



2011

ANNUAL REPORT



Information for investors

Annual General Meeting

The Annual General Meeting of Exel Composites Plc will be held at 10.30 a.m. on Thursday 29 March 2012 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 19 March 2012.

Registration

Registration of notices to attend begins on Thursday 1 March 2012 and ends at 4 p.m. Finnish time on Thursday 22 March 2012. 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 201; 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 19 March 2012, 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 26 March 2012 at 10.00 a.m.

A holder of nominee-registered shares is advised to request from his/her custodian bank instructions regarding the temporarily 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 0.50 per share be paid for the financial year 2011. Shareholders registered on the list of shareholders maintained by the Finnish Central Securities Depository on the record date of 3 April 2012 are entitled to a dividend, which will be paid on 12 April 2012.

Changes 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 2012

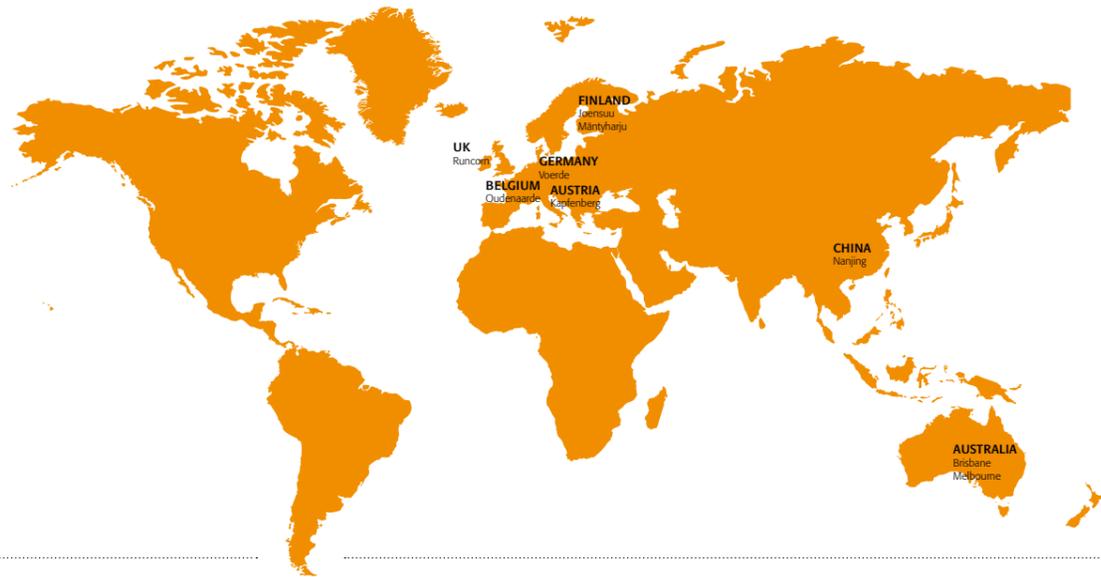
The publication dates for Exel Composites' financial reports in 2012 are as follows:

- Electronic Annual Report 2011: Thursday 8 March 2012
- Interim report Q1/2012: Friday 4 May 2012
- Interim report Q2/2012: Wednesday 25 July 2012
- Interim report Q3/2012: Friday 26 October 2012

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.

Annual Report 2011

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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.

Customer-driven industry leader

EXEL COMPOSITES IS a technology company which designs, manufactures and markets composite profiles and tubes for industrial applications. The Group is the leading composite profile manufacturer in the world and concentrates on growing niche segments.

The core of the operations is based on proprietary, internally developed composite technology, product range based on it and a strong market position in selected segments with a strong quality and brand image. Profitable growth is pursued by a relentless search for new applications and development in co-operation with customers. The personnel's expertise and high level of technology play a major role in Exel Composites' operations. Exel Composites has 9 production units in 7 countries. The Group employs some 430 persons. Exel Composites' share is listed in the Small Cap segment of the NASDAQ OMX Helsinki Ltd. •

Group structure

- EXEL COMPOSITES PLC
 - 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
 - Brisbane, Australia
- EXEL COMPOSITES NANJING LTD
 - Nanjing, China
- EXEL COMPOSITES UK LTD
 - Runcorn, UK

www.exelcomposites.com



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.

