199	33,801

NOTE 2 PERSONNEL EXPENSES

Paid, EUR 1,000	2014	2013
President and CEO	275	263
Members of the Board	141	163
Total	416	426
Average personnel employed		
Salaried employees	69	66
Non-salaried employees	131	135
Total	200	201

NOTE 3 DEPRECIATION

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

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

Planned depreciation, amortization and impairment, EUR 1,000	2014	2013
Intangible rights	36	28
Other capitalized expenditure	119	160
Buildings	205	197
Machinery and equipment	958	869
Write-downs of non-current assets	0	0
Total	1,319	1,254

NOTE 4 OTHER OPERATING EXPENSES

EUR 1,000	2014	2013
Rents	174	175
Marketing expenses	183	155
Other expenses	6,605	5,981
Total	6,962	6,311

EUR 1,000	2014	2013
Auditor's fee	40	58
Tax counseling	4	0
Other fees	24	22
Total	**67**	**80**

NOTE 5 FINANCE INCOME AND EXPENSES

EUR 1,000	2014	2013
Other interest and financial income		
From Group companies	1,002	516
From others	284	164
Total	**1,286**	**680**
Interest and other financial expenses	**2014**	**2013**
To Group companies	-103	-94
Reduction in value of investments held as non-current assets	-2,100	-5,500
To others	-593	-431
Total	**-2,796**	**-6,025**
Total finance income and expenses	**-1,511**	**-5,345**

NOTE 6 EXTRAORDINARY ITEMS

EUR 1,000	2014	2013
Extraordinary items / Group subsidy	0	0
Total	**0**	**0**

NOTE 7 DIRECT TAXES

EUR 1,000	2014	2013
Taxes	-1,098	-907

NOTE 8 INTANGIBLE AND TANGIBLE RIGHTS

EUR 1,000	2014	2013
Intangible rights		
Acquisition cost Jan. 1	1,191	1,129
Increase	0	9
Decrease	0	0
Reclassification between items	0	53
Acquisition cost Dec. 31	1,191	1,191
Accumulated planned depreciation Jan. 1	-1,040	-1,012
Planned depreciation	-36	-28
Planned depreciation of decrease	0	0
Accumulated planned depreciation Dec. 31	-1,076	-1,040
Book value at Jan. 1	151	118
Book value at Dec. 31	114	151

EUR 1,000	2014	2013
Other long-term expenses		
Acquisition cost Jan. 1	3,363	3,208
Increase	86	94
Decrease	0	0
Reclassification between items	117	61
Acquisition cost Dec. 31	3,566	3,363
Accumulated planned depreciation Jan. 1	-3,016	-2,856
Planned depreciation	-119	-160
Planned depreciation of decrease	0	0
Accumulated planned depreciation Dec. 31	-3,135	-3,016
Book value at Jan. 1	348	352
Book value at Dec. 31	431	348

Land and water	2014	2013
Acquisition cost Jan. 1	90	90
Increase	0	0
Decrease	0	0
Acquisition cost Dec. 31	0	90
Book value at Jan. 1	90	90
Book value at Dec. 31	90	90

Buildings	2014	2013
Acquisition cost Jan. 1	4,979	4,909
Increase	114	44
Decrease	0	0
Reclassification between items	88	26
Acquisition cost Dec. 31	5,182	4,979
Accumulated planned depreciation Jan. 1	-3,721	-3,524
Planned depreciation	-205	-197
Planned depreciation of decrease	0	0
Accumulated planned depreciation Dec. 31	-3,926	-3,721
Book value at Jan. 1	1,258	1,385
Book value at Dec. 31	1,255	1,258

Machinery and equipment	2014	2013
Acquisition cost Jan. 1	22,314	21,244
Increase	950	612
Decrease	-34	0
Reclassification between items	689	458
Acquisition cost Dec. 31	23,919	22,314
Accumulated planned depreciation Jan. 1	-19,559	-18,690
Planned depreciation	-958	-869
Planned depreciation of decrease	13	0
Accumulated planned depreciation Dec. 31	-20,504	-19,559
Book value at Jan. 1	2,756	2,554
Book value at Dec. 31	3,417	2,756
Undepreciated acquisition cost of production machinery and equipment	2,595	2,729

