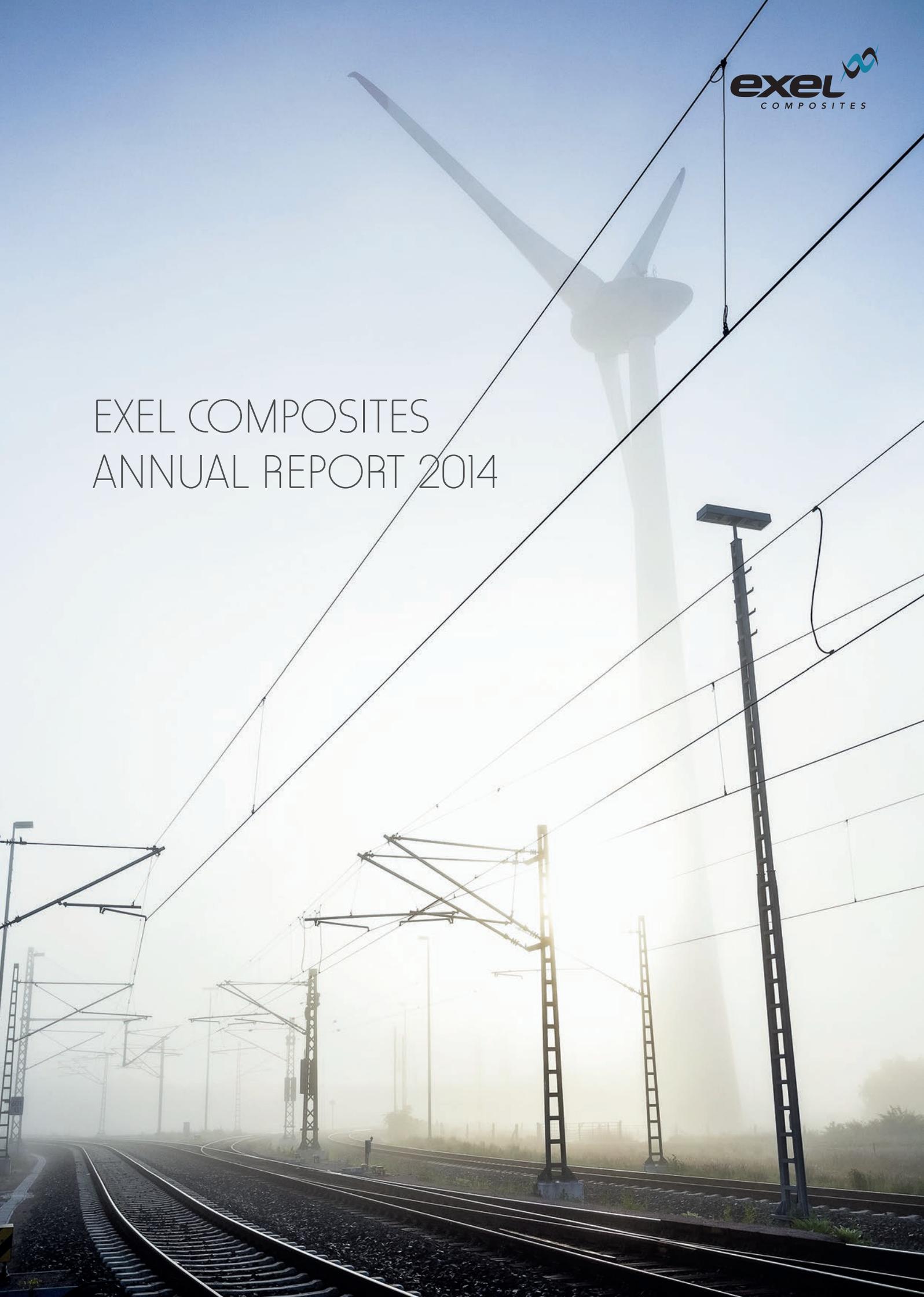


EXEL COMPOSITES ANNUAL REPORT 2014



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EXEL COMPOSITES AS A COMPANY



Innovations are created through combining customer's and Exel Composites' core know-how

Exel Composites is a leading composite technology company that designs, manufactures and markets composite products and solutions for demanding applications.



8
CEO's review

Exel Composites in brief

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

Exel Composites share is listed in NASDAQ OMX Helsinki Ltd in the Industrials Sector.

Vision

Exel Composites is an agile, innovative global composite company with world-class operations providing superior customer experience.

Exel Composites' business is global with operations in 7 countries

Exel Composites
- Joensuu, Finland
- Mäntyharju, Finland
- Vantaa, Finland (Group Management, Sales office)

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



12
Vision, strategy and financial targets



20
Global megatrends drive our growth in China



22
Personnel

Strategy

Exel Composites' new growth strategy focuses on growing in existing business, accelerating growth in China, penetrating new applications and market segments, creating a true global footprint and growing through new technologies.



CEO'S REVIEW

It is now a bit more than a year ago, when I started at the helm of 'Exel Composites ship' at the beginning of January 2014. The journey has been fascinating. During the year 2014 we did some tacking, trimming our sails and changing the course to improve our speed and performance. We have taken the steps towards being a flagship of the composites industry.

Year 2014 was very successful for Exel Composites in many respects. The Company got back on growth mode, the financial performance was greatly improved leading to double digit profitability, organization was strengthened and a new strategy was released. Exel Composites is well on its way to becoming a truly global composite company with world-class operations and superior customer service.

Group net sales and operating profit continued to develop very positively throughout the year due to increased sales, continued efficiency improvement, better functioning global organization and better cost control. I believe that our organization has taken the steps to be a more international company, sharing the best practices and cross-selling the entire Exel Composites' product portfolio. Our order intake increased significantly, net operative cash flow was strongly positive at year end and EBIT improved more than 80 per cent from the previous year.

What makes the numbers even more positive is the fact that biggest sales growth in absolute terms came from the European region, which was generally speaking not the easiest market to operate in 2014. The focus to Asia starts to pay off; in the last quarter a clear improvement can be seen with a 54% increase in net sales compared to the same period the previous year.

The Company invested strongly in growth by reinforcing the organization, especially in sales, research and development and operations development. Organizational structures and reporting lines have been altered to reflect the "One Exel" thinking, making the organization less hierarchical and more efficient, and working on a global

basis. In Operations we have put quite a lot of effort in health & safety, with the ambition to be the trendsetter for the industry, making the work environment more ergonomic and less risky, and improving our ecological footprint. Also some measures were taken to bring us to the next level in 5S and using the lean manufacturing principles.

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. Further corrective actions have been developed to improve the profitability. The focus in Australia is now on generating more sales.

The Company released its new growth strategy in November 2014. It focuses on accelerating growth in China, penetrating new applications and market segments, creating a true global footprint and growing through new technologies. In line with the strategy, the Nanjing unit in China will be expanded in order to double the production capacity. The expansion project is estimated to be completed during the first half of 2016.

A decision was made in February 2015 to expand the operations in Austria to meet the increased customer demand. By this investment Exel Composites will be in a better position to serve its Central and Southern European customers. The target is to more than double the production capacity in Austria. 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.

The improvement in financial performance was noted also by the media and investors during 2014. Many positive articles were written about our company, confirming that we are on a right track. The financial market has reacted positively on the results, increasing the Company value from 68 MEUR at the end of 2013 up to 100 MEUR at the end of 2014. The 'positive spiral' can be also felt within the Company, having

much more smile on our crew members' face, enjoying the improved performance, good feedbacks and nice journey.

We are cautiously optimistic what comes to the expectations for 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 will monitor the general market development and react with additional measures if needed. 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 margin compared to 2014, but will position the Company better for long-term profitable growth.