Exel Composites' strategy consists of three key elements:

1 BALANCED BUSINESS PORTFOLIO

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

2 OPERATIONAL DEVELOPMENT

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

3 ORGANIZATIONAL DEVELOPMENT

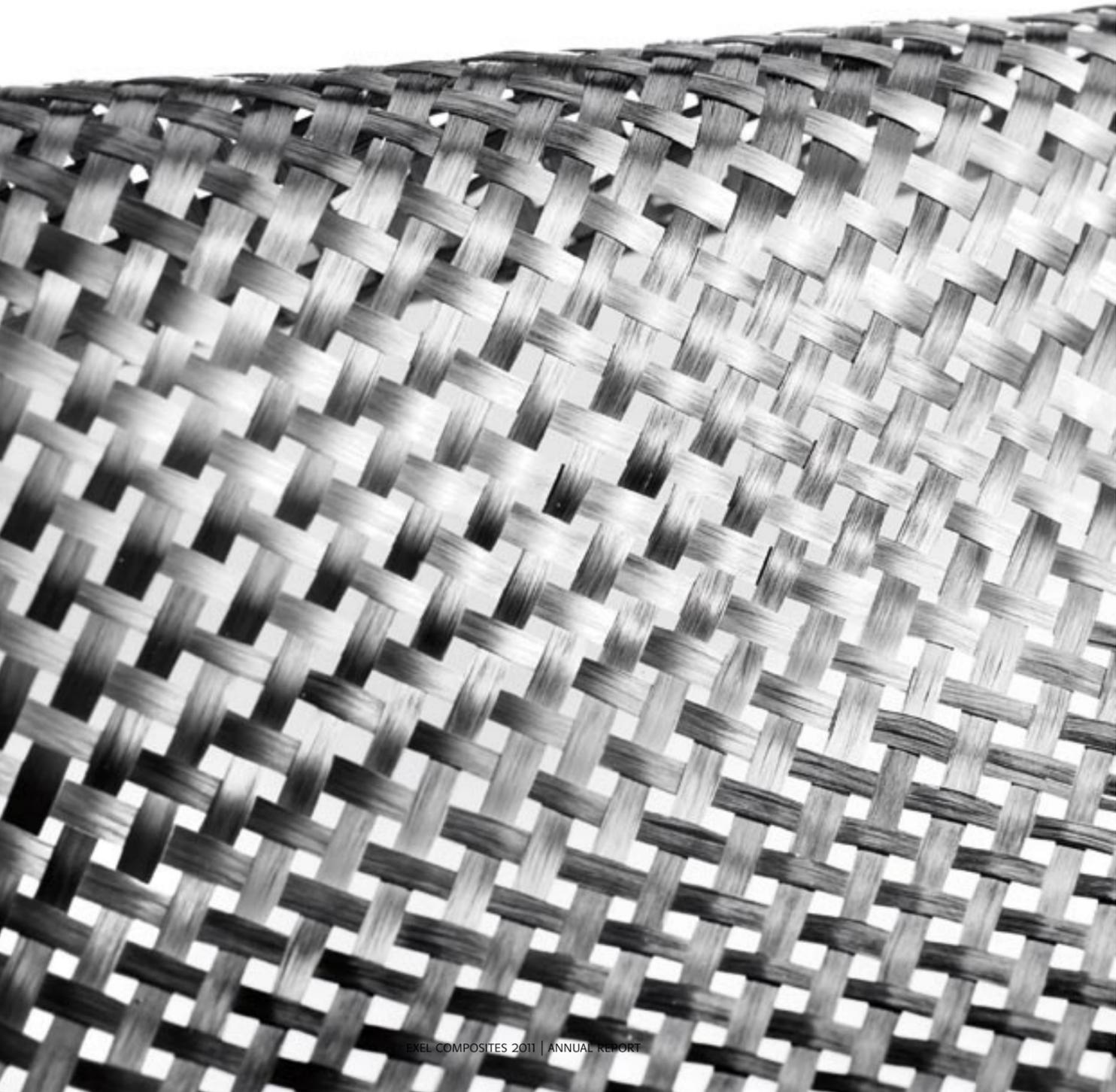
- Invest in technical sales and development
- Boost innovation
- Move towards a more integrated organization

2011

Platform for sustainable profitable growth was reinforced.