EUR 1,000	2014	2013
Advance payment and construction in progress		
Acquisition cost Jan. 1	909	633
Increase	766	874
Reclassification between items	-894	-598
Decrease	0	0
Acquisition cost Dec. 31	781	909
Book value at Jan. 1	909	633
Book value at Dec. 31	781	909

Shares	2014	2013
Group companies		
Acquisition cost Jan. 1	22,401	24,643
Increase	0	3,258
Decrease	-5,426	-5,500
Acquisition cost Dec. 31	16,975	22,401

Other shares and holdings	2014	2013
Acquisition cost Jan. 1	53	53
Increase	0	0
Decrease	0	0
Acquisition cost Dec. 31	53	53

NOTE 9 COMPANIES OWNED BY PARENT COMPANY

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

NOTE 10 RECEIVABLES

Current receivables, EUR 1,000	2014	2013
Receivables from Group companies		
Trade receivables	1,043	757
Loan receivables	202	0
Prepaid expenses and accrued income	0	0
Total receivables from Group companies	**1,245**	**757**

Receivables from others	2014	2013
Trade receivables	2,725	3,990
Other receivables	28	27
Prepaid expenses and accrued income	672	346
Total receivables from others	**3,426**	**4,363**
Total current receivables	**4,671**	**5,120**

Deferred tax assets amounting to EUR 71 (101) thousand have not been booked from cumulative depreciation exceeding the maximum tax depreciations by EUR 0.4 (0.5) million.

NOTE 11 EQUITY

EUR 1,000	2014	2013
Share capital Jan. 1	2,141	2,141
Share capital Dec. 31	**2,141**	**2,141**
Invested unrestricted equity fund Jan. 1	2,539	8,488
Additional capital repayment	0	-5,948
Invested unrestricted equity fund Dec. 31	**2,539**	**2,539**
Retained earnings	8,230	14,008
Dividend paid	0	-3,569
Retained earnings	8,230	10,439
Operating profit for the financial year	2,781	-2,209
Total equity	**15,692**	**12,911**

Calculation of funds distributable as profit Dec. 31	2014	2013
Non-restricted equity fund	2,539	2,539
Retained earnings	8,230	10,439
Operating profit/loss for the financial year	2,781	-2,209
Total	**13,551**	**10,769**

NOTE 12 NON-CURRENT LIABILITIES

EUR 1,000	2014	2013
Liabilities to others		
Loans from financial institutions	4,000	1,440
Total non-current liabilities	4,000	1,440
Liabilities falling due in a period longer than five years	0	0

NOTE 13 CURRENT LIABILITIES

EUR 1,000	2014	2013
Liabilities to Group companies		
Trade payables	93	-56
Accrued liabilities and deferred income	6,784	7,877
Total liabilities to Group companies	**6,877**	**7,820**

Liabilities to others	2014	2013
Loans from financial institutions	1,000	11,100
Advance payments	172	119
Trade payables	3,132	2,086
Other liabilities	357	379
Accrued liabilities and deferred income	3,535	2,531
Total liabilities to others	**8,195**	**16,215**
Total current liabilities	**15,072**	**24,035**

Specification of accrued liabilities and deferred income	2014	2013
Salaries, wages and holiday pay, including social security expenses	3,039	1,869
Other accrued liabilities and deferred income	496	662
Total accrued liabilities and deferred income	**3,535**	**2,531**

NOTE 14 CONTINGENT LIABILITIES

Derivatives

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

EUR 1,000	Face value	Fair market value
Interest swaps (NPV)		
Interest swaps	3,000	-38

Liabilities for which a corporate mortgage and real estate mortgages have been provided as collateral	2014	2013
Financial institution loans	5,000	12,540
Mortgages given on land and buildings	2,783	2,783
Corporate mortgage given	12,500	12,500
Collateral for Group companies		
Credit limit guarantee	0	0

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

NOTE 15 LEASING, RENTAL AND OTHER LIABILITIES

EUR 1,000	2014	2013
Leasing liabilities		
Falling due not later than one year	60	37
Falling due later	88	44
Rental liabilities		
Falling due not later than one year	0	0
Falling due later	0	0
Other liabilities	6	6

NOTE 16 SHARE OWNERSHIP

Distribution of share ownership on 31 December 2014	%
Private companies	6.7
Financial and insurance institutions	70.1
Public sector entities	4.1
Non-profit organizations	1.0
Households	17.6
Foreign	0.4
Of which, nominee registration	34.3