I am very excited to continue implementing our new strategy. During 2014 we have strengthened our management team with SVP HR, Tiina Hiltunen and in 2015 we will have a new SVP CFO, Mikko Kettunen. Then our current SVP CFO, Ilkka Silvanto can concentrate full time to follow up and execute strategic projects, such as factory expansions and M&A screening.

I would like to express my warmest thanks to all of our employees for the great performance in 2014. Let's continue our efforts keeping our heads cold, hearts warm and hands clean!

Also I want to thank our customers, business partners and our shareholders for your great collaboration and support.

February 2015

Riku Kytömäki
President and CEO

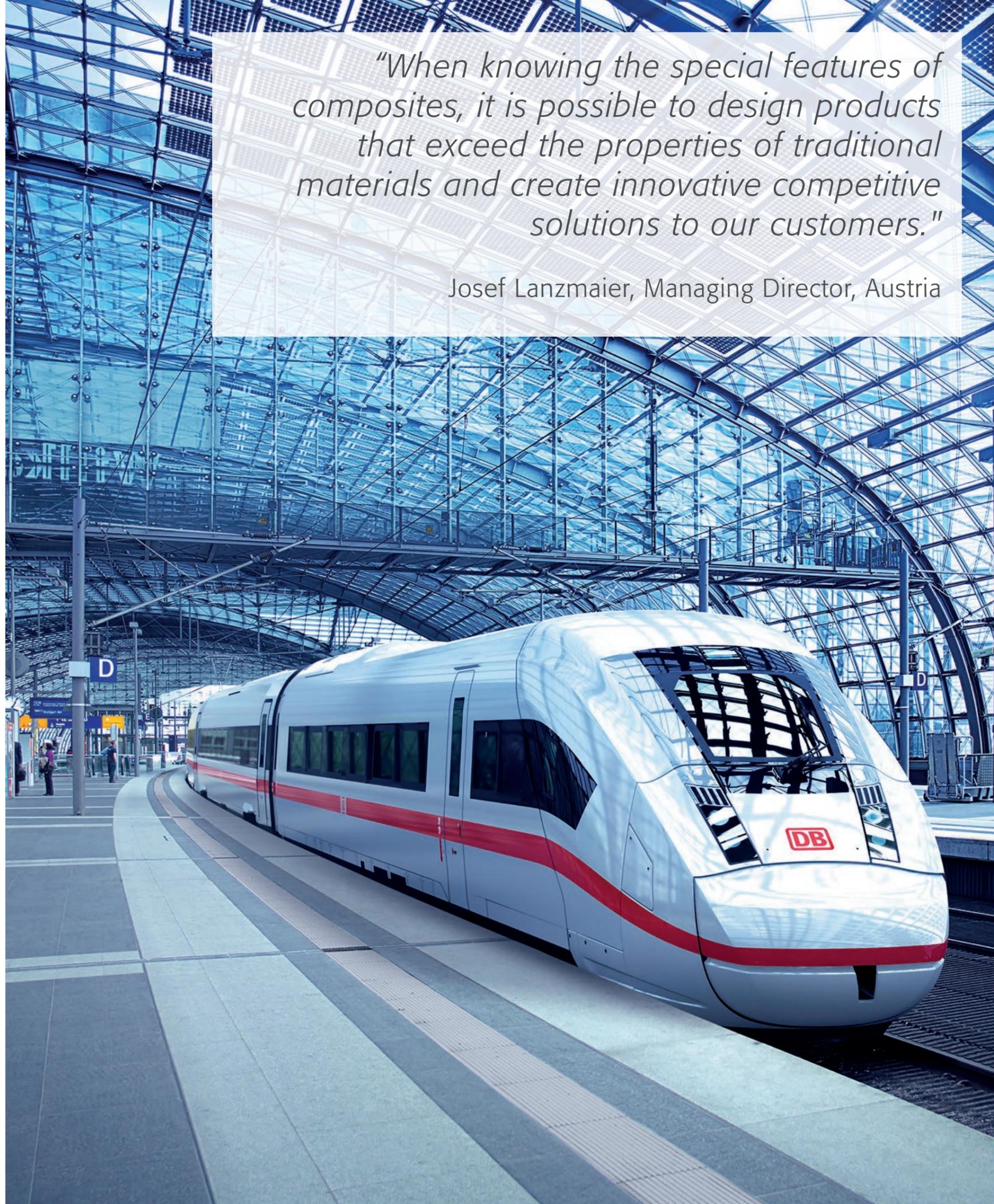


EXCELLENCE IS EXPERIENCE



"When knowing the special features of composites, it is possible to design products that exceed the properties of traditional materials and create innovative competitive solutions to our customers."

Josef Lanzmaier, Managing Director, Austria



VISION, STRATEGY AND FINANCIAL TARGETS

Exel Composites' Board of Directors adopted a new vision, strategy and long-term financial targets in November 2014. Exel Composites' business is supported by favorable trends driving market growth, especially in North Asia, North America and Europe.

The new vision states: "Exel Composites is an agile, innovative global composite company with world-class operations providing superior customer experience". Building on our strengths the Company targets to exceed the market growth. The Company aims at being the global leader in the composite industry based on long-term partnerships, continuous innovations and world-class operations.

Exel Composites' strategy

The Company's new growth strategy focuses on growing in existing business, accelerating growth in China, penetrating new applications and market segments, creating a true global footprint and growing through new technologies.

Growth in China will be accelerated by expanding the local sales network, R&D and manufacturing capacity, and creating value offering for mid-segment applications to the local market.

Penetrating new applications, increasing vertical integration and packaging applications to systems provide further growth opportunities.

Global footprint will be expanded by increasing sales coverage and growing supply and service to new market areas, including Americas.

Growth in new technologies - composite manufacturing and further processing - allows meeting customer demand better.

The Group will continue to develop the world-class operations to differentiate from competitors. Exel Composites' focus areas are on-time delivery, efficiency and responsiveness, offering the right quality and stock availability. Exel Composites focuses in its operations on safety and fulfilling strict environmental and sustainability goals. The Group continues to empower functions to drive synergies and opportunities globally, building regional sales and R&D centers.

New long-term financial targets

The new long-term financial targets reflect our new growth strategy. Exel Composites targets to be a growing, profitable and capital efficient company. Our new targets are:

Growth:

Turnover growth 2x average market growth

Profitability:

Operating profit margin over 10 per cent of net sales

Capital efficiency:

Return on capital employed over 20 per cent

Financial targets are considered over a business cycle. Acquisitions are targeted to boost growth and to cover market and technology white spots. Acquisitions will influence overall growth and profitability targets.

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.

WE DIFFERENTIATE OURSELVES BASED ON OUR STRENGTHS

Exel Composites is an agile, innovative global composite company with world-class operations providing superior customer experience

Clear value proposition

- Pre-defined products and packages
- Good technology coverage
- Customized solution for customers' needs

Local presence globally

- Global coverage in multiple channels
- Availability locally
- Quick response time

Superior customer experience

- Professional service in all levels
- Keeping promises
- Long-term partnerships
- Flexibility

World-class operations

- On-time delivery
- Efficient and fast
- Right quality and availability
- Safety and environment

COMPOSITES MARKET AND EXEL COMPOSITES' NEW GROWTH STRATEGY

Since the beginning of 1980s, the composites industry has witnessed steady growth thanks to the increased market penetration of this material in key markets, such as the construction, aeronautics and automobile sectors. At present the materials market is dominated by steel and plastics. The composites market represents only 0.4 per cent of total materials market comprising steel, plastics and aluminum. In addition, composites also replace wood and concrete in many applications. The current small market share of composites of the total materials market represents huge potential for Exel Composites. The composites market is expected to experience substantial growth in future with new developments in various sectors, as composites outperform conventional materials such as aluminum and steel in many ways. Composites offer several advantages over traditional materials such as higher strength, lighter weight and greater corrosion resistance.

