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EXEL COMPOSITES AS A COMPANY

Exel Composites in brief

Exel Composites is a technology company which designs, manufactures and markets composite profiles and tubes for industrial applications. Exel Composites is the leading supplier of demanding composite solutions and market leader on the European pultrusion market.

Exel Composites has grown profitably since it was listed 15 years ago in 1998. Net sales cumulative average growth rate has been 13% in 1998 – 2013 including acquisitions. Average operating profit margin has been 13% during the same period. The Company's balance sheet and financial position are strong. Since its listing Exel Composites has been a good dividend payer.

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

Vision

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

Strategy

Exel Composites provides demanding, customer-tailored composite solutions for industrial applications in selected market segments. Exel Composites' target is growth ahead of the market while maintaining good profitability. Acquisitions may be used to strengthen Exel Composites' competences and market position globally or locally.

Geographical presence

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

Group structure

Exel Composites

- Joensuu, Finland
- Mäntyharju, Finland

Exel GmbH

- Voerde, Germany

Exel Composites N.V.

- Oudenaarde, Belgium

Exel Composites GmbH

- Kapfenberg, Austria

Exel Composites (Australia) Pty. Ltd.

- Melbourne, Australia

Exel Composites (Nanjing) Co. Ltd.

- Nanjing, China

Exel Composites UK

- Runcorn, UK

CEO'S REVIEW

In 2013 Vesa Korpimies was the Company's President and CEO. I assumed my duties as President and CEO of Exel Composites on 2 January 2014. I am very excited about this opportunity and looking forward to building the company further to the next level.

Net sales for the financial year 2013 were EUR 69.3 (76.0) million.

The Group's operating profit started to develop positively in the second half of the year thanks to efficiency improvement and more efficient cost control. The Group's operating profit before non-recurring items in the financial year 2013 was EUR 5.5 (5.9) million or 8.0 (7.8) per cent of net sales. The Group's operating profit after non-recurring items for the financial year 2013 improved by 42.5 per cent and was EUR 4.8 (3.4) million.

Net cash flow from operating activities was positive at EUR +7.8 (+8.2) million due to good working capital management. Exel Composites' balance sheet remains strong even after additional capital repayment of EUR 5.9 million paid in December 2013. Net gearing was 15.0 (-3.4) per cent and equity ratio 47.2 (61.0) per cent.

Corrective actions had a positive impact especially in the UK business unit the financial performance of which improved significantly. In 2013 turnaround measures including change in the operating model and transfer of Brisbane unit to Melbourne in Australia were largely completed to improve efficiency. The measures taken are expected to improve the Australian unit's profitability. The focus is now on profitable growth.

A decision to invest in a new laminate production line at Mäntyharju factory was made during the third quarter of 2013. The investment enables us to extend our product range in advanced high specification laminates and to grow in several market segments.

Exel Composites continued to invest in the development of the organization. Especially the sales organization was reinforced.

The harmonization of the Group's operations was continued under the ExelWay-program. ExelWay aims at harmonizing processes between the units and improving co-operation between units in order to enhance productivity and synergies. The project's target is to implement best practices, new global functions and efficient business processes throughout the Group. New processes and practices are implemented in stages. Group-wide practices are supported by global ERP- and CRM-systems, which are widely in use. The harmonization improves efficiency and co-operation between units and it will be continued in 2014.

Overall it can be said that the market has stabilized but remains challenging. We will monitor the general market development closely and react with additional measures if needed. Uncertainties relating to general growth prospects in the economy continue, however, some positive signs can be seen especially in laminate and demanding carbon tubes market. In 2014 the focus will be on increasing the sales from existing and new customers. We will continue to develop the operations in terms of production efficiency and yield improvements. Exel Composites is well-positioned to grow profitably when the markets recover.

I wish to express my sincere thanks to Vesa Korpimies for great contributions to Exel Composites over several years and also for securing a smooth handover and continuity in key business initiatives. My thanks go also to our employees for their excellent work in 2013. I also wish to express my gratitude to our customers, partners and shareholders for their support.

February 2014

Riku Kytömäki
President and CEO



CUSTOMER-DRIVEN, LEADING PROVIDER OF INNOVATIVE COMPOSITE SOLUTIONS

Our success is based on innovative tailor-made composite solutions developed in close cooperation with our customers.

Exel Composites' vision

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

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

Exel Composites' profitable growth strategy

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

To achieve a balanced business portfolio, Exel Composites focuses on developing a sustainable customer portfolio and prioritiz-

ing selected segments and expanding the product platform and technology base. Additionally, Exel Composites offers value-adding services and solutions to its customers.

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

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

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

FINANCIAL TARGETS

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

GROWTH

The objective is that Exel Composites Group's average organic growth annually exceeds market growth of the industry. Growth achieved through acquisitions is part of Exel Composites' strategy.

OPERATING PROFIT

Exel Composites' target is the operating profit to exceed 10 per cent of net sales.

DIVIDEND POLICY

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

EXEL COMPOSITES' STRATEGY CONSISTS OF THREE KEY ELEMENTS:

BALANCED BUSINESS PORTFOLIO

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

OPERATIONAL DEVELOPMENT

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

ORGANIZATIONAL DEVELOPMENT

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

TRANSPORTATION

"The laminate business continues to progress in well-defined transportation industries. New technological developments could open both new cases and regain previously lost business to other materials."

Eric Moussiaux, General Manager Exel Oudenaarde, Belgium



EFFICIENCY IMPROVEMENT AND MORE EFFICIENT COST CONTROL HAD A POSITIVE IMPACT ON THE OPERATING PROFIT

Exel Composites' results started to improve during the second half of 2013 despite the challenging market situation in Central Europe, the Group's main market area. The main reasons for the improved results were efficiency improvement and more efficient cost control.

In 2013 net sales were EUR 69.3 (76.0) million. The Group's operating profit before non-recurring items for the financial year 2013 was EUR 5.5 (5.9) million or 10.6 (5.0) per cent of net sales. Operating profit after non-recurring items was EUR 4.8 (3.4) million.

Net cash flow from operating activities was positive at EUR +7.8 (+8.2) million due to good working capital management.

Exel Composites' balance sheet remains strong even after additional capital payment of EUR 5.9 million paid in December 2013.

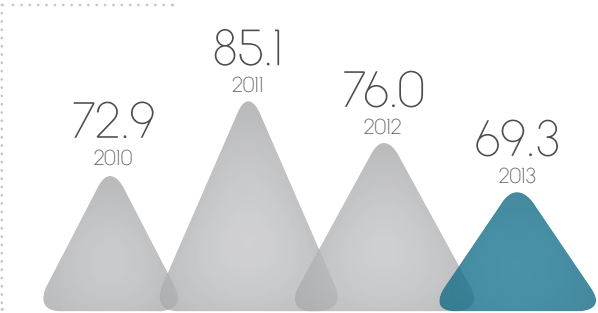
Corrective actions had a positive impact especially in the UK business unit and improved the financial performance. In 2013 turnaround measures including change in the operating model and transfer of Brisbane unit to Melbourne in Australia were largely completed. The measures taken are

expected to improve the Australian unit's profitability. The focus is now on profitable growth.