Distribution of share ownership on 31 December 2014

Shares	Number of shareholders	Percentage of shareholders	Total number of shares	Percentage of total number of shares
1–1,000	2,314	86.15	655,889	5.51
1,001–10,000	317	11.80	897,491	7.54
10,001–50,000	26	0.97	625,959	5.26
over 50,000	29	1.08	9,717,504	81.68

NOTE 17 SHAREHOLDERS

Information on shareholders on 31 December 2014

Shareholder	Number of shares	Percentage of shares and votes
Skandinaviska Enskilda Banken AB (Nominee Registered)	2,482,349	20.9
Nordea Bank Finland Plc (Nominee Registered)	1,182,707	9.9
Nordea Fennia Fund	610,000	5.1
Danske Invest Finnish Small Cap Fund	481,567	4.0
Fondita Nordic Micro Cap	450,000	3.8
OP-Finland Small Firms Fund	439,551	3.7
Försäkringsaktiebolaget Pensions-Alandia	418,000	3.5
Svenska Handelsbanken AB (publ.), Branch Operation in Finland (Nominee Registered)	395,049	3.3
Evli Finnish Small Cap Fund	378,500	3.2
OP-Delta Fund	300,000	2.5
Nominee registered	24,048	0.2
Others	4,735,072	39.8
Total	**11,896,843**	**100.0**

NOTE 18 MANAGEMENT INTERESTS

The aggregate holding of the members of Board of Directors and the President was 28,510 shares on 31 December 2014. This accounts for 0.24% of corporate shares and 0.24% of the votes carried by all shares. The members of the Board of Directors and the President do not have any unsubscribed option rights.

NOTE 19 SHARE ISSUE AND OPTION PROGRAMS

On 27 March 2014 the Annual General Meeting authorized the Board of Directors to acquire the Company's own shares by using unrestricted equity. The maximum amount to be acquired is 600,000 shares. The authorization shall also contain an entitlement for the Company to accept its own shares as pledge. The number of shares that can be acquired or held as pledges by the Company on the basis of this authorization shall not exceed one tenth (1/10) of all outstanding shares of the Company. The authorization is valid until 30 June 2015.

On 27 March 2013 the Annual General Meeting authorized the Board of Directors to issue a maximum of 2,400,000 new shares and convey a maximum of 600,000 own shares. By virtue of the authorization, the Board of Directors also has the right to grant option rights, convertible bonds and/or special rights referred to in Chapter 10, Section 1 of the Companies Act. The authorization is valid until 30 June 2016.

These authorizations have not been exercised during the year.

NOTE 20 SHARE PRICE AND TRADING

Share price (EUR)	**2010**	**2011**	**2012**	**2013**	**2014**
Average price	5.86	8.10	7.05	6.18	6.42
Lowest price	5.00	6.75	5.55	5.10	5.56
Highest price	7.25	9.40	8.79	6.70	8.80
Share price at the end of financial year	7.06	7.65	5.90	5.75	8.39
Market capitalization, EUR million	84.0	91.0	70.2	68.4	99.8

Share trading	**2010**	**2011**	**2012**	**2013**	**2014**
Number of shares traded	2,298,611	1,381,139	944,978	2,022,018	5,836,969
% of total	**19.3**	**11.6**	**7.9**	**17.0**	**49.1**

Number of shares adjusted for share issues					
Average number	11,896,843	11,896,843	11,896,843	11,896,843	11,896,843
Number at end of financial year	11,896,843	11,896,843	11,896,843	11,896,843	11,896,843

Exel 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 quoted on NASDAQ OMX Helsinki Ltd.'s Nordic List.