The largest and fastest growing composites markets are in Asia and North America whilst Europe is the third largest area. Thus the biggest growth potential is outside Europe. Exel Composites' net sales in the APAC area increased by 11 per cent in 2014. Exel Composites targets growth in China. Exel Composites managed to grow its net sales also in Europe by 15 per cent in 2014 even though the European market only grows by some 5 per cent annually. There is still growth potential for Exel Composites also in Europe. We also aim at expanding our global footprint by increasing sales coverage and growing supply and service to new market areas, including Americas.

Exel Composites' main technologies are pultrusion, pullwinding and continuous lamination. Of total composites demand pultrusion represents 3-4 per cent share and laminates and composite sheets represent a further 4-5 per cent share. Pultrusion and lamination are expected to grow along the industry growth rate. The fastest growth is expected in transportation industry and building and construction, where composites' benefits, light weight and durability as well as low maintenance are the key drivers. Exel Composites offers a wide range of applications for several industries including the transportation industry and Building, construction and infrastructure. The product range will grow with the increased laminate production capacity. The new laminate production line in our Mäntyhärju unit enables us to extend our product range in advanced high specification laminates and to grow in several market segments.

Mega and market trends

Two megatrends, urbanization and healthy living and total life cycle cost thinking drive composites' growth. These megatrends are discussed more in detail in this Annual Report on page 16.

Three market trends have been identified which drive new composites applications: composite penetration growth, composites becoming a commodity, and sustainability and recyclability of composites.

Composites' penetration grows constantly as there is a continuous flow of new opportunities. New applications are developed and existing products made of conventional materials are replaced by composite ones. Volume applications such as those offered to the construction industry are also growing rapidly. Developing markets including China and India are leading the growth as for example demand for urban infrastructure is tremendous.

Composites are becoming more and more a commodity as customers' awareness and acceptance of this relatively new material increases.

Sustainability and recyclability of composites emphasizes the importance of low life-cycle embodied energy. Life Cycle Assessment (LCA) seeks to determine and evaluate every environmental impact represented by the manufacture, use and disposal of a product. In numerous applications composites products have the lowest environmental impact scores primarily because of their lower weight and higher strength. These include for example applications for the automotive industry where lower weight helps lower CO₂ emissions and reduce fuel consumption. There is also increasing availability of recycling options for composites. Composites are also being used as recycled raw material e.g. for cement production.

New growth strategy

Exel Composites' business is supported by favorable trends driving market growth, especially in North Asia, North America and Europe.

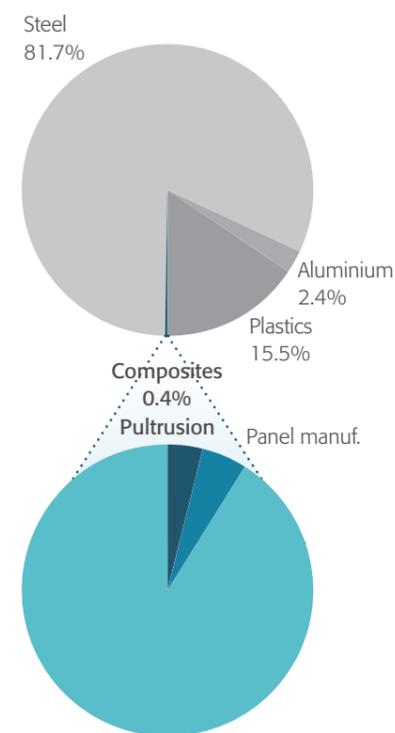
Exel Composites' new strategy has four cornerstones: accelerating growth in China, penetrating new applications, creating a true global footprint and growth in new technologies. The strategy also emphasizes growth in the existing strong businesses.

The Company targets more balanced offering and geographical presence supported by global functions. Exel Composites will continue to develop its world-class operations to differentiate from competitors. Our focus areas are on-time delivery, efficiency and responsiveness, offering the right quality and stock availability. Exel Composites focuses in its operations on safety and fulfilling strict environmental and sustainability goals. The Group continues to empower functions to drive synergies and opportunities globally, building regional sales and R&D centers.

The implementation of the strategy has already commenced with the expansion of the Nanjing unit in China. The current manufacturing facilities will be expanded in order to double the production capacity. The expansion project is estimated to be completed during the first half of 2016.

Production capacity will be increased also in Austria to meet the increased customer demand. The target is to more than double the production capacity in Austria. By this investment Exel Composites will be in a better position to serve its Central and Southern European customers. 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.

GLOBAL MATERIALS MARKET



According to the market research company Lucintel, the global composites market is anticipated to witness good growth and reach approximately EUR 25.6 billion in 2019 with a CAGR of 6.6% over the next five years.

YEAR 2014 IN BRIEF

Group net sales and operating profit continued to develop very positively throughout the year due to increased sales, improved productivity, continued efficiency improvement, and better cost control. Our order intake increased significantly and net operative cash flow was strongly positive at year end.

In 2014 all our three customer industries, namely Industrial applications, Construction and infrastructure and Other applications, grew over 10 per cent. In 2014 the biggest sales growth in absolute terms came from Europe. During the last quarter of 2014 we were pleased to see fast net sales growth in the APAC-area both in absolute and relative terms.

The Company invested strongly in growth by reinforcing the organization, especially in sales, research and development and operations development. Organizational structures and reporting lines have been altered to reflect the "One Exel" thinking, making the organization more efficient and working on a global basis.

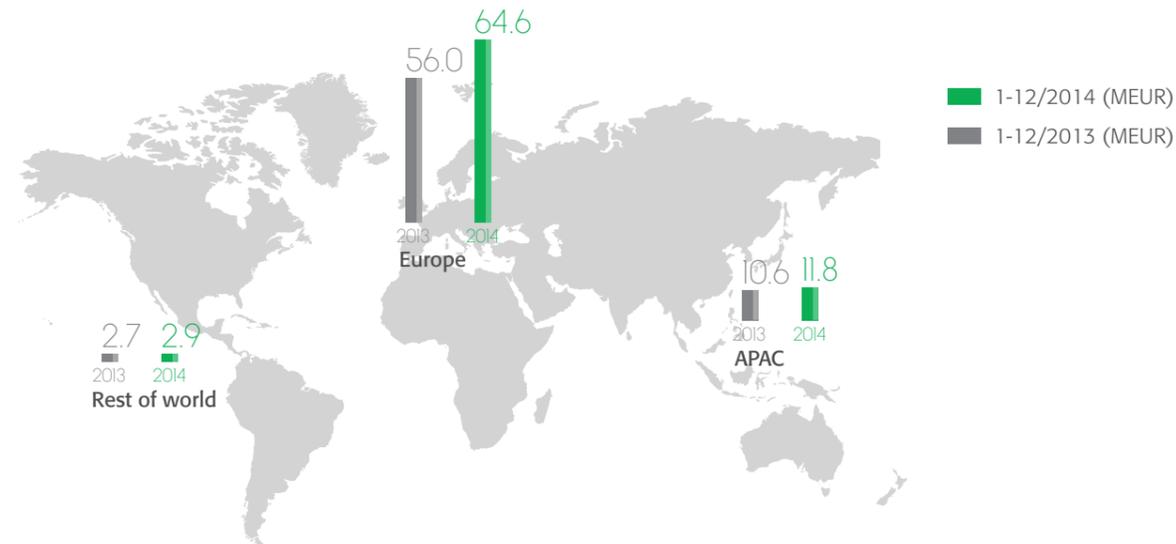
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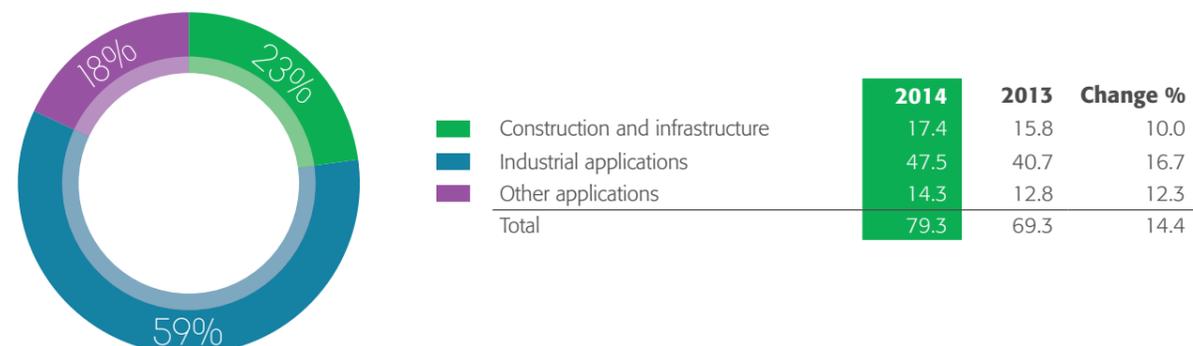
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Year 2014 was very successful for Exel Composites. A lot of effort was put on building the Company to the next level. Exel Composites performed well and is well on its way to becoming a truly global composite company with world-class operations.