Our

success is based on proactive sales work, continuous innovation and close product development with customers.



CEO's review

THE GLOBAL RECOVERY THAT STARTED in the latter half of 2010 continued in 2011. The first half of the year was marked with strong growth for Exel Composites. Demand in Exel Composites' profiles improved until the fourth quarter of 2011, when the growth started to level off.

During 2011, we continued strong customer-driven product development and managed to sell several new products, especially for window and door industry, electrical industry and for machine industry applications. Market demand in telecommunication and airport products was also good.

Net sales continued to grow throughout 2011, and profitability remained on a good level. Net sales increased by 16.8 per cent to EUR 85.1 (72.9) million and operating profit improved 17.5 per cent from EUR 9.4 million in the previous year to EUR 11.1 million in 2011. In 2011, cash flow from business operations was positive at EUR 9.6 (12.0) million. However, the sales and operating profit growth decreased in the third and fourth quarters of the year.

The increased raw material costs, including the European Commission's anti-dumping tariffs on imported Chinese glass fibre, had an adverse effect on the margins. Exel Composites increased product prices, employed alternative sourcing opportunities and increased production in its Chinese operations in Nanjing to reduce the impact of the tariffs. We shall continue price increases to offset the negative impact.

In 2011, we maintained focus on developing our organization. We continued to invest more resources in sales and customer-driven product development. Mr. Kim Sjödaahl was appointed SVP Product and Technology Development and member of the Group Management Team as of 1 February 2012 to further develop our global technical sales organization.

We also launched ExelWay-project, which targets improving

co-operation and harmonizing processes between the units. The project aims at identifying best practices throughout Exel Composites and creating new and efficient business processes. Group-wide practices are also driven by our global ERP and CRM systems, which are now widely in use.

A Group-wide corporate culture survey was executed in autumn 2011. Target of the survey was to find out which areas need to be improved in order to further develop our internal ways of working.

The measures taken in the units to improve profitability showed positive results. A particularly positive outcome was achieved at our Nanjing unit in China.

We also carried out in summer 2011 a strategy review. The key elements of the strategy remained unchanged. Exel Composites' target remains growth ahead of the market while maintaining good profitability. We have identified the faster growing market segments and detailed business plans to address the opportunities.

Exel Composites continues to have a strong position in the pultrusion industry. Our success is based on proactive sales work, continuous innovation and close product development with customers. Growth of the composites is generated by new applications. We will continue our strategy of profitable growth with a strong focus on driving sales to current and new customers.

I would like to thank all our employees for their dedication and contribution. My thanks go also to our customers, partners and shareholders for their continued support. •

FEBRUARY 2012

VESA KORPIMIES, PRESIDENT AND CEO

2011 was a year of profitable growth

2011 was marked with strong growth for Exel Composites. We maintained our focus on customer-driven product development and organizational development.



EXEL COMPOSITES GROUP had a strong performance in 2011 with sales and operating profit developing favorably. Demand in our profiles was strong until the fourth quarter of 2011, when the growth started to level off. In 2011, we continued to focus on customer-driven product development. We also continued to pay attention to developing our organization, especially our sales and technical sales teams. Furthermore, we launched a project, ExelWay, which targets improving co-operation and harmonizing processes across the units. A Group-wide corporate culture survey was executed in the autumn to identify best practices and further develop our internal ways of working.

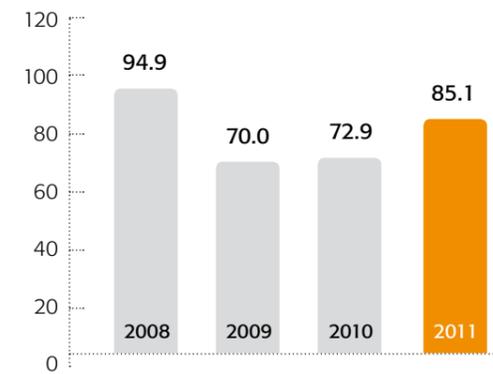
Exel Composites' net sales increased in 2011, ending the year at EUR 85.1 (72.9) million. This represents an increase on the previous year of 16.8 per cent.