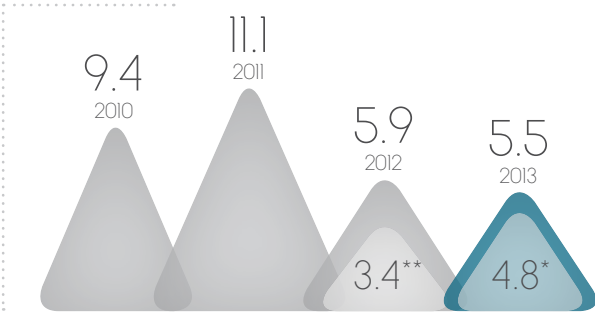
A decision to invest in a new laminate production line at Mäntyharju factory was made in 2013. The investment enables us to extend our product range in high specification laminates and to grow in several market segments.

CONSOLIDATED KEY FIGURES

NET SALES, EUR MILLION

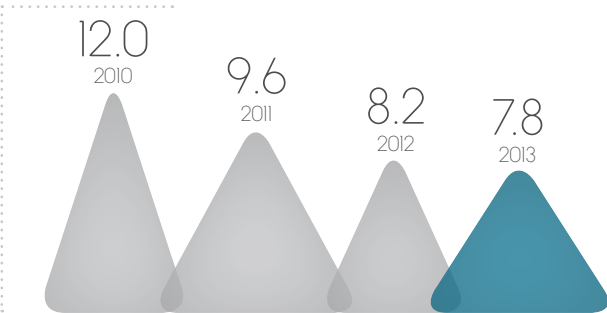


OPERATING PROFIT, EUR MILLION

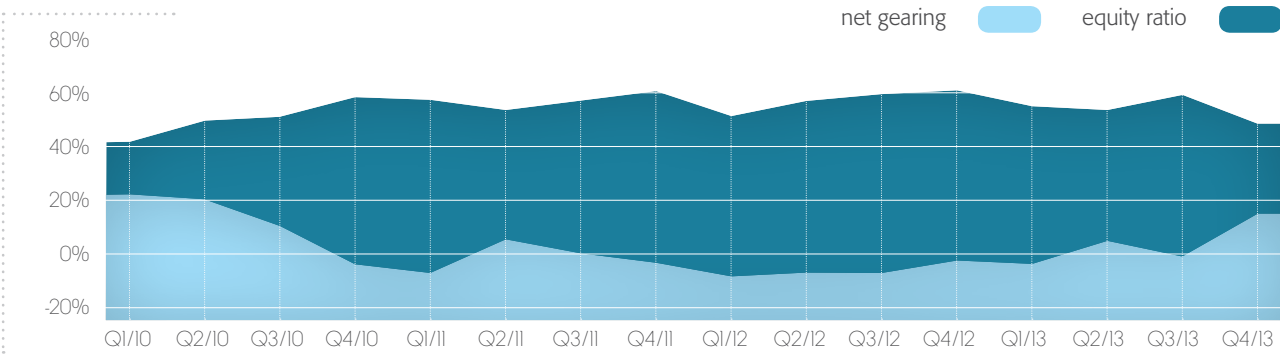


*In 2013 operating profit before non-recurring items was EUR 5.5 million. Operating profit after non-recurring items was EUR 4.8 million.
**Operating profit in 2012 was EUR 5.9 million excluding impairment and EUR 3.4 million including impairment.

NET CASH FLOW FROM OPERATING ACTIVITIES, EUR MILLION



NET GEARING AND EQUITY RATIO



CONSOLIDATED KEY FIGURES

	2013	2012	2011	2010
Net sales, EUR million	69.3	76.0	85.1	72.9
Operating profit, EUR million	5.5 (4.8)*	5.9 (3.4)**	11.1	9.4
% of net sales	7.0	4.5	13.0	12.9
Profit for the period, EUR million	3.1	2.0	8.1	6.8
Shareholders' equity, EUR million	22.8	31.4	35.1	32.5
Net interest-bearing liabilities, EUR million	3.4	-1.1	-1.7	-1.4
Capital employed, EUR million	35.7	39.6	43.2	42.7
Return on equity, %	11.3	6.1	23.5	23.3
Return on capital employed (ROCE), %	13.0	8.4	26.1	21.8
Equity ratio, %	47.2	61.0	61.6	57.4
Net gearing, %	15.0	-3.4	-5.0	-4.3
Earnings per share, EUR	0.26	0.17	0.67	0.57
Equity/share, EUR	1.92	2.64	2.95	2.73

*In 2013 operating profit before non-recurring items was EUR 5.5 million and EUR 4.8 million after non-recurring items.
**Operating profit in 2012 was EUR 5.9 million excluding impairment and EUR 3.4 million including impairment.

YEAR 2013 IN QUARTERS

Q1

January – March 2013 highlights

Net sales	Operating profit
MEUR 16.9 (20.5)	MEUR 0.7 (1.8)

- Net sales decreased to EUR 16.9 (20.5) million, down by 17.7%
- Operating profit was EUR 0.7 (1.8), 3.9% (8.9%) of net sales
- Net operative cash flow was positive at EUR +0.7 (+1.5) million
- Fully diluted earnings per share were EUR 0.05 (0.11)

Q2

April – June 2013 highlights

Net sales	Operating profit
MEUR 17.5 (19.8)	MEUR 1.6 (1.8)

- Net sales were EUR 17.5 (19.8) million, down by 11.3%
- Operating profit was EUR 1.6 (1.8), 9.2% (9.2%) of net sales
- Net operative cash flow was EUR +1.9 (+1.9) million
- Fully diluted earnings per share were EUR 0.10 (0.11)

OUTLOOK FOR 2014

The Company has reinforced the organization to work on sales development as well as on operational efficiency and productivity improvement. The market has stabilized but remains challenging. The Company will monitor the general market development and react with additional measures if needed. Uncertainties relating to general growth prospects in the economy continue, however some positive signs can be seen especially in laminate and demanding carbon tubes market. The Company is well-positioned to grow profitably when the markets recover.

Q3

July – September 2013 highlights

Net sales	Operating profit
MEUR 17.1 (17.1)	MEUR 1.1 (1.4)

- Net sales were EUR 17.1 (17.1) million
- Operating profit before non-recurring items improved to EUR 1.5 (1.4) million or 8.5 (8.0) per cent of net sales
- Operating profit after non-recurring items was EUR 1.1 million (including EUR -0.4 million non-recurring items) compared to EUR 1.4 million in the third quarter of 2012, or 6.3 (8.0) per cent of net sales
- Net cash flow from operating activities was positive at EUR +2.3 (+0.3) million
- Fully diluted earnings per share were EUR 0.05 (0.07)
- New CEO Riku Kytömäki was appointed in September to start on 2 January 2014

Q4

October – December 2013 highlights

Net sales	Operating profit
MEUR 17.8 (18.6)	MEUR 1.9 (0.9)

- Net sales were EUR 17.8 (18.6) million, down by 4.6 per cent
- Operating profit before non-recurring items in the improved 115.3 per cent to EUR 1.9 (0.9) million or 10.6 (5.0) per cent of net sales
- Operating profit after non-recurring items was EUR 1.5 (-1.6) million or 8.4 (-8.6) per cent of net sales
- Net operative cash flow was positive at EUR +2.9 (+4.4) million
- Fully diluted earnings per share were EUR 0.07 (-0.12)

MACHINE INDUSTRY

"Especially high-speed machines can have a great benefit from high-end carbon fiber composites. Our target is to keep and reinforce our position as the market leader in precision and quality textile machine parts."
Juha Honkanen, Technical Sales, Finland



TOMORROW'S MATERIALS TODAY

Exel Composites' operations began in 1960 when three chemists founded a company which specialized in the production of electronic detonator caps. Product development took the company quickly from the defense industry to the sports industry in the 1970s. The core of current Exel Composites, the manufacture of industrial composite products, was started in 1980. Today Exel Composites is the largest advanced pultruder in the world with over 100 production lines in 8 factories in 7 countries.