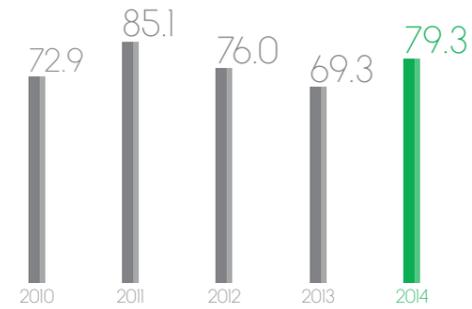
EUROPEAN MARKET GROWTH DROVE THE INCREASE IN NET SALES IN 2014



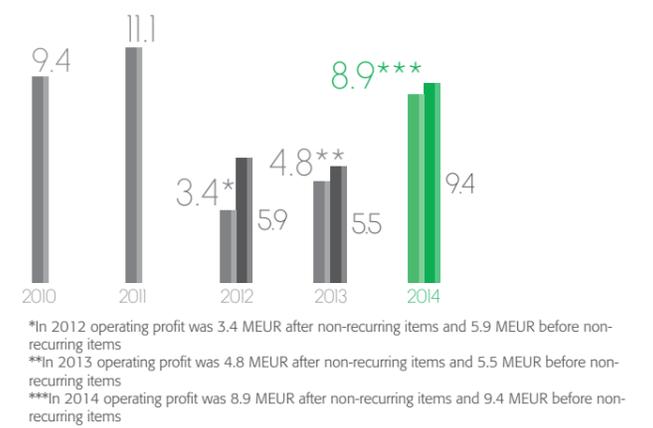
NET SALES BY CUSTOMER INDUSTRY, EUR MILLION



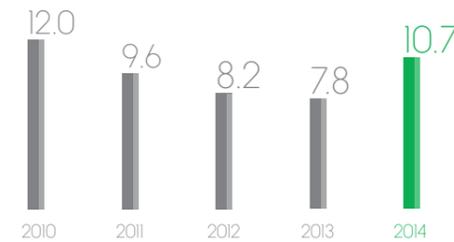
NET SALES, EUR MILLION



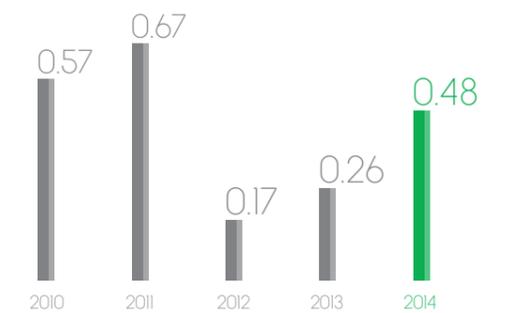
OPERATING PROFIT, EUR MILLION



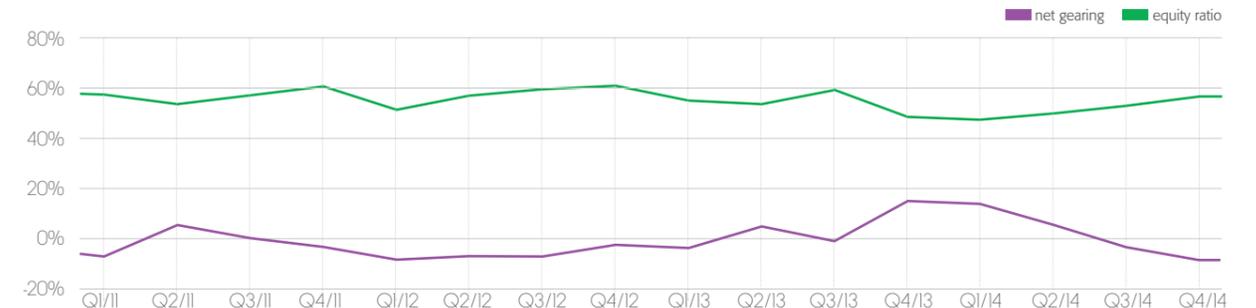
NET CASH FLOW FROM OPERATING ACTIVITIES, EUR MILLION



EARNINGS PER SHARE, EUR



NET GEARING AND EQUITY RATIO



CONSOLIDATED KEY FIGURES

	2014	2013	2012	2011	2010
Net sales, EUR million	79.3	69.3	76.0	85.1	72.9
Operating profit, EUR million	8.9 (9.4)***	4.8 (5.5)**	3.4 (5.9)*	11.1	9.4
% of net sales	11.2	7.0	4.5	13.0	12.9
Profit for the period, EUR million	5.7	3.1	2.0	8.1	6.8
Shareholders' equity, EUR million	29.7	22.8	31.4	35.1	32.5
Net interest-bearing liabilities, EUR million	-2.6	3.4	-1.1	-1.7	-1.4
Capital employed, EUR million	35.3	35.7	39.6	43.2	42.7
Return on equity, %	21.7	11.3	6.1	23.5	23.3
Return on capital employed (ROCE), %	25.2	13.0	8.4	26.1	21.8
Equity ratio, %	56.9	47.2	61.0	61.6	57.4
Net gearing, %	-8.7	15.0	-3.4	-5.0	-4.3
Earnings per share, EUR	0.48	0.26	0.17	0.67	0.57
Equity/share, EUR	2.50	1.92	2.64	2.95	2.73

*In 2012 operating profit was 3.4 MEUR after non-recurring items and 5.9 MEUR before non-recurring items
 **In 2013 operating profit was 4.8 MEUR after non-recurring items and 5.5 MEUR before non-recurring items
 ***In 2014 operating profit was 8.9 MEUR after non-recurring items and 9.4 MEUR before non-recurring items

YEAR 2014 IN QUARTERS

Q1

January – March 2014 highlights

Net sales	Operating profit
MEUR 17.9 (16.9)	MEUR 1.9 (0.7)

- Net sales increased to 17.8 MEUR, up by 5.4 per cent from previous year (Q1/2013:16.9 MEUR)
- Operating profit was 1.9 (0.7) MEUR, up by 184 per cent from previous year
- Operating profit margin was 10.6 (3.9) per cent of net sales
- Net cash flow from operating activities was positive at +0.6 (+0.7) MEUR
- Fully diluted earnings per share were 0.09 (0.05) EUR

Q2

April – June 2014 highlights

Net sales	Operating profit
MEUR 21.4 (17.5)	MEUR 3.1 (1.6)

- Net sales increased to 21.4 MEUR, up by 22.1 per cent from previous year (Q2/2013:17.5 MEUR)
- Operating profit was 3.1 (1.6) MEUR, up by 89.7 per cent from previous year
- Operating profit margin was 14.3 (9.2) per cent of net sales
- Net cash flow from operating activities was positive at +2.4 (+1.9) MEUR
- Fully diluted earnings per share were 0.19 (0.10) EUR

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.