The Group's operating profit in 2011 was EUR 11.1 million including EUR +0.5 million non-recurring items (EUR 9.4 million including non-recurring items of EUR +1.4 million). •

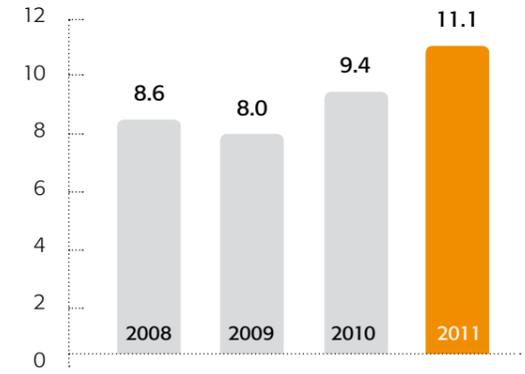
CONSOLIDATED KEY FIGURES

	2011	2010	2009	2008
Net sales, EUR millions	85.1	72.9	70.0	95.0
Operating profit, EUR millions	11.1	9.4	8.0	8.6
% of net sales	13.0	12.9	11.4	10.1
Profit for the period, EUR millions	8.1	6.8	5.9	-3.0
Shareholders' equity	35.1	32.5	25.6	16.7
Net interest-bearing liabilities, EUR millions	-1.7	-1.4	6.1	20.7
Capital employed, EUR millions	43.2	42.7	44.1	45.4
Return on equity, %	23.5	23.3	31.3	-14.7
Return on capital employed (ROCE), %	26.1	21.8	20.9	0.0
Equity ratio, %	61.6	57.4	44.6	28.2
Net gearing, %	-5.0	-4.3	23.7	123.9
Earnings per share, EUR	0.67	0.57	0.50	0.34
Equity/share, EUR	2.95	2.73	2.15	1.40

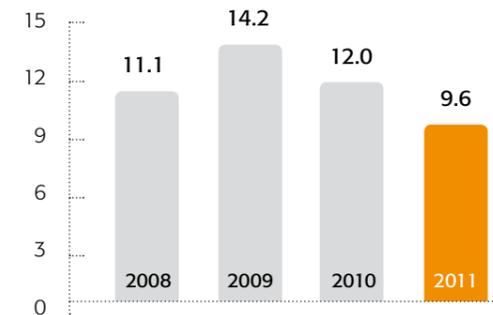
NET SALES, EUR MILLION



OPERATING PROFIT, EUR MILLION

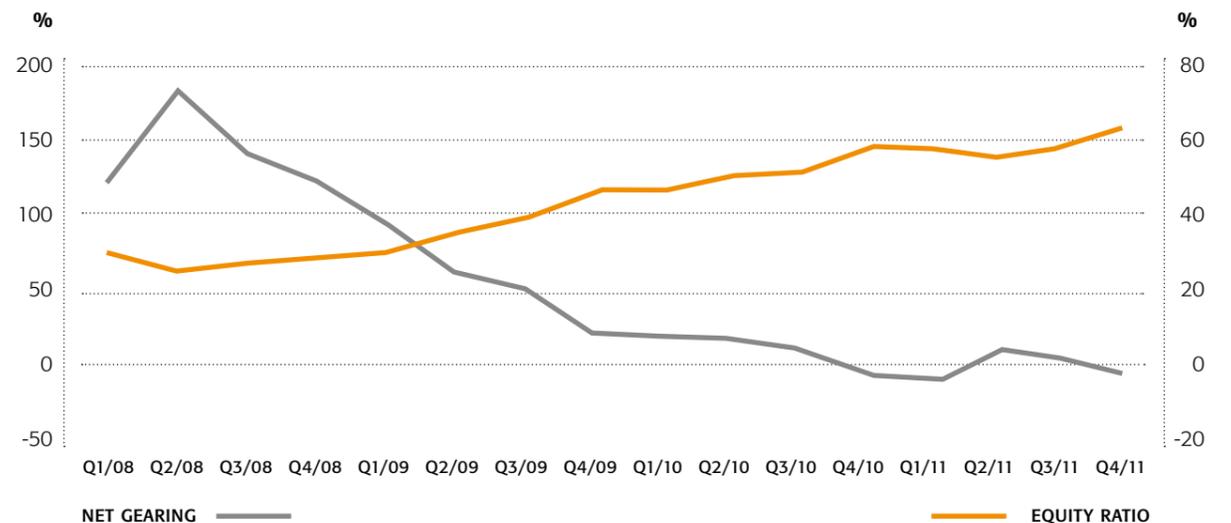


CASH FLOW FROM BUSINESS OPERATIONS, EUR MILLION



In 2011, operating profit increased to EUR 11.1 (9.4) million, up by 17.5%.