Exel Composites has a history of profitable growth based on innovations, long-term customer relations and mutual trust. Exel Composites is the recognized leader in a number of market segments. Exel's success is based on expertise in fibre technology, chemistry and process know-how. Combined with great attention to quality in all aspects of the operations and the customers' application know-how, true innovation is born.

Composite profiles and products are essentially composed of strong fibres such as carbon, glass or aramid fibres and different resin substances. The superior qualities of composites are high strength combined with low weight, thermal conductivity, electrical insulation and non-corrosiveness, to name but a few. Based on this, the composite materials industry works on replacing conventional materials, such as aluminum, PVC, steel, stainless steel and wood, with composite materials.

Exel's focus has been on pultrusion. Pultrusion technology is a continuous automated manufacturing process for obtaining high-quality composite profiles with consistently repeatable mechanical properties.

Pultrusion process was developed in the 1950s by the person considered by many to be "the father of composites", Mr. W. Brant Goldsworthy.

Composite materials and processes have developed tremendously during the last two decades and the development is ongoing. Tomorrow's materials are used today for the benefit of Exel Composites' industrial customers. The composite technology has huge potential. Its competitiveness is constantly improved with new fibre, resin and process innovations. At the same time its recycling route is developed. This in turn creates new solutions for composites.

Market growth is based on new applications which are regularly being developed as composite materials become more well-known. The unrivalled lightweight and strength qualities of composite materials make them unbeatable in terms of durability and functionality. Improved energy efficiency and demand for high-strength lightweight material is increasing the penetration of composites in multiple market sectors such as the building and construction, machine, aerospace and car industries.

The next decade is forecast to see a significant increase in demand for composites. There is great potential e.g. in the infrastructure and construction, aerospace and automotive industries. Emerging economies are expected to be significant composites users in the near future due to investments in residential and commercial construction and energy networks. Especially the electrical market segment offers good prospects.

The 21st century has been era of acquisitions and growth for Exel Composites as Exel acquired 4 other pultrusion companies.

Still, the composites industry remains highly fragmented with a high number of small producers. The consolidation trend is likely to continue as larger firms which are able to provide a complete solution and more competitive and reliable supply to customers will account for an increasing proportion of the composites value chain in the future.

Being successful calls for increasingly high quality and flexibility, but above all ability to provide added value and a competitive edge for customers. Only the largest companies are able to develop new solutions to global customers and markets. Exel Composites has been and will be an active player in the consolidation process.

I have had the privilege of working for Exel Composites for 26 years. It has been an honor to be involved in bringing Exel Composites as the world's leading composites profile and solution provider. At the same time, Exel Composites has been a high-performing investment target. Average return on equity was 21% in 2004 - 2013 and Exel Composites was in TOP10 in Helsinki Stock Exchange in performance.

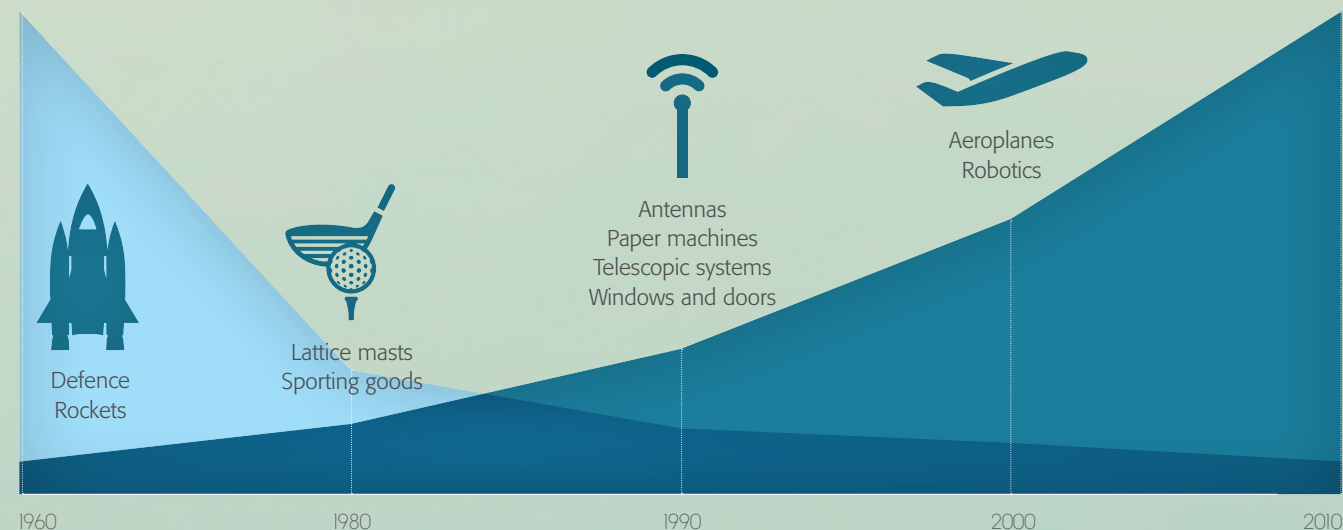
I would like to thank the personnel for their commitment over the years. It has been great to be surrounded by such inspirational and hard-working people. My sincere thanks go also to our customers and partners for their continued support.

Vesa Korpimies,
President & CEO until 1 January 2014

TRENDS IN CARBON FIBER SHIPMENT

Consumption in million kg

Price per kg



CLOSE CO-OPERATION WITH CUSTOMERS CREATES INNOVATIVE PRODUCTS

Exel Composites invests considerable resources in strategic areas of product development. The business grows through new applications in new industries. Exel Composites' strength is the ability to offer solutions that outperform traditional products with regard to functionality, energy efficiency and cost-savings, to name but a few.

INTRODUCTION

Leading pultrusion company

Exel Composites is a technology company that designs, manufactures and markets composite profiles and tubes for demanding industrial applications. Exel Composites focuses on innovative customer-tailored composite solutions. The products are developed in close co-operation with customers based on product and technology platforms and their efficient use.

Specific combinations of fibres and resin systems give the product the unique properties such as strength, stiffness and low weight. The unrivalled mechanical qualities of composite materials make them unbeat-

able in terms of durability and functionality. Work on replacing other materials, such as aluminum, steel and wood, with composite materials is ongoing and new applications are regularly being found. Exel Composites' main objective is to create superior competitive edge for its customers.