Q3

July – September 2014 highlights

Net sales	Operating profit
MEUR 19.0 (17.1)	MEUR 1.9 (1.1)

- Net sales increased to 19.0 MEUR, up by 11.0 per cent from previous year (Q3/2013:17.1 MEUR)
- Impairment of EUR -0.5 million of goodwill and other non-current assets was recorded in the third quarter
- Operating profit was 1.9 MEUR including an impairment of -0.5 MEUR (MEUR 1.1 including MEUR -0.4 non-recurring items), up by 73.5 per cent from previous year
- Operating profit margin was 9.9 (6.3) per cent of net sales
- Net cash flow from operating activities was positive at +3.8 (+2.3) MEUR
- Fully diluted earnings per share were 0.07 (0.05) EUR

Q4

October – December 2014 highlights

Net sales	Operating profit
MEUR 21.1 (17.8)	MEUR 2.1 (1.5)

- Net sales increased to 21.1 MEUR, up by 18.6 per cent on the previous year (Q4/2013: 17.8 MEUR)
- Operating profit improved by 39.2 per cent to 2.1 (1.5) MEUR. In Q4 2013 operating profit before non-recurring items was EUR 1.9 million
- Operating profit margin was 9.8 (8.4) per cent of net sales
- Net cash flow from operating activities was positive at +3.8 (+2.9) MEUR
- Fully diluted earnings per share were 0.12 (0.07) EUR

EXEL'LENCE IS
GLOBAL
AVAILABILITY



GLOBAL MEGATRENDS DRIVE OUR BUSINESS IN CHINA

The growth of the composite business is driven by megatrends: urbanization and healthy living, demographic change, as well as sustainability and total life cycle cost management.

These megatrends generate demand for advanced composites in many application areas. To meet the demand, Exel Composites expands its manufacturing capacity in Nanjing, China. Growth in China will be accelerated also by expanding the local sales network, and offering an extended range of applications tailored to the local market with the help of local R&D.

Urbanization and healthy living

Urbanization and healthy living is a key driver within the composite industry as demand for clean water, clean air and urban infrastructure increases rapidly. In China several hundred millions of future consumers are expected to migrate from rural to urban areas in the years to come. This means investments in building, construction and infrastructure (BCI) as well as transportation market segments, for example in railways.

Infrastructure is a rapidly growing segment for composites, which offer durability, weight reduction, easy installation and design flexibility. Exel Composites' applications include composite window and door frames which are energy-efficient and offer excellent mechanical properties as they do not wrap, rot or rust. The demand for clean water calls for water and wastewater treatment plants which require a lot from the materials used in this aggressive environment. The excellent corrosion resistance and light weight makes composites the ideal material for use in this sector.

Demographic change

The demographic structure is changing dramatically in China. China has emerged as home to the world's largest number of people belonging to the middle class. Rapid income growth and technological advancement will open up new markets for the composites industry. For example the telecommunication industry, where new applications are developed constantly, drives growth for protective covers on antennas. Exel Composites leads the way in telecommunication with lightweight, strong and stiff antenna covers.

Demographic change translates also in willingness to travel with the emergence of a new generation of middle-class consumers born after the mid-1980s. In 2020, 35 per cent of all consumption in China is expected to come from these young consumers, who will be major purchasers

of leisure and travel services and high-end hospitality. With China's continuing aviation construction boom, there is growing demand also for Exel's airport products such as approach lighting systems, weather measuring systems and fencing. Exel Composites also manufactures composite profiles, tubes and laminates for many sports and leisure applications.

Sustainability and total life cycle cost management

Due to the global shortage of traditional materials, there has been an increasing need for alternative materials that are cost effective as well as environmentally friendly. Composites are an environmentally responsible and sustainable choice. The coming years represent a huge potential for composite materials that help lower carbon emissions and achieve cost savings.

Weight savings, fuel economy and other performance benefits will lead to the growth of composite consumption for example in the automotive industry including trains, trams, trucks and passenger cars. The need for efficient public transport and regulations on energy savings are the main drivers for new product development. Composites respond very well to these demands: they are light in weight, durable and corrosion-free. Lower weight helps vehicles use less fuel. Thanks to corrosion resistance vehicles require less maintenance and are resistant to rough weather conditions. This in turn increases product life cycle.

The trend is also to think more of the total life cycle cost, i.e. thinking how much a product or system costs over the total life cycle, not only the capital expenditure. Over a total life cycle the operations costs, such as energy, take much higher share compared to initial investment costs. Examples can be found in many industries, for example in paper mills. In building and construction industries, the traditional wooden window and door frames need to be painted from time to time, whereas composite windows need no maintenance. Maintenance costs, e.g. painting, can be very costly.

We believe global megatrends will drive long-term demand for our applications. The selected market segments offer good opportunities for profitable growth not only in China but also on a global scale.



MASON WANG

GENERAL MANAGER,
NANJING UNIT

"The demand of composite materials is growing rapidly in North-Asia. The Asian region has emerged as one of the largest growth areas for the composites industry, and the trend is expected to continue. There is a strong market demand for high performance solutions. We find continuously new applications and industries where composites can be used instead of traditional materials. The global megatrends support our longer term growth as well."

PERSONNEL

Over the course of 2014, Human Resources (HR) has achieved progress in the areas of strategic workforce planning, talent attraction and management, recruitment and overall improved operational efficiencies.

The most significant achievements of the year were, after the nomination of Senior Vice President Human Resources in August 2014, the following: revised approach to HR global processes: workforce planning, metrics, and statistics; Performance Development Review (PDR) process; introduction and implementation of a strategic and global HR Partnership model; and the creation of OneHR Community in Exel Composites.

Key Targets and Strategies

HR plays a critical role in Exel Composites. Our organizational success depends on the high level of skills and professionalism of our people. Year 2014 was dedicated to further evolving the HR function from an administrative unit to a professional value-added partnership. Best practices already show in 2014 that the HR profession has increasingly moved towards 'customer focus' and plays a more strategic role in the various organizations. OneHR Community's focus will be also in 2015 to gradually beat the existing barriers in moving towards a more strategic role. In the process to uplift HR from a purely personnel and administrative function to a respected and value-added

strategic business partnership, the organizational setting of Exel Composites has been reshaped in autumn 2014.

HR management focus has been on the strategic direction of Human Resources as well as on the concept design of core HR processes such as Talent Management including Recruitment, Performance Management, and Career Development and Learning.