NOTE 21 KEY INDICATORS

Key indicators illustrating financial trends

Figures given in EUR 1,000 (unless otherwise stated)	**2010 IFRS****	**2011 IFRS****	**2012 IFRS****	**2013 IFRS****	**2014 IFRS****
Net sales	72,872	85,136	75,998	69,290	79,253
Operating profit	9,430	11,082	3,399	4,843	8,887
% of net sales	12.9	13.0	4.5	7.0	11.2
Profit before extraordinary items	8,936	10,798	2,971	4,557	8,457
% of net sales	12.3	12.7	3.9	6.6	10.7
Profit before provisions and income taxes	8,936	10,798	2,971	4,557	8,457
% of net sales	12.3	12.7	3.9	6.6	10.7
Total assets	56,885	57,046	51,502	48,468	52,411
Return on equity, %	23.3	23.5	6.1	11.3	21.7
Return on capital employed, %	21.8	26.1	8.4	13.0	25.2
Equity ratio, %	57.4	61.6	61.0	47.2	56.9
Net gearing, %	-4.3	-5.00	-3.4	15.0	-8.7
Capital expenditure	1,570	3,208	2,846	2,767	4,354
% of net sales	2.2	3.8	3.7	4.0	5.5
Research and development costs	1,312	1,639	1,606	1,511	1,837
% of net sales	1.8	1.9	2.1	2.2	2.3
Average personnel	404	428	431	427	433
Personnel at year end	408	428	431	408	456
Share data					
Earnings per share (EPS), EUR	0.57	0.67	0.17	0.26	0.48
Adjusted earnings per share (EPS), EUR*	0.57	0.67	0.17	0.26	0.48
Equity per share, EUR	2.73	2.95	2.64	1.92	2.50
Dividend per share, EUR***	0.50	0.50	0.30	0.00	0.20
Payout ratio, %	87.80	74.90	175.8	0.00	41.7
Effective yield of shares, %	7.08	6.54	5.08	0.00	3.58
Price/earnings (P/E), %	12.40	11.45	34.57	22.21	17.50

* Adjusted for the dilution of option rights
** From continuing operations
***For financial year 2014 Board proposal for 2015 AGM

COMPUTATION FORMULAE

Return on equity %

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

Return on investment %

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

Solvency ratio %

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

Net gearing %

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

Earnings per share (EPS) EUR

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

Equity per share EUR

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

Dividend per share EUR

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

Payout ratio %

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

Effective yield of shares %

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

Price/earnings (P/E) %

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

PROPOSAL FOR DISTRIBUTION OF PROFIT

Exel Composites Plc's distributable funds are EUR 13,550,739.38 of which profit for the financial period accounts for EUR 2,781,338.20.

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

– a dividend of EUR 0.20 per share	2,379,368.60
– carried over as equity	11,171,370.78
	13,550,739.38

Vantaa, 12 February 2015

Peter Hofvenstam
Chairman

Heikki Hiltunen   Göran Jönsson

Reima Kerttula   Kerstin Lindell

Riku Kytömäki
President and CEO

Our auditor's report has been issued today.

Vantaa, 12 February 2015

Ernst & Young
Authorized Public Accountants

Juha Hilmola
Authorized Public Accountant

AUDITOR'S REPORT

TRANSLATION

To the Annual General Meeting of Exel Composites Plc

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Exel Composites Plc for the financial period 1.1. - 31.12.2014. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

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

Auditor's Responsibility

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

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

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

Opinion on the consolidated financial statements

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

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

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

Opinions based on the decision of the Board of Directors

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

Vantaa, 12 February 2015

Ernst & Young Oy
Authorized Public Accountant Firm

Juha Hilmola
Authorized Public Accountant

SHARES AND SHAREHOLDERS

Shares and share capital

Exel Composites' share capital remained unchanged during the financial year and was at the end of 2014 11,896,843 shares each having the counter-book value of EUR 0.18. There is only one class of shares and all shares are freely assignable under Finnish law. Exel Composites did not hold any of its own shares during the financial year.

Board of Directors' authorizations

The Annual General Meeting held on 27 March 2014 authorized the Board of Directors to decide on the repurchase of the Company's own shares and share issue.

Share repurchase authorization

The Annual General Meeting authorized the Board of Directors to repurchase the Company's own shares on the following terms:

By virtue of the authorization the Board of Directors is entitled to decide on the repurchase of a maximum of 600,000 Company's own shares. The authorization also contains an entitlement for the Company to accept its own shares as pledge.

The number of shares that can be acquired or held as pledges by the Company shall not exceed one tenth (1/10) of all outstanding shares of the Company.

Own shares may be repurchased in deviation from the proportion to the holdings of the shareholders with unrestricted equity through trading of the securities on regulated market organized by NASDAQ OMX Helsinki Ltd at the market price of the time of the repurchase provided that the Company has a weighty financial reason thereto.

The shares shall be acquired and paid in accordance with the Rules of NASDAQ OMX Helsinki Ltd and Euroclear Finland Ltd.

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 Board of Directors shall decide on other terms of the share repurchase.