Unique platform to drive growth in a multi-application business

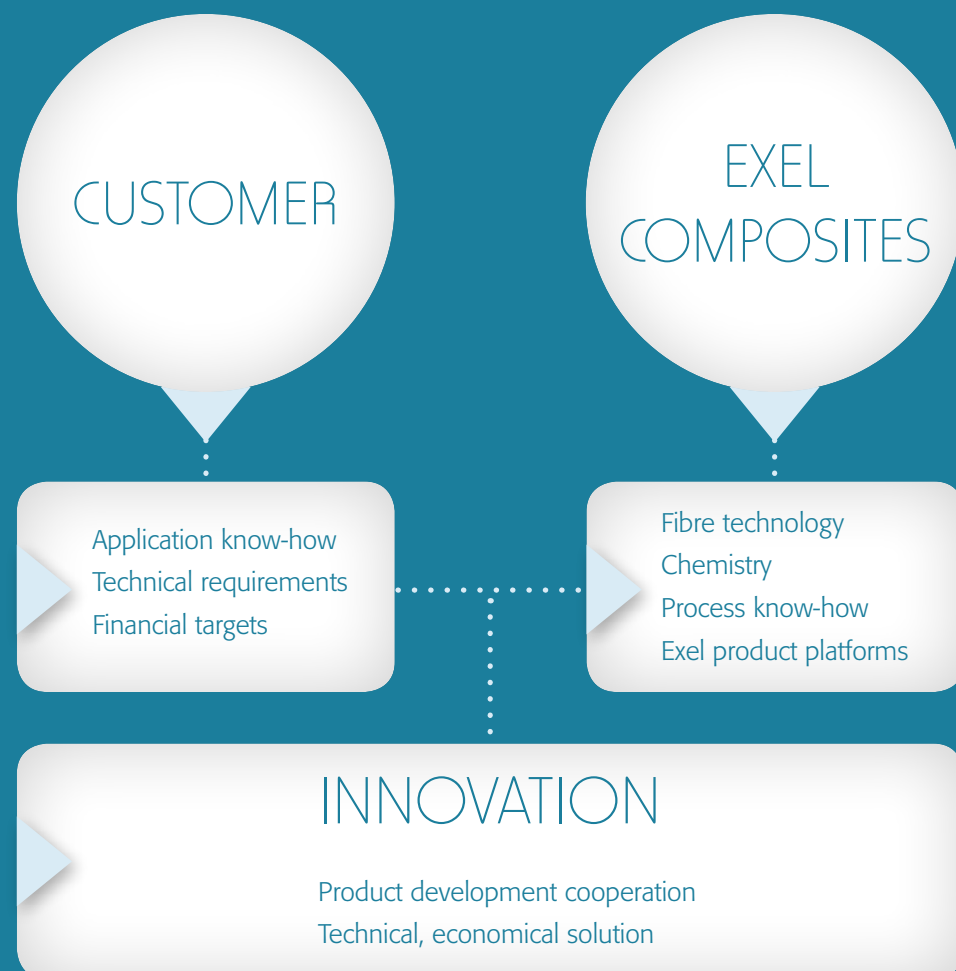
The core of the innovation business is a unique platform where customers' special know-how on their applications and Exel Composites' special know-how in chemistry, fiber-technology and manufacturing are brought together. This enables a new level of product development which results in

a new generation of innovative solutions utilizing composites' best features.

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

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

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



EXEL COMPOSITES' PRODUCTS

TUBES



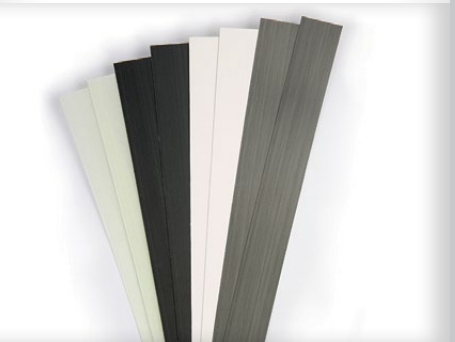
- Exel Composites is the world's largest manufacturer of thin-walled pullwound tubes
- Pullwinding technology enables the optimization of the final product's structure

PROFILES



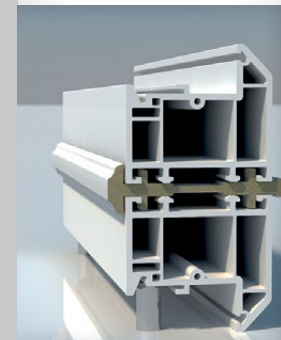
- Exel Composites is the leading manufacturer of demanding, customer-tailored profiles for industrial applications

LAMINATES



- Laminates are manufactured e.g. for construction, sporting goods and transportation industries
- There is a growing demand for advanced glass and carbon laminate applications especially for construction and transportation industries

WINDOWS AND DOORS



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

TOOLHANDLES AND TELESCOPIC POLES



- Products for demanding professional tools
- Materials for consumer toolhandles

AIRPORT PRODUCTS



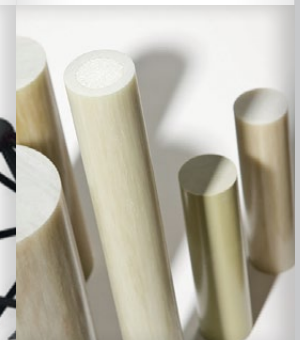
- Frangible structures include approach lighting systems, weather measuring systems, anemometers, ILS-localizers, and fencing

MACHINE INDUSTRY



- New innovative solutions for a wide range of demanding applications in machine industry
- Typical applications include textile and packing machine components, robotics, manipulator components and measuring devices

ELECTRICAL INDUSTRY



- Wide range of composites solutions for electrical industry
- Material properties, like insulation or conductivity, are selected according to customer requirements

IMPROVED PERFORMANCE WITH COMPOSITES

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

APPLICATIONS AND MARKETS

Transportation

Wherever weight reduction, durability and safety are the key issues, reinforced composites are replacing conventional materials. Exel Composites can offer a versatile range of glass and carbon fibre profiles for demanding applications in the transportation and automotive industries.

Pultruded carbon and glass fibre components provide a combination of strength, lightness and economy unmatched by other materials. Multiple components and functions can be integrated into one profile for quick and simple installation.

Composites' low weight leads to cost-savings through lower installation costs, easier handling and lower fuel consumption. Their high strength provides lighter, safer and cheaper alternatives compared to steel and aluminum. Composites' stiffness properties outperform plastic and other non-metallic materials that are traditionally used in the transportation industry.

Composites resist a wide range of chemical agents and are unaffected by acid rains and sprayed roads therefore requiring less maintenance and lasting longer.

Exel Composites provides external and internal body parts for buses and coaches as well as trains and trams. Profiles for trains and trams include outer body panels and interior parts. A wide array of composite profiles is supplied also to the truck and trailer industry.

Building, construction and infrastructure

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

of very different niche applications in the construction market.

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

Energy industry

Renewable energy markets have evolved rapidly in recent years as the global demand for renewable energy continues to rise.

The energy sector continues to develop new forms of environmentally friendly and cost-effective solutions on a global scale. At the same time more efficient ways to produce energy are being developed.

Trends include the use of Combined Heat and Power (CHP), the feeding of renewable heat and cooling into district schemes and the growing use of modern renewable heat for industrial purposes.

Exel Composites is involved in the major energy sectors (solar, oil and gas, tidal etc.), where the use of composites materials through lightweight but strong materials can bring real benefits.