NET GEARING AND EQUITY RATIO



Q1 Q2 Q3 Q4

January–March 2011 highlights

- Net sales increased to EUR 21.5 (15.7) million in the first quarter of 2011, up by 37.5 per cent on the weak first quarter of the previous year
- Operating profit was EUR 3.1 million in the first quarter of 2011 compared to EUR 1.0 million in the first quarter of 2010, or 14.6 (6.3) per cent of net sales
- Net operative cash flow was positive at EUR +1.6 (+0.8) million
- Fully diluted earnings per share were EUR 0.20 (0.06)

April–June 2011 highlights

- Net sales increased to EUR 23.4 (19.2) million, up by 21.9 per cent on the previous year
- Operating profit was EUR 3.6 (2.7) million, representing 15.5 (13.8) per cent of net sales
- Net operative cash flow was positive at EUR +2.3 (+3.3) million
- Fully diluted earnings per share were EUR 0.22 (0.16)

July–September 2011 highlights

- Net sales increased to EUR 20.5 (18.7) million, up by 9.5 per cent on the previous year
- Operating profit was EUR 2.6 (2.7) million, representing 12.5 (14.3) per cent of net sales
- Net operative cash flow was positive at EUR +2.5 (+2.8) million
- Fully diluted earnings per share were EUR 0.15 (0.16)

October–December 2011 highlights

- Net sales increased to EUR 19.8 (19.3) million, up by 2.2 per cent on the previous year
- Operating profit was EUR 1.8 million (EUR 3.1 million), or 8.9 (16.1) per cent of net sales
- Net operative cash flow was positive at EUR +3.1 (+5.1) million
- Fully diluted earnings per share were EUR 0.11 (0.19)

Outlook for 2012

- The Exel Composites Group had a strong performance in 2011 with sales and operating profit developing favourably.
- In the fourth quarter 2011 overall demand softened. There are major uncertainties relating to general growth prospects in the economy, and these uncertainties may affect the demand for composite products. Due to the prevailing state of the markets, the visibility is low.
- Exel Composites maintains its cautious stance in 2012, but will continue to drive the long-term initiatives to strengthen the Company's competitive position and to invest in growing market segments to pursue the strategy of profitable growth.

Growth through new applications

Exel Composites is a leading supplier of composite profiles to several applications and market segments. In terms of material features and design capabilities, composites can offer entirely new types of solutions. Composites are the solution of today and the future, and the business grows through new applications in new industries.



Targeting profitable growth exceeding market growth of the industry

In September 2011, Exel Composites' Board of Directors redefined the Group vision and confirmed the strategy to cover the period 2011–2015. The key elements of the strategy and the financial targets remained unchanged. The strategy process gave rise to a new vision.

Exel Composites' vision

Exel Composites' new vision is as follows:

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', employees', suppliers' and shareholders' business.

Exel Composites' strategy

The strategy was reviewed following the guidance of the new vision. The key elements of the strategy remained unchanged. Exel Composites' target is to grow ahead of the market while maintaining good profitability.

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

Exel Composites' strategy consists of three key elements:

1 BALANCED BUSINESS PORTFOLIO	2 OPERATIONAL DEVELOPMENT	3 ORGANIZATIONAL DEVELOPMENT
<ul style="list-style-type: none"> • Continue organic growth and selected acquisitions • Build sustainable customer portfolio of OEM customers • Focus on attractive segments with growth potential 	<ul style="list-style-type: none"> • Improve process efficiency and yield • Harmonize processes across units • Drive environmental standards 	<ul style="list-style-type: none"> • Invest in technical sales and development • Boost innovation • Move towards a more integrated organization



leader in the pultrusion industry.

To achieve a balanced business portfolio, Exel Composites focuses on developing a sustainable customer portfolio and prioritizing 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 practises 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. •

VISION:

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

Financial targets

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

GROWTH	OPERATING PROFIT	DIVIDEND POLICY
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.	Exel Composites' target is the operating profit to exceed 10 per cent of net sales.	Exel Composites aims to distribute at least 40 per cent of net income in dividends, as permitted by the financial structure and growth opportunities.