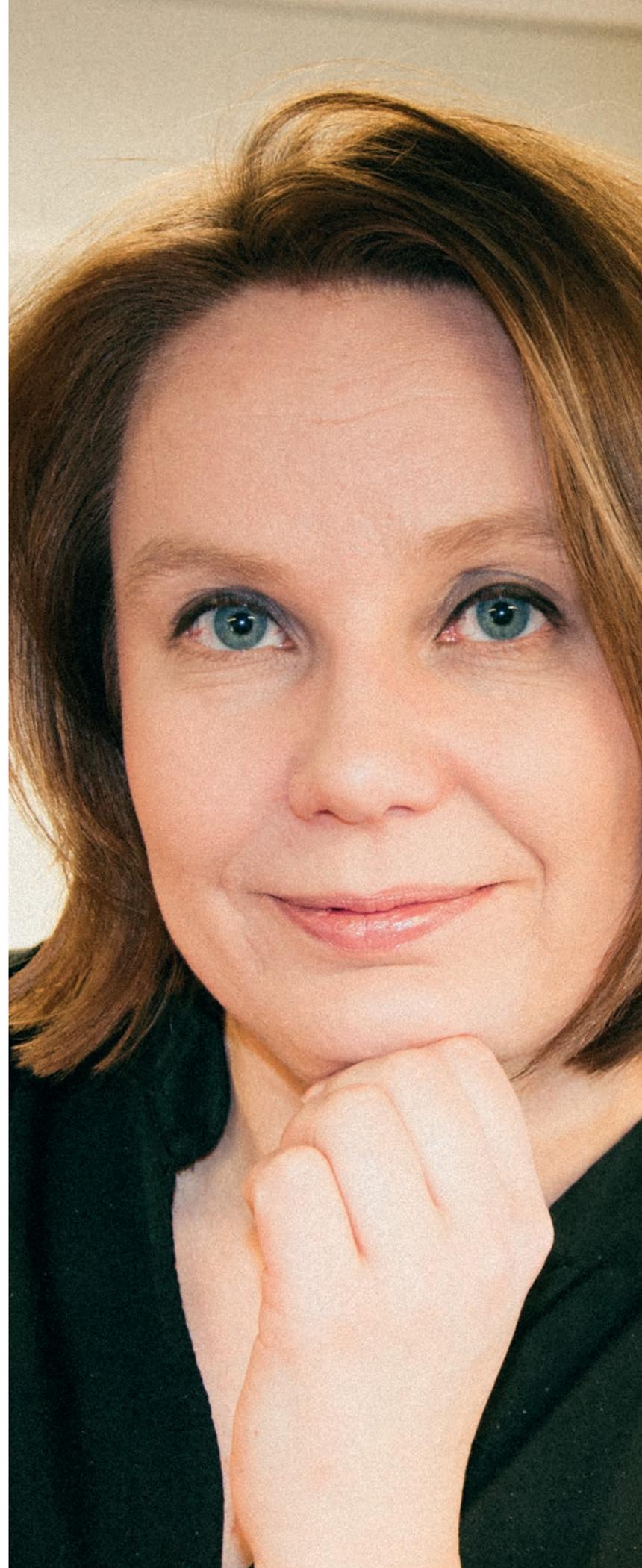
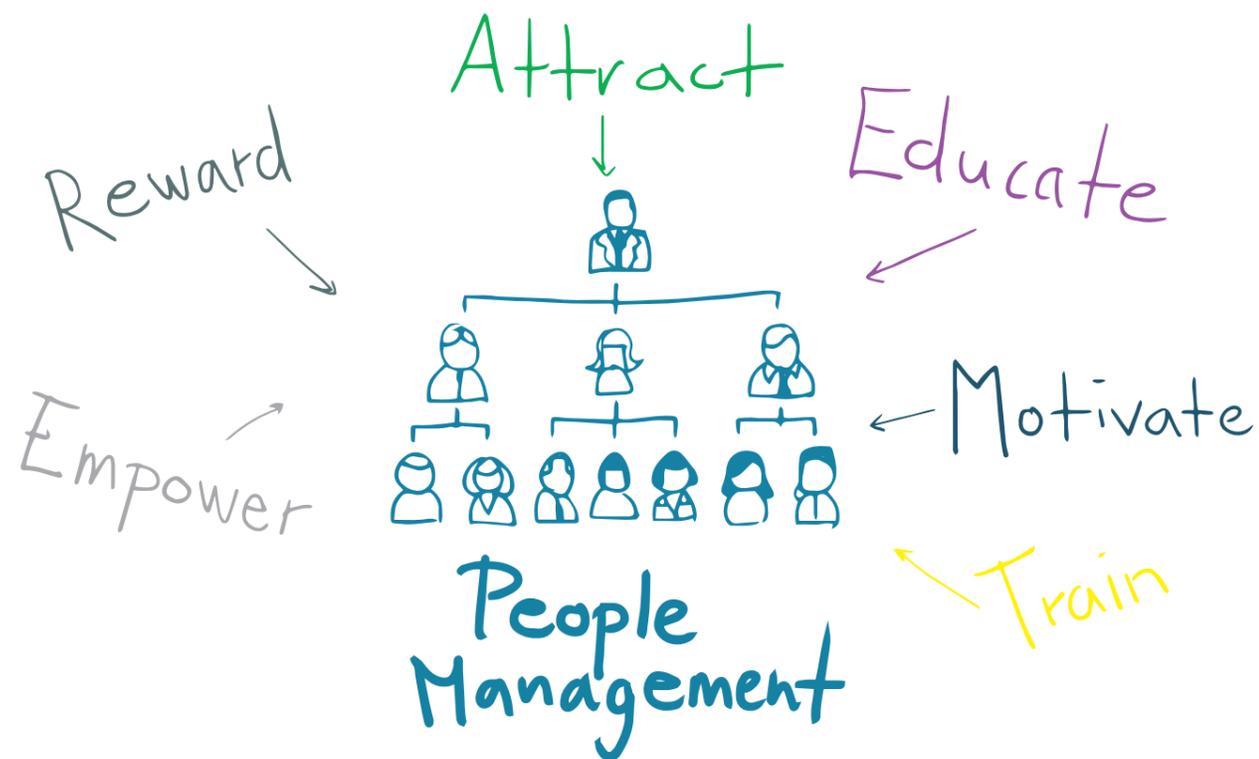
HR in Exel Composites continues to aim for consistent quality and customer focus in delivering effective and comprehensive support across all functional areas. "I partner globally with our HR colleagues to provide the processes and services required for them to effectively manage their teams in the field, regions and plants. Our work is to pay continuous attention to streamlining and making our role more efficient", says SVP HR Tiina Hiltunen.

Significant progress has been made in the end of 2014 in establishing a strategic workforce planning process and Recruiting process within Exel. In the year 2015 as part of global HR Information System project the complex data availability, accuracy and integrity issues have been addressed over the

past years to construct a reliable foundation of historical data and a methodology upon which to build workforce forecasts and models.

The concept of the new Recruitment Policy and Process has been gradually introduced in the second half of 2014. First successful appointments through direct selections took place during the autumn. Feedback was very enthusiastic and HR expects to fully benefit from this concept for better and speedier deployment of newcomers in 2015.

Other area in which HR proved leadership is in individual performance management. Launched in December 2014 and targeting the staff globally, the Performance Development Review (PDR) process is improving staff and supervisor accountability. The launch was accompanied by extensive training delivery to staff globally. HR started during December 2014 to deliver training events through a combination of face-to-face classroom training, one-on-ones and small group clinics. The On-Boarding program for newcomers was launched in autumn 2014.



RIINA SEPPÄNEN
CUSTOMER SERVICE MANAGER

Being a world-class composite technology company calls for excellent human resources management, common goals and two-way commitment between the Company and its personnel. Know-how and innovations are always based on people – through the whole production chain from staff to customers.

Returning to Exel after two years of absence has given me perspective to assess the past and ongoing development inside the Company. The present atmosphere is even more positive than earlier. The good spirit of cooperation can be felt everywhere. Humanity, transparency of operations, clear strategy and targets set based on these will be implemented in 2015 throughout the organization. Everyone knows where the Company is heading and what is expected of us as a global company. This will surely increase innovation, occupational well-being, efficiency and customer satisfaction.