The share repurchase authorization is valid until 30 June 2015 and it revokes the repurchase authorization given by the Annual General Meeting on 27 March 2013.

The authorization has not been exercised during the year.

Share performance and turnover

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

During the financial year the highest share price quoted was EUR 8.80 (6.70) and the lowest EUR 5.56 (5.10). At the end of the year, the share price was EUR 8.39 (5.75). The average share price during the financial year was EUR 6.42 (6.18).

Total shareholder return (TSR) in 2014 was 46 (11) per cent.

A total of 5,836,6969 (2,022,018) shares were traded during the year, which represents 49.1 (17.0) per cent of the average number of shares. On 31 December 2014, Exel Composites' market capitalization was EUR 99.8 (68.4) million.

Management interests

The aggregate holding of the members of the Board of Directors and the President was 28,510 shares on 31 December 2014. This accounts for 0.24 per cent of corporate shares and 0.24 per cent of the votes carried by all shares. The members of the Board of Directors and the President do not have any unsubscribed option rights.

Up-to-date information concerning the holdings of Exel Composites' statutory insiders is available at the Company website at www.exelcomposites.com.

Incentive programs

A new incentive program for the Company executives was approved by the Board of Directors in February 2014. The aim of the new program is to combine the objectives of the shareholders and the executives in order to increase the value of the Company, to commit the executives to the Company and to offer the executives a competitive reward program. The new program is based on a long-term monetary performance reward, and the program is targeted at 20 executives for the earning period 2014 – 2016. The President and CEO and the members of the Group Management Team are included in the target group of the new incentive program.

The incentive program includes one earning period, the calendar years 2014 – 2016. The potential long-term monetary performance reward from the program for the earning period 2014 – 2016 will be based on the Group's cumulative Economic Profit and on the Group's Total Shareholder Return (TSR).

The potential reward from the earning period 2014 – 2016 will be paid in 2017. No reward will be paid to an executive, if his or her employment or service with the Group Company ends before the reward payment unless the executive is leaving the Company due to retirement or unless the Board decides otherwise.

The maximum reward to be paid on the basis of the earning period 2014 – 2016 will be one million EUR.

Dividend policy

Exel Composites aims to distribute some 40 per cent of net income in dividends, as permitted by the financial structure and growth opportunities.

The Board of Directors of the Company proposes to the Annual General Meeting 2015 that a dividend of EUR 0.20 be distributed for the financial year 2014.

Shareholders and disclosures

At the end of 2014, Exel Composites had a total of 2,686 (2,752) shareholders. The Company's largest shareholder was Skandinaviska Enskilda Banken AB (nominee register), which owned 20.9 per cent of shares at the end of 2014. Other major shareholders included Nordea Bank Finland Plc 9.9 per cent (nominee register), Nordea Fennia Fund 5.1 per cent, Danske Fund Finnish Small Cap 4.1 per cent and Fondita Nordic Micro Cap 3.8 per cent.

A list of the largest shareholders is updated monthly at the Company website at www.exelcomposites.com.

Exel Composites received seven flagging announcements during the financial year.

On 13 February 2014 Exel Composites received a flagging announcement according to which the holding of Nordstjernan AB had fallen under 15 per cent of the voting rights and share capital in Exel Composites Plc. Through share transactions concluded on 13 February 2014, the holding of Nordstjernan AB decreased from 2,656,506 shares (22.3 per cent) to 1,656,506 shares, representing 13.9 per cent of the shares and voting rights of the Company.

On 14 February 2014 Exel Composites received a flagging announcement according to which the holding of Lannebo Fonder AB had exceeded 5 per cent of the voting rights and share capital in Exel Composites Plc. Through share transactions concluded on 13 February 2014, the holding of Lannebo Fonder AB rose to 1,000,000 shares, representing 8.4 per cent of the shares and voting rights of the Company.

On 7 May 2014 Exel Composites received a flagging announcement according to which llmarinen Mutual Insurance Company had through share transactions concluded on 7 May 2014 sold its entire holding, 639,400 shares, or 5.37 per cent of the shares and voting rights of the Company.

On 10 June 2014 Exel Composites received a flagging announcement according to which Nordstjernan AB had through share transactions concluded on 9 June 2014 sold its entire holding, 1,656,506 shares, or 13.9 per cent of the shares and voting rights of the Company.