For example, Exel manufactures Insulation Rings for wind power generators. We also manufacture carbon fibre tubes and rods for deep-sea exploration and oil production.

Telecommunication

Products designed and manufactured by Exel Composites for the telecommunication industry include antenna radomes and tubes as well as optical cable tension members. Although various options are available for the protective covers on base station antennas, the most effective solutions are pultruded glass fiber composite profiles and tubes.

Exel Composites leads the way by producing profiles to a high specification. Exel Composites' advanced technology allows us to manufacture thin wall profiles, yet still maintain maximum strength and rigidity which are essential criteria for antenna support. Furthermore, Exel Composites' profiles provide maximum wave transfer, good weather durability and UV stability.

Composite optical tension members provide the essential load protection to these vital signaling elements during the manufacturing, installation and service life of the fiber optic cable.

Exel Composites actively follows the development and trends in the telecommunication industry. Close co-operation with our customers ensure continuous development and helps us constantly introduce innovations.

The most significant new applications include many totally new kind of antenna solutions that Exel Composites has developed together with customers targeting most optimized and best performing products that ensure our customers the leading edge in the market.

Paper industry

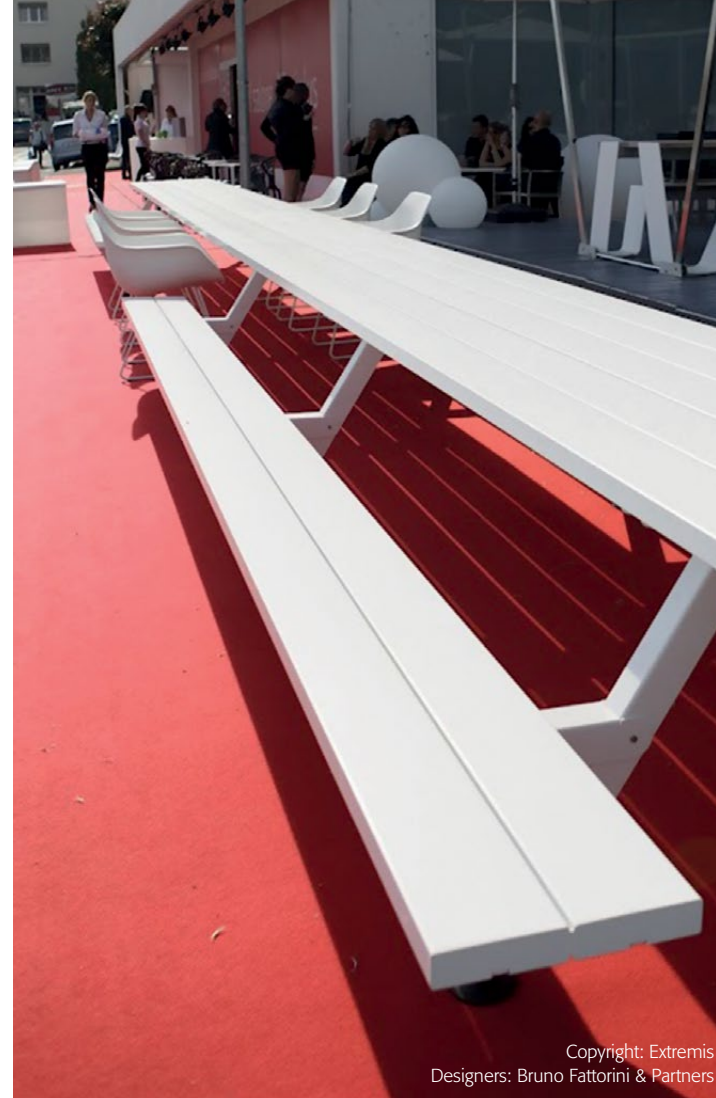
Exel Composites has developed a wide range of customer products for paper industry applications. These include for example doctor blades and fabric guiding poles and other components and equipment for paper machines. New developments are constantly made both for doctoring and other applications where characteristics specific to composites such as specific strength, controlled wearing properties, lightweight, low vibration or corrosion resistance are needed.

Paper industry has gone through major transformation and the process is still ongoing. Exel Composites continues to support its customers to meet their challenges by providing improved products and more versatile concepts to maintain and improve the efficiency of customer solutions.

Electrical industry

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

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



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Designers: Bruno Fattorini & Partners



Exel Composites' Glassfibre Reinforced Plastic (GFRP) tubes and profiles are naturally isolative and widely used in non-live working and live working electric tool products, like voltage detector poles, earthing poles and insulation poles (e.g. manoeuvring sticks, rescue poles, telescopic poles, fuse disconnecting poles).

Insulated Rail Joint System is used as part of the signaling system in several countries and Exel Composites is the market leader in full composite joint systems. Exel joints have highest possible electrical insulation properties and high mechanical strength. Fatigue resistance is far above the fatigue properties of metals.

Cleaning and maintenance

Exel Composites is the leading supplier of thin-walled pullwound tubes. These tubes are utilized in tool handles and telescopes supplied for cleaning and maintenance applications worldwide.

The light weight combined with strength and stiffness are the features required in hand tools. Versatile colours, visually elegant surfaces and good durability are valued in our customers' high quality tools.

Exel Composites continued to develop and expand its tool handle and telescopic pole range as a system supplier for numerous applications for professional use.

Continuous development for carbon fibre structures was positively received by the customers and the focus on serving the leading OEM-partners in the main application areas kept sales stable in 2013. Sales were continuously expanded into new applications such as solar panel cleaning and electric tools with success.

Sports and leisure industry

Excellent mechanical properties, low weight and optimized, versatile product structures of Exel's composite tubes, profiles and laminates are essential features in sports and leisure industry applications.

Exel Composites develops and supplies a number of various products to OEM-customers in the sporting industry, e.g. for skis, ski poles, floorball sticks, surfing masts, snowboards, skateboards, kiteboards and ice hockey sticks.

There are also many applications in the leisure area including caravan awnings, tent structures, sailing masts, fishing rods, archery products, furniture and components for boats and snowmobiles where Exel products are used.

A decision to invest in a new laminate production line at Mäntyharju factory was made during the third quarter of 2013. The investment enables us to extend our product range in advanced high specification laminates and to grow in several market segments.

Machine industry

Exel Composites has long experience of demanding state-of-the-art pultruded composite profiles used in different segments of the machine industry.

Within machine industry there is a need to reduce the weight of the components to improve the performance of fast-moving machines for better efficiency. Carbon fibre profiles with their low thermal expansion combined with low weight and high stiffness and strength make them an ideal alternative to high demand applications.

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

Exel Composites continues to develop new innovations for our customers utilizing new materials and continuously improving our manufacturing technology. We strive to keep and reinforce our position as the market leader in precision and quality textile machine parts.

General industries

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

TELECOMMUNICATION

"The most significant new applications in the telecommunication industry include many totally new kind of antenna solutions that Exel Composites has developed together with customers targeting most optimized and best performing products that ensure our customers the leading edge in the market."

Pentti Miettinen, Vice President Technical Sales



PERSONNEL, QUALITY, ENVIRONMENT AND SAFETY

At Exel Composites occupational health and safety are an essential part of day-to-day management. In 2013 we piloted the introduction of the Health and Safety Standard ISO 18001 certificate in our China factory. It is our intention to roll out this certification over all sites of the Group.