I want to emphasize the staff as a key quality factor along with technology. This is a principle that must not remain mere fine words in the annual report. Quality chain that spans from technology to human management is both a guarantee and a prerequisite for agile world-class operations that target customer satisfaction.

QUALITY, ENVIRONMENT AND SAFETY

At Exel Composites occupational health and safety are an essential part of day-to-day management. The safety of our workforce and visitors to our factories and offices is our first priority. We are striving to improve the working environment for our workforce. We are at the cutting edge of the best available environmental technology. Our quality systems are aiming to give the best achievable offering for our customers.

SAFETY

We are using the knowledge gained in achieving OHSAS 18001 Occupational Health and Safety Management System standard in our Nanjing plant to use as a blueprint for our achieving the same standard in our other sites. The roll out of this has already started and we expect more sites to gain this certificate during 2015.

We have set challenging targets to our operational sites to reduce the number of Lost Time Accidents. To assist this reduction we have a company-wide program of encouraging the reporting of any Unsafe Condition or Near Miss -incident. This way we move the culture to prevention of accidents. This is being driven from the Group Management Team to all personnel.

Occupational health and safety issues are an important part of management and the performance is measured by indicators. All the sites of the Group have a safety organization with defined responsibilities.

ENVIRONMENT

Exel Composites Group's Austrian, Belgian, British, Chinese, Finnish and German 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.

Exel Composites is at the cutting edge of state-of-the art projects using Bio-filter and Bio-Media to reduce the effect of any emissions on our workforce and neighbors.

Exel Composites has already installed one such Bio-filtering system at one factory and has just completed a pilot at another plant. This huge investment shows our continuing commitment to ensuring a healthy working environment for our workforce, visitors and neighbors.

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

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.

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.



EXEL'LENCE IS SAFETY



EXEL'LENCE IS INNOVATION



"Improving aviation safety is our commitment. By combining seamlessly Exel Composites' core know-how to our customers' requirements and authority regulations, we strive to develop new and safe innovations to airport environments."

Sami Heikkinen, Business Segment Manager
(Products & Systems), Finland

BUSINESS REVIEW

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.

Leading composite technology company

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.

Specific combinations of fibres and resin systems give the product the unique prop-

erties such as strength, stiffness and low weight. The unrivalled mechanical qualities of composite materials make them unbeatable 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 OFFERS PRODUCTS FOR WIDE RANGE OF APPLICATIONS.

CUSTOM PROFILES	LAMINATES	TUBES	EXEL PRODUCTS AND SYSTEMS
In close co-operation with the customer we design the most innovative composite solution with best performance and superior competitive edge. In addition to custom profiles, we have a wide variety of standard shapes available in our product portfolio, where structures can be designed to meet the customer requirements.	Exel Composites designs and manufactures a wide range of special fibre-reinforced laminates e.g. for construction, transportation and sporting goods industries.	Exel Composites is the world's largest manufacturer of composite tubes with the thinnest walls and the best mechanical properties. We offer a large variety of carbon-, hybrid- and glass fibre tubes ranging from 3 mm to 300 mm diameters as standard. Also other diameters are possible upon request.	We offer a wide range of tool handles and telescopes for cleaning and maintenance tools. Telescopic poles are also used in special tools, where light weight and stiffness combined with adjustable working length are required.
			

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

Our long history and continuous development have given Exel Composites the leading position as a supplier of composite tubes with very thin walls and superior mechanical properties.

We combine various structures and materials to gain desired properties, optimizing this way the final product according to customer needs.

Exel Exelens™ glassfibre tubes come with high-quality surface and attractive colours. Exelite™ carbon fibre- or hybrid tubes come with smooth, plain surface. Exel

Ultralite™ tube range includes carbon- or glassfibre tubes with aesthetic fabric surface and extremely thin wall starting with 0.9 mm. Crosslite™ tubes are carbonfibre tubes with decorative surface and high stiffness and strength.

Our quality tubes are used e.g. in tool handles, telescopic poles, antennas, support structures, measuring equipment and robot arms to mention but a few.

Laminates

In structures where reinforcing is required to improve the performance and reduce weight, Exel laminates are the right choice.

Exel special laminates are available in various structures, where carbon- and glassfibres are utilized. They are always tailored for each application. Our laminates are widely used in sporting goods and in construction and transportation industries.

Profiles

Our product range contains custom-tailored profiles and a vast variety of standard shapes. In close co-operation with the customer we design innovative composite solutions with best performance and superior competitive edge. When designing with composites, several functions can be combined in one profile. Profiles typically come

with very thin wall thickness that enables weight reduction, resulting in energy savings in many applications.

We also have a large variety of standard shapes in our portfolio, where the structures can be tailored according to requirements.

Exel products and systems

Along with continuous product development and long experience with composite profiles and tubes, we have developed many ready composite systems.

We have a wide range of tool handles and telescopes for cleaning and maintenance tools. Telescopic poles are also used in special tools, where light weight and stiffness combined with adjustable working length are required.

Exel Composites has the widest range of safety support structures for airports. These structures include approach light masts, weather masts, ILS- and GP-towers and fencing. All the structures are fully frangible, fulfilling ICAO and FAA safety requirements thus ensuring maximum safety.



BOARD OF DIRECTORS



REIMA KERTTULA
Member of the Board

- Born 1955
- M.Sc. (Eng.)
- Amerplast Ltd., COO of the holding company and Managing Director of the operative companies
- Member of the Board since 2009
- Holdings: 2,912 Exel Composites shares
- Finnish citizen

Previous main positions

- Senior Vice President, Flexibles, Suominen Corporation
- President, Metso Fabrics Inc.
- President and CEO, Tamfelt Corporation

Independence

Independent of the Company and its major shareholders

GÖRAN JÖNSSON
Member of the Board

- Born 1947
- M.Sc. (Econ.)
- Member of the Board since 2008
- Holdings: 5,912 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



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: 6,208 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, Rosti Group AB
- Member of the Board, Active Biotech AB

Independence

Independent of the Company, but non-independent of a major shareholder until 10 June 2014, since he was the Senior Vice President of Nordstjernan AB



KERSTIN LINDELL
Member of the Board

- Born 1967
- M.Sc. (Chem. Eng.), Ph.D., MBA
- President and CEO, Bona AB
- Member of the Board since 2014
- Holdings: 1,066 Exel Composites shares
- Swedish citizen

Previous main positions

- Executive Vice President, Bona Kemi AB
- Research & Development Manager, Akzo Nobel Industrial Wood Coatings

Key positions of trust

- Member of the Board, HMS Industrial Networks AB
- Member of the Board, Peab AB
- Vice Chairman of the Board, Chamber of Commerce and Industry of Southern Sweden

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: 2,912 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

GROUP MANAGEMENT TEAM



TIINA HILTUNEN

- Born 1966
- M.Sc. (Econ.)
- Senior Vice President Human Resources
- Joined the Company in 2014
- Member of the Group Management Team since 2014
- No Exel Composites holdings
- Finnish citizen

Areas of responsibility

- Leading the HR function
- Creating, establishing and implementing HR-strategy, -processes and -procedures globally
- Internal communication of HR-related subjects globally
- Active contribution to the development of Exel Composites as a member of the Group Management Team

Previous main positions

- Regional HR Service Manager, Finland and Eastern Europe, Yara Suomi Oy
- HR Director, Foster Wheeler's Global Power Group



KARI LOUKOLA

- Born 1962
- M.Sc. (Eng.), M.Sc. (Econ.)
- 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



RIKU KYTÖMÄKI

- Born 1971
- M.Sc. (Eng.)
- President and CEO
- Joined the Company in 2014
- Member of the Group Management Team since 2014
- Holdings: 9,500 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

Key positions of trust

- Member of the Board, IEC Holden Inc.