Excellent insulation characteristics

Glass fiber offers excellent insulation along with mechanical properties superior to many traditional materials. Therefore, glass fiber pultruded profiles are a first-class choice for demanding applications like window and door profiles.



Innovation and know-how combined

Exel Composites' position as the number one pultrusion company in the world is a result of a unique formula, where the customers' expertise on applications is coupled with Exel's unrivalled knowledge and experience on composites. Through such cooperation, true innovation is born.

INTRODUCTION

Leading pultrusion company

Exel Composites is the world's leading pultrusion company. Exel Composites specializes in the developing, designing, manufacturing and marketing of strong, durable and lightweight composite profiles. There are already over 1,000 glass and carbon fiber profile applications, all of which are the result of customer-focused product development. Work on replacing other materials, such as aluminum, steel and wood, with composite materials is ongoing and new applications are regularly being found. The unrivalled lightweight and mechanical qualities of composite materials make them unbeatable in terms of durability and functionality. It is Exel Composites' main objective 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's 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.

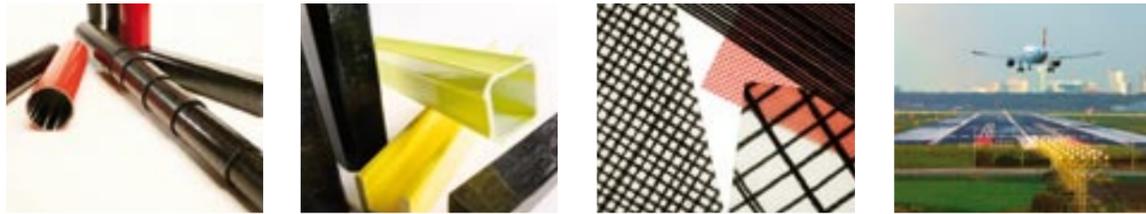
Exel Composites invests considerable financial and human resources with key partners in strategic areas of product development.

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	PROFILES	LAMINATES	AIRPORT PRODUCTS
<p><i>Exel Composites is the world's largest manufacturer of thin-walled pullwound tubes and hollow profiles. Pullwinding technology enables the accurate control of the crosswise and longitudinal properties of the final product.</i></p>	<p><i>Exel Composites is the leading manufacturer of demanding, customer tailored profiles for industrial applications.</i></p>	<p><i>Exel Composites produces a wide range of special fibre-reinforced laminates. Laminates are used in e.g. manufacturing, construction, sporting goods and transportation industries.</i></p>	<p><i>Exel Composites supplies frangible structures to airports including approach lighting systems, weather measuring systems, anemometers, ILS-localizers, and fencing.</i></p>

APPLICATIONS AND MARKETS

Transportation

Composites are widely used in transportation industry, e.g. in automotive industry and in trucks and trains, where lower weight helps vehicles use less fuel. Composite profiles are corrosion resistant requiring less maintenance and lasting longer.

Exel Composites provides external and internal body parts for trains and trams as well as buses and coaches. Products include cant rails, skirts and luggage door panels. Internal body parts include air conditioning/heating ducts, ceiling profiles, side walls and luggage rack parts. A wide array of composite profiles is supplied also to the truck and trailer industry.

We achieved good growth in 2011 for bus and train applications. Quality requirements in this market are getting ever more challenging and therefore our operations and technology developments have been sharpened to meet these challenges. There are promising new applications in the transportation segment.

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. Durabil-

ity 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.

In airport products, recovery from 2010 downturn emerged at the beginning of 2011 and airport business activity remained on a good level throughout the year. Contracts for frangible supports for approach lights and weather stations were awarded to Exel from most market areas, with the home market Europe remaining strongest. Some encouraging signs of entrance to new market areas and growing market acceptance of other frangible support structures were received at the end of the year.

Window and door market is driven by new energy efficiency regulations that give greater importance to thermal insulation. Window systems manufacturers have clearly started to understand the benefits of composite profiles.