PERSONNEL

Human resources

Supporting the attainment of the key targets of the Group strategy was the main focus of the Human Resources function also in 2013. Special attention was paid to reinforcing the sales and technical sales organization.

The harmonization of the Group's operations was continued under the ExelWay-program. ExelWay aims at harmonizing processes between the units and improving co-operation between units in order to enhance productivity and synergies. The project's target is to implement best practices and new global functions and efficient business processes throughout the Group. New processes and practices are implemented in stages. Group-wide practices are supported by your global ERP- and CRM-programs, which are widely in use. Harmonization improves efficiency and co-operation between units and it will be continued in 2014.

Personnel policy

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

Equality issues

Together with employee representatives, an equality program has been created for Exel Composites that emphasizes the responsibility of leadership actions in equality issues and that supports the equal development of all employees, as well as the rotation of tasks and use of family leave. Current personnel have priority in recruitment. The salary policy motivates employees equally and fairly.

Incentive programs

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

Personnel

The number of Exel Composites Group employees on 31 December 2013 was 408 (427), of whom 198 (201) worked in Finland and 210 (226) in other countries. The average number of personnel during the financial year was 427 (431).

QUALITY, ENVIRONMENT AND SAFETY

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

Quality management system

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

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

Environment and safety

Exel Composites Group's Austrian, Belgian, British, Chinese and Finnish units have an ISO 14001 environmental certificate. The procedures of the certified environmental management system are used as blueprint in the implementation of the system at the

other sites. The long-term target is to have all the units of the Group certified.

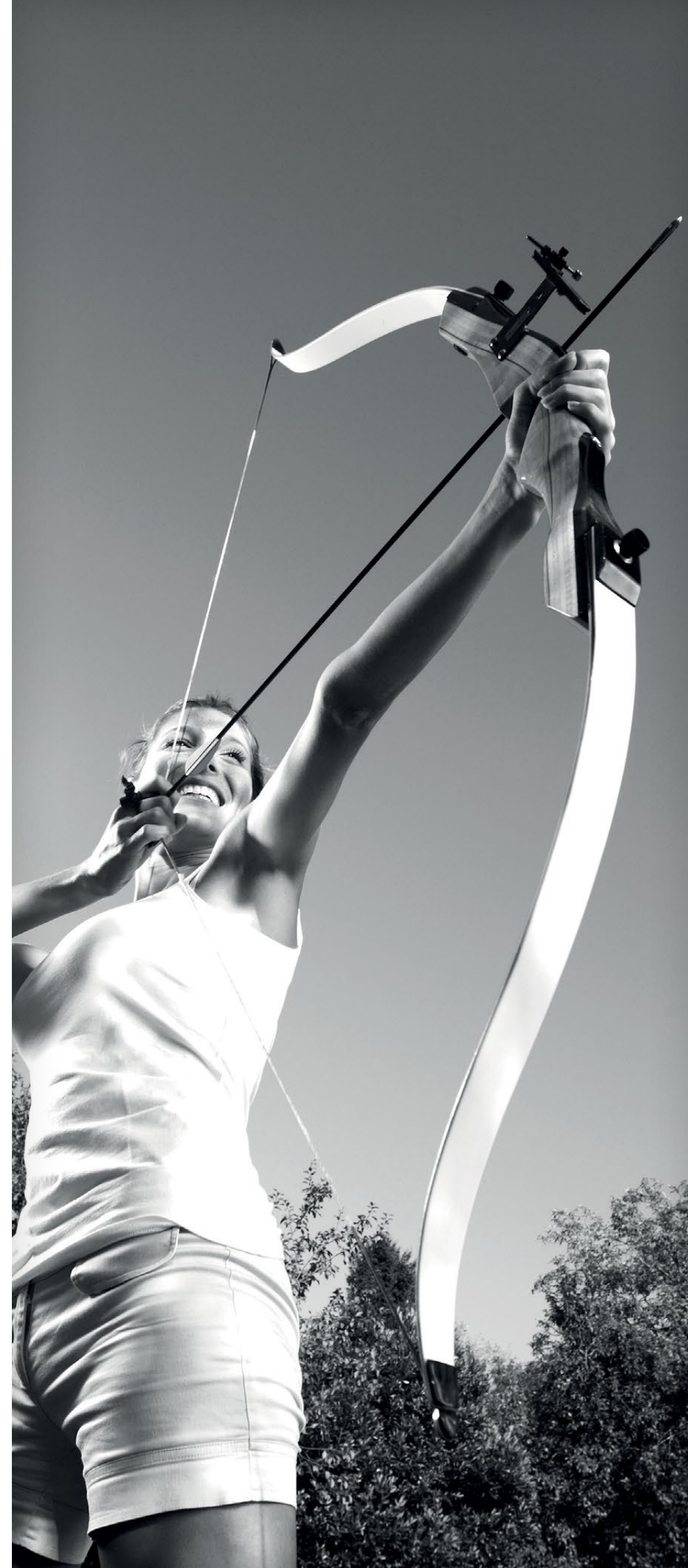
In 2013 we piloted the introduction of the Health and Safety standard ISO 18001 certificate in our China factory. This has now been achieved together with the local government Chinese certification. A briefing has been given to all the site operations managers on ISO 18001 and it is our intention to roll out this certification over all sites.

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

The occupational health and safety issues are an important part of management and the performance is measured by indicators. The core of Exel Composites' safety efforts lies on preventive measures such as risk assessment, safety training as well as internal and external evaluations. All the sites of the Group have a safety organization with defined responsibilities.

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

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



TARGETING RECYCLING OF COMPOSITE WASTE

Exel Composites remains committed to re-using composite wastes. Where logistically possible, composite waste goes to recycling. The Company is an active participant in programs to develop composite recycling where it is currently not possible, as well as an end-user of existing composite recycling solutions like CompoCycle.



EXELWAY

ExelWay-program's target is to implement best practices and new global functions and efficient business processes throughout the Group.

CLEANING & MAINTENANCE

"We create a unique competitive advantage for our customers by combining Exel Composites' pullwinding technology to the latest material know-how in the market."
Sami Heikkinen, Business Segment Manager, Products & Systems, Finland



BOARD OF DIRECTORS

HEIKKI MAIRINOJA

Member of the Board

- Born 1947
- M.Sc. (Eng.), B.Sc. (Econ.)
- Member of the Board since 2008
- Holdings: 1,846 Exel Composites shares
- Finnish citizen

Previous main positions

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

Key positions of trust

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

Independence

Independent of the Company and its major shareholders

HEIKKI HILTUNEN

Member of the Board

- Born 1962
- B.Sc. (Eng.)
- Executive Vice President and Deputy to CEO of Vacon Plc
- Member of the Board since 2011
- Holdings: 1,846 Exel Composites shares
- Finnish citizen

Previous main positions

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

Key positions of trust

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

Independence

Independent of the Company and its major shareholders

PETER HOFVENSTAM

Chairman of the Board

- Born 1965
- M.Sc. (Econ.)
- Senior Vice President, Nordstjernan AB
- Member of the Board since 2001
- Chairman of the Board since 2008
- Holdings: 3,933 Exel Composites shares
- Swedish citizen