On 10 June 2014 Exel Composites received a flagging announcement according to which the holding of Redarnas Ömsesidiga Försäkringsbolag had exceeded 5 per cent of the voting rights and share capital in Exel Composites Plc. Through share transactions concluded on 9 June 2014, the holding of Redarnas Ömsesidiga Försäkringsbolag rose to 847,098 shares, representing 7.12 per cent of the shares and voting rights of the Company.

On 10 June 2014 Exel Composites received a flagging announcement according to which the holding of the investment funds administered by OP-Rahastoyhtiö Funds had exceeded 5 per cent of the voting rights and share capital in Exel Composites Plc. Through share transactions concluded on 9 June 2014, the holding of the investment funds administered by OP-Rahastoyhtiö Funds rose to 889,551 shares, representing 7.48 per cent of the shares and voting rights of the Company.

On 6 November 2014 Exel Composites received a flagging announcement according to which the holding of Evli Bank Plc had exceeded 5 per cent of the voting rights and share capital in Exel Composites Plc. Through share transactions concluded on 4 November 2014, the holding of Evli Bank Plc rose to 603,118 shares, representing 5.07 per cent of the shares and voting rights of the Company.

The information on the largest shareholders and the distribution of share ownership on 31 December 2014 is available in Notes 16 and 17 on pages 40 and 41.

Significant related-party transactions

Exel Composites' permanent public insiders include Exel Composites' Board members, the President and CEO and the members of the Group Management Team. No significant related-party transactions were conducted by the Group or the permanent insiders during the financial year 2014.

ANNUAL REPORT 2014

Content design and text production:
Exel Composites Plc
Visual design and production:
Suunnittelutoimisto grass business Oy
Photographs:
Risto Vauras and Exel Composites
Paper:
GPrint 250 g, Gprint 115 g
Printing:
Teroprint Oy
Disclaimer:
All forward-looking statements in this Annual Report are based on current expectations and currently known facts. Therefore, they involve risks and uncertainties that may cause actual results to differ materially from results currently expected by the Company.

Exel Composites' reporting for 2014 consists of two elements: annual report and financial statements. Printed copies can be ordered from Exel Composites' Communications via the Company website at www.exelcomposites.com or by email at investor@exelcomposites.com.

Nordic Environmental label, 441 582 • Teroprint, Mikkeli

EXEL COMPOSITES LOCATIONS

Exel Composites Plc
Vantaa office
Group management
Sales office
Mäkituvantie 5
01510 Vantaa, Finland
Tel. +358 20 7541 200
Fax +358 20 7541 201
office.vantaa@exelcomposites.com

Exel Composites Plc
Joensuu factory
Muovilaaksontie 2
82110 Heinävaara, Finland
Tel. +358 20 7541 200
Fax +358 20 7541 330
office.joensuu@exelcomposites.com

Exel Composites Plc
Mäntyharju factory
Uutelantie 24 B, P.O. Box 29
52701 Mäntyharju, Finland
Tel. +358 20 7541 200
Fax +358 20 7541 202
office.mantyharju@exelcomposites.com

Exel Composites GmbH
Industriestrasse - West 8
8605 Kapfenberg, Austria
Tel. +43 3863 33 180
Fax +43 3862 33 180 25
office.kapfenberg@exelcomposites.com

Exel Composites N.V.
Industriepark De Bruwaan 2
9700 Oudenaarde, Belgium
Tel. +32 55 33 30 11
Fax +32 55 33 30 50
office.oudenaarde@exelcomposites.com

Exel GmbH
Alte Hünxer Strasse 139
46562 Voerde, Germany
Tel. +49 281 16412 10
Fax +49 281 16412 20
office.voerde@exelcomposites.com

Exel Composites UK
Fairoak Lane, Whitehouse
Runcorn, Cheshire WA7 3DU
United Kingdom
Tel. +44 1928 701 515
Fax +44 1928 713 572
office.runcorn@exelcomposites.com

Exel Composites (Australia) Pty. Ltd.
991 Mountain Highway
Boronia, Victoria 3155, Australia
Tel. +61 (9)3 8727 9600
Fax +61 (0)3 8727 9688
office.melbourne@exelcomposites.com

Exel Composites (Nanjing) Co. Ltd.
No 2120 Cheng Xin Da Dao
Science Park, Jiangning
Nanjing 211112, China
Tel. +86 25 5216 4669
Fax +86 25 5216 4993
office.nanjing@exelcomposites.com