Energy industry

New and innovative solutions are being developed by Exel Composites to meet the demands of the global energy sector. Exel Composites is involved in the major energy sectors (solar, oil and gas, tidal etc.), where the use of composite materials through lightweight but strong materials can bring real benefits in providing a cost-effective solution.



TOOLHANDLES AND TELESCOPIC POLES	WINDOWS AND DOORS	MACHINE INDUSTRY	ELECTRICAL INDUSTRY
<p><i>Exel Composites' series of toolhandles and telescopic poles offer the right products for demanding professional tools and materials for consumer toolhandles.</i></p>	<p><i>Exel Composites' insulating and thermally stable composite profiles with excellent mechanical properties meet the rising performance demands for windows and doors.</i></p>	<p><i>Exel Composites offers state-of-the-art pultruded composite profiles for different segments of machine industry. Products are tailored for customers using different fibres and resins to adjust profile properties.</i></p>	<p><i>Exel Composites supplies a wide range of composites solutions for electrical industry. Material properties – like insulation – and production methods are selected based on customer requirements.</i></p>

Telecommunication

Products 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 solution is the use of pultruded glass fiber composite profiles and tubes.

Exel Composites leads the way in this market 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 as the main antenna support. Other features ensure 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.

2011 was a good year in telecommunication market segment as demand for the products was strong.

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. New applications will be developed within the product group with extensive product development both for doctoring and other applications where

characteristics specific to composites such as specific strength, controlled wearing properties, light weight or corrosion resistance are needed.

Electrical industry

Glass fiber 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.

Numerous new applications were developed for electrical industry in 2011.

Cleaning and maintenance

Exel Composites continues to develop and expand its tool handles and telescopic pole range as a system supplier for numerous applications for professional use. Focus on serving OEM partners in the main application areas increased sales in 2011. Besides processing the products further in existing application areas, new application areas in electric industry were positively



received by customers. Sales expansion into new geographic areas was continued in 2011.

Sports and leisure industry

Thanks to excellent mechanical properties and light weight, composite tubes, profiles and laminates are manufactured for OEM customers in the sporting goods industry such as skis, ski poles, floorball sticks, surfing masts, snowboards, skateboards, kiteboards and ice hockey sticks. There is also an increasing number of applications in the leisure area including caravan awnings, tent structures, sailing masts, fishing rods, archery products, furniture and components for boats and snowmobiles.



Machine industry

Exel Composites has long manufacturing 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. Composites' low thermal expansion combined with low weight and high stiffness and strength make them an ideal alternative.

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

2011 continued the growth path in both supplying customers with long relationship as well as new customers and applications.



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 defence products; camouflage support poles but also a number of customer-tailored solutions in defense industry.



Growing with new applications

Exel Composites is a leading supplier to several applications and market segments. However, we do not want to limit our operations only to the current segments. Composites are the solution of the future for several new applications. They deliver added value, help to differentiate and create one element of the brand.

The business grows through new applications in new industries where composites offer totally new types of solutions in terms of material features and design capabilities. •



"We generate value to our Machine Part segment customers by combining composites' superior performance to cost-effectiveness of pultrusion."

JARI SOPANEN, SALES DIRECTOR



Many of nature's greatest materials are composites

MANY OF NATURE'S FINEST materials are composites. Natural fibers within a natural matrix. They have been developed during millions of years, optimized by nature for their use. Composites are per definition mixed materials. Fibers bring strength and stiffness while resins in different combinations bind the fibers in place and define fire and chemical properties. The composite material is built up and finalized during the manufacturing process, giving the final properties.

Man-made composite structures are long-lived without rust or rotting, reducing the need for replacement and maintenance. This is by far the most important reason for the material to be environmentally friendly. Combining this with low energy consumption during production means the composite has a much smaller impact on the environment than other materials through its life-cycle. Adding to this the composite material is very efficient in use as insulation – and therefore can reduce the energy consumption in buildings when used as a building material. The composite therefore saves energy in an indirect way. Indirect savings are also especially used in transport and machine applications, where the low weight of the composite will reduce the energy needed to move our mechanical machines. This will increase payloads and/or reduce the need to use energy to move the machine elements themselves – making for more effective work and energy savings. And the energy we save we do not need to produce.

During the recent years we have also worked to complete our recycling cycles. At Exel Composites we have been pushing to recycle materials all the way from office paper to production