Previous main positions

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

Key positions of trust

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

Independence

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

GÖRAN JÖNSSON

Member of the Board

- Born 1947
- M.Sc. (Econ.)
- Member of the Board since 2008
- Holdings: 4,846 Exel Composites shares
- Swedish citizen

Previous main positions

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

Independence

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

REIMA KERTTULA

Member of the Board

- Born 1955
- M.Sc. (Eng.)
- Senior Vice President, Flexibles, Suominen Corporation
- Member of the Board since 2009
- Holdings: 1,846 Exel Composites shares
- Finnish citizen

Previous main positions

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

Independence

Independent of the Company and its major shareholders



GROUP MANAGEMENT TEAM

FROM 2 JANUARY 2014



RIKU KYTÖMÄKI

- Born 1971
- M.Sc. (Eng.)
- President and CEO since 2 January 2014
- Joined the Company in 2014
- Member of the Group Management Team since 2014
- Holdings: 1,000 Exel Composites shares
- Finnish citizen

Areas of responsibility

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

Previous main positions

- Senior Vice President, Head of Global Product Group "Large AC Motors" at ABB
- President, ABB Electrical Machines Ltd, China
- Senior Vice President, Global Operations Manager, ABB Business Unit Motors & Generators
- Senior Vice President, Head of Global Product Group "Wind Power Generators" at ABB



KIM SJÖDAHL

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

Areas of responsibility

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

Previous main positions

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



KARI LOUKOLA

- Born 1962
- M.Sc. (Econ.), M.Sc. (Eng.)
- Senior Vice President Sales & Marketing
- Joined the company in 2013
- Member of the Group Management Team since 2013
- Holdings: 3,000 Exel Composites shares
- Finnish citizen

Areas of responsibility

- Sales and marketing
- Profitable growth
- Leading and management of sales organization
- Developing marketing function

Previous main positions

- Head of Business Development, Nokia Siemens Networks
- Head of Sales, Nokia Siemens Networks



CALLUM GOUGH

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

Areas of responsibility

- Continuous productivity improvement
- Quality, environment and safety
- Strategic purchasing
- Investments

Previous main positions

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



ILKKA SILVANTO

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

Areas of responsibility

- Finance and controlling
- Administration and legal matters
- Maintenance and development of IT systems
- Secretary to the Company's Board of Directors

Previous main positions

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

CORPORATE GOVERNANCE STATEMENT

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

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

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

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

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

General Meetings

The highest decision-making power at Exel Composites is exercised by shareholders at General Meetings convened by Exel Composites' Board of Directors. All shares carry equal voting rights at General Meetings.

The Annual General Meeting is held on a date before the end of June, as determined by the Board. An Extraordinary General Meeting is held when the Board considers it necessary or when the Company auditor or shareholders holding a minimum of one tenth of all shares so request in writing for the handling of a specific matter.

The Board of Directors

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

In addition to the Finnish Companies Act, other applicable legislation and the Articles of Association, Exel Composites' Board of Directors has confirmed a written charter that specifies the Board's duties, matters to be handled, meeting practice

and decision-making process. The charter is reviewed and updated annually in the first meeting following the election of the Board in the AGM. Board meetings are attended by the President and CEO and the CFO, who acts as the secretary of the Board.

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

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

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

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

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

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

According to the Corporate Governance Code Recommendation 9, both genders shall be represented on the Board. The Nomination Board did not propose any changes to the Board in 2013, and the all-male Board was elected to continue one more year. The Nomination Board is searching for female candidates that have industrial experience from businesses similar to Company's main lines of business. The Company aims at complying with the recommendation.

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

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

In 2013, the Shareholders' Nomination Board comprised Tomas Billing as chairman (Nordstjernan AB), Matti Rusanen (Ilmarinen Mutual Pension Insurance Company), Samuli Sipilä (OP Fund Management), Erkki Myllärniemi (Ulkomarkkinat Oy) and Peter Hofvenstam, the Chairman of the Board of Directors, acting as an expert member. The Nomination Board met twice in 2013.

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

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

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

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

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

Members of the Board

On 27 March 2013 the Annual General Meeting re-elected all the members: Heikki Hiltunen, Peter Hofvenstam, Göran Jönsson, Reima Kerttula and Heikki Mairinoja to the Board of Directors. At the formative meeting of the Board of Directors held after the Annual General Meeting, the Board of Directors re-elected from among its members Peter Hofvenstam as its Chairman. There is no specific order for the appointment of directors.

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

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

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

Reima Kerttula was born in 1955. He holds an M.Sc. in Engineering. He is Senior Vice President, Flexibles of Suominen Corporation.

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

In 2013, Exel Composites' Board of Directors has evaluated the Board members' independence of the Company in accordance with Recommendation 15 of the Corporate Governance Code. Heikki Hiltunen, Reima Kerttula and Heikki Mairinoja are independent Board members. Peter Hofvenstam is considered as independent from the Company, but non-independent from a major shareholder, since he is the Senior Vice President of Nordstjernan AB. Göran Jönsson is considered as independent from major shareholders, but as non-independent from the Company as former President and CEO of the Company. The Board was considered to comply with the Corporate Governance independency rules.

The term of the current Board members will expire at the end of the AGM 2014.

Further information on the Board (biographical details and holdings) is presented separately under the heading "Board of Directors" on page 26 in this Annual Report and on the Company website at www.exelcomposites.com.

Work of Board of Directors in 2013

The Board of Directors convened 13 times in 2013 and the average attendance rate at these meetings was 98.5 per cent.

Besides the regular annual Board work during the financial year 2013, the key priorities in 2013 included continued measures to protect the financial fundamentals and to reinforce the financial position whilst adjusting to the weakening of the market environment and the deepening of the global recession, to reinforce the focus on the core composite business, to develop the Group organization, to elect a new President and CEO and to accelerate the sales force activities.

President and CEO

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

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

Riku Kytömäki was appointed Exel Composites' new President and CEO in September 2013. He assumed his duties on 2 January 2014. He succeeded Vesa Korpiemä who gave up his duties as President and CEO on 1 January 2014.

Riku Kytömäki was born in 1971 and holds an M.Sc. in Electrical Engineering.

The 2013 information on the President and CEO (biographical details and holdings) is presented separately under the heading "Group Management Team" on page 28 of this Annual Report.

Internal control and risk management pertaining to the financial reporting

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

Exel Composites' system of internal control and risk management related to financial reporting is designed to provide

reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with applicable laws and regulations, generally accepted accounting principles and other requirements for listed companies.

Exel Composites has established a Controller's manual (accounting and reporting rules), which is regularly updated and communicated throughout the organization. Other internal policies and rules related to the financial reporting process include Treasury Policy, Code of Conduct and Fraud Policy, as well as Decision Making and Signature Policies.

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

The consolidated financial statements of Exel Composites have been prepared in compliance with International Financial Reporting Standards (IFRS), applying IAS and IFRS standards, as well as SIC and IFRIC interpretations, valid on 31 December 2013. The notes to the consolidated financial statements are also in compliance with the Finnish Accounting and Companies Acts.

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

Exel Composites has established objectives for reliable financial reporting in order to identify financial reporting risks. Within the risk assessment process, Exel Com-

posites identifies and analyses risks to the achievement of financial reporting objectives as a basis for determining how the risks should be managed. The risk assessment process also considers the potential for material misstatement due to fraud.