ILKKA SILVANTO

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

Areas of responsibility

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

Previous main positions

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



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: 8,000 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



CALLUM GOUGH

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

Areas of responsibility

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

Previous main positions

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

CORPORATE GOVERNANCE STATEMENT

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

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

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

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 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 2014, the Shareholders' Nomination Board comprised Jari Kivihuhta (Nordea Funds Ltd) as chairman, Tuomas Virtala (Danske Capital Finland), Magnus von Knorring (Fondita Fund Management Company Ltd), Karri Alameri (OP Financial Group), and Peter Hofvenstam, the Chairman of the Board of Directors, acting as an expert member. The Nomination Board has met 4 times.

The Nomination Board developed the proposals for the Annual General Meeting 2015 with the active support of representatives of large institutional owners of Exel Composites Plc, including Försäkringsbolaget Alandia (Henrik Viktorsson), Lancelot Asset Management (Tomas Meerits) and Lannebo Fonder (Johan Lannebo).

Jari Kivihuhta was born in 1966. He is CEO at Nordea Funds Ltd.

Tuomas Virtala was born in 1974. He holds an M.Sc. in Finance and a BA (Hons) in European Business. He is Head of Danske Capital Finland.

Magnus von Knorring was born in 1957. He holds an M.Sc. in Economics. He is Chairman of the Board of Fondita Fund Management Company Ltd.

Karri Alameri was born in 1963. He holds a BBA and CEFA. He is Chief Investment Officer at OP Financial Group.

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 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 elected as new member of the Board of Directors as Heikki

Mairinoja was no longer available for re-election. 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 COO of Amerplast Ltd.

Kerstin Lindell was born in 1967. She holds an M.Sc. in Chemical Engineering, a Ph.D. in Polymer Chemistry and an MBA. She is President and CEO of Bona AB.

In 2014, Exel Composites' Board of Directors has evaluated the Board members' independence of the Company 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, since he was the Vice President of Nordstjernan AB. Göran Jönsson is considered as independent from major shareholders, but as non-independent from the Company as former President and CEO of the Company. The Board was considered to comply with the Corporate Governance independency rules.

The term of the current Board members will expire at the end of the AGM 2015.

Further information on the Board (biographical details and holdings) is presented separately under the heading "Board of Directors" on page 30 in this Annual Report and on the Company website at www.exelcomposites.com.

Work of Board of Directors in 2014

The Board of Directors convened 9 times in 2014 and the average attendance rate at these meetings was 98 per cent.

Besides the regular annual Board work during the financial year 2014, the key priorities included building the new growth strategy to the Company, reinforcing the organization and accelerating 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 Korpiemäki 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 2014 information on the President and CEO (biographical details and holdings) is presented separately under the heading "Group Management Team" on page 32 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 2014. 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. The Group's management assigns responsibility for the establishment of more specific internal control policies and procedures to personnel responsible for the unit's functions. Management and employees are assigned with appropriate levels of authority and responsibility to facilitate effective internal control over financial reporting.

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

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

In financial reporting, the Controller's manual sets the standards of financial reporting as well as accounting rules and

procedures within the Group. The Group controller function assists the business units and functions in setting up adequate control activities in cooperation with the business controllers. The Group controller function is also responsible for ensuring that external financial reporting is correct, timely and in compliance with applicable regulations.

Ongoing monitoring activities include the follow-up of monthly financial reports in relation to budget and targets, follow-up of business plans, monitoring of new plans and follow-up of internal and external projects. The scope and frequency of separate evaluations depend primarily on an assessment of risks and the effectiveness of ongoing monitoring procedures such as business unit self-assessments of control

effectiveness. Internal control deficiencies are identified and communicated in a timely manner to those parties responsible for taking corrective action, and to management and the Board as appropriate. Implementation and control of financial and other business 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. 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.

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

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 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 compo-

nents 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 2014 confirmed the following compensation for Board members:

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

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

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

According to a decision of the Annual General Meeting held in 2014, 60 per cent of the yearly remuneration is paid in cash and 40 per cent in Exel Composites Plc shares, which were acquired directly for and on behalf of the members of the Board of Directors during 2 April – 10 April 2014 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 9 times in 2014. The table below describes the remuneration received by the Board in 2014 (EUR 1,000).

Name	Position	Annual Fixed Fees 2014	Meeting Fees 2014	Total Fees 2014	Total Fees 2013
Peter Hofvenstam	Chairman	34	12	46	52
Heikki Hiltunen	Member	16	7	23	27
Göran Jönsson	Member	16	8	24	28
Reima Kerttula	Member	16	8	24	28
Kerstin Lindell as of 27.3.2014	Member	16	8	24	-
Heikki Mairinoja until 27.3.2014	Member	0	1	1	28
Total		98	43	141	163

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.

Remuneration and service contract of the President and CEO

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

Remuneration of the Group Management Team and short-term compensation

Compensation for the members of the Group Management Team comprises a fixed monthly base salary and fringe benefits as 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 2014, the key financial performance criteria were turnover growth, EBIT and OWC turnover. In 2014, the maximum annual bonus for the President and CEO was a maximum of 50 per cent of his annual salary. For the other members of the Group Management Team the maximum annual bonus was 40 per cent of their respective annual salary.

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

Long-term share-based compensation

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 20048 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.

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 2014 results*	Share-based compensation*	Total 2014	Total 2013
President and CEO	275	0	134	0	409	323
Management Group	564	33	218	74	889	465
Total	839	33	352	74	1,298	788

In addition, termination compensation relating to the termination of the former managing director employment contract amounting to EUR 263 thousand was recorded in the 2013 results the payment of which will be in 2014 – 2015.

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

*Performance-based bonus based on 2014 results and share-based gross compensation (matching shares) from 2012 program will be paid in 2015.

RISK MANAGEMENT

The central short-term goal of Exel Composites is to distinctly improve the profitability and competitiveness and to ensure business driven financial demands are met. 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, 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 poor availability of skilled employees may locally impact in the quality and productivity of the business. The protection of self-developed proprietary technology is important and the risk of IPR violations is exceeding when the business is enlarging globally. Also the importance and risks related to the suppliers and sub-contractors have grown.

Financial risks

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

Currency risk

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

Interest rate risk

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

Credit risk

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

Hazard risks

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

Internal control, risk management and internal audit

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

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

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

INFORMATION FOR INVESTORS

Annual General Meeting

The Annual General Meeting of Exel Composites Plc will be held at 10.30 a.m. on Thursday 26 March 2015 at Scandic Marina Congress Center at the address of Katajanokanlaituri 7, 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 16 March 2015.

Registration

Registration of notices to attend ends at 4 p.m. Finnish time on 19 March 2015. 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:

- on the Company's website www.exelcomposites.com/agm; or
- by email to investor@exelcomposites.com; or
- by telephone at +358 20 7541 221 between 9 a.m. and 4 p.m. Monday to Friday; or
- by telefax at +358 20 7541 201; or
- 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 16 March 2015, 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 23 March 2015 at 10.00 a.m.

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

Dividend

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.20 per share be paid for the 2014 financial year. Shareholders registered on the list of shareholders maintained by Euroclear Finland Ltd. on the record date of dividend payment 30 March 2015 are entitled to a dividend, which will be paid on 8 April 2015.

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 2015

The publication dates for Exel Composites' financial reports in 2015 are as follows:

- **Electronic Annual Report 2014:** Thursday 5 March 2015
- **Interim report Q1 2015** Wednesday 6 May 2015
- **Interim report Q2 2014:** Friday 24 July 2015
- **Interim report Q3 2014:** Friday 23 October 2015

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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