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

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

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

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

The harmonization of the Group’s operations was continued under the ExelWay-program. ExelWay aims at harmonizing processes between the units and improving co-operation between units in order to enhance productivity and synergies. The project’s target is to implement best practices and new global functions and efficient business processes throughout the Group. New processes and practices are implemented in stages. Group-wide practices are supported by your global ERP- and CRM-programs, which are widely in use. The harmonization improves efficiency and co-operation between units and it will be continued in 2014.

The Group accomplished a liability risk survey in 2013 to assess all risks related to the operations, products, contracts, property, environment and health and safety matters. The program will continue during 2014.

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

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

According to a decision of the Annual General Meeting held in 2013, 60 per cent of the yearly remuneration is paid in cash and 40 per cent in Exel Composites Plc shares, which were acquired directly for and on behalf of the members of the Board of Directors during 2 April - 8 April 2013 from the stock exchange in amounts corresponding to EUR 13,600 for the Chairman and EUR 6,400 for each of the other members. The yearly remuneration encompasses the full term of office of the Board of Directors.

The Board of Directors convened 13 times in 2013. The table on the opposite page describes the remuneration received by the Board in 2013 (EUR 1,000).

well as an annual bonus and long-term incentive program. The amount of the bonus and the performance criteria are annually determined by the Board of Directors of Exel Composites. The Board also evaluates whether the performance criteria have been met. In 2013, the key financial performance criteria were turnover growth, EBIT and OWC turnover. In 2013, the maximum annual bonus for the President and CEO was 50 per cent of his annual salary. For the other members of the Group Management Team the maximum annual bonus was 40 per cent of their respective annual salary.

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

Long-term share-based compensation

The Group has a performance-based long-term incentive program for the President and CEO, 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 potential reward from the earning period 2012 – 2014 will be paid in 2015. The maximum reward to be paid on the basis of the earning period 2012 – 2014 will correspond to the value of up to 900,000 EUR for the monetary performance reward and up to 30,000 Exel Composites Plc shares for the matching shares reward.

The 2013 program is based on a long-term monetary incentive program, and it is intended for 18 executives of the Company for the earning period 2013 – 2015. The Group’s 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 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.

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 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.

No payments were made in 2013.

REMUNERATION STATEMENT

This remuneration statement is prepared in accordance with the Finnish Corporate Governance Code, section 7, “Remuneration”.

Principles of remuneration and the decision-making process

Exel Composites’ remuneration principles are developed to promote the competitiveness and long-term financial success of the Company and to contribute to the favourable development of the Company’s shareholder value. Another aim of the remuneration principles is to increase the long-term commitment of the Board, the President and CEO and the Group Management Team to promote the interests of the

Company and its shareholders as well as to attract, retain and motivate key personnel globally.

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

The Annual General Meeting determines annually the remuneration of the Board members on the basis of the Nomination Board’s proposal.

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

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

Board remuneration

The AGM held in 2013 confirmed the following compensation for Board members:

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

Name	Position	Annual Fixed Fees 2013	Meeting Fees 2013	Total Fees 2013	Total Fees 2012
Peter Hofvenstam	Chairman	34	18	52	57.5
Heikki Hiltunen	Member	16	11	27	30
Göran Jönsson	Member	16	12	28	30
Heikki Mairinoja	Member	16	12	28	29
Reima Kerttula	Member	16	12	28	31
Total		98	65	163	177.5

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

Financial benefits of the President and CEO and Group Management Team, EUR 1,000

	Fixed annual base salary	Fringe benefits	Performance based bonus based on 2013 results	Share-based compensation based on 2013 results	Total 2013	Total 2012
President and CEO	251	13	60	-	323	263
Management Group	422	27	16	-	465	393
Total	673	39	76	-	788	656

In addition, termination compensation relating to the termination of the managing director employment contract amounting to EUR 263 thousand have been recorded in the 2013 results the payment of which will take place during 2014.

RISK MANAGEMENT

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

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

Principles of risk management

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

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

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

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

- Ensuring that all identified risks affecting personnel safety, customers, products, reputation, property, intellectual property and operation are always managed as required by law and otherwise in accordance to best knowledge and justifiable taking into consideration the prevailing financial situation
- Fulfilling the expectations of stakeholders (owners, customers, personnel, suppliers and the community)
- Securing the management of the total risk exposure and minimizing the total risk
- Secure continuous operation without interruptions
- Promoting the effective utilization of possibilities and profit potentials.

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

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

Strategic risks

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

Operational risks

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

Financial risks

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

Currency risk

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

Interest rate risk

Exel Composites' financing policy involves using a small number of banks as partners to secure its long-term needs for borrowed capital. Exel Composites' liquidity is based on long-term financial arrangements and on short-term financial products, such as lines of credit and credit accounts. To balance interest rate risk, the Company strives to

use both changing and fixed interest loans. Additionally, the Company uses interest swap agreements.

Credit risk

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

Hazard risks

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

Internal control, risk management and internal audit

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

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

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

INFORMATION FOR INVESTORS

Annual General Meeting

The Annual General Meeting of Exel Composites Plc will be held at 10.30 a.m. on Thursday 27 March 2014 at Kansallissali at Aleksanterinkatu 44, Helsinki, Finland. The Annual General Meeting will be conducted in Finnish, but interpretation into English will be provided.

To be eligible to attend the Annual General Meeting, shareholders must be on the Company's shareholder register maintained by the Finnish Securities Depository Ltd. by Monday 17 March 2014.

Registration

Registration of notices to attend ends at 4 p.m. Finnish time on Thursday 20 March 2014. Prior notices of participation shall be received by the Company no later than on the above mentioned date. Any powers of attorney are also to be sent to the Company during the same registration period. A notice of participation can be given either:

- a) on the Company's website www.exelcomposites.com/agm; or
- b) by email to investor@exelcomposites.com; or
- c) by telephone at +358 20 7541 221 between 9 a.m. and 4 p.m. Monday to Friday; or
- d) by telefax at +358 20 7541 221; or
- e) by regular mail to the address Exel Composites Plc, Annual General Meeting, Mäkituvantie 5, 01510 Vantaa, Finland.

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

A holder of nominee-registered shares has the right to participate in the Annual General Meeting by virtue of such share, based on which he/she on the record of the of the AGM, i.e. on 17 March 2014, would be entitled to be registered in the shareholders' register of the Company held by Euroclear Finland Ltd. The right to

participate in the AGM requires, in addition, that the shareholder on the basis of such shares has been temporarily registered into the shareholders' register held by Euroclear Finland Ltd at the latest by Monday 24 March 2014 at 10.00 a.m.

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

Dividend

The Board of Directors proposes to the Annual General Meeting that no dividend be paid based on the adopted financial statements for the financial year ended on 31 December 2013.

Change of address

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

Financial reporting in 2014

The publication dates for Exel Composites' financial reports in 2014 are as follows:

- **Electronic Annual Report 2013:** Thursday 6 March 2014
- **Interim report Q1 2014:** Wednesday 7 May 2014
- **Interim report Q2/2014:** Thursday 24 July 2014
- **Interim report Q3/2014:** Tuesday 4 November 2014

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

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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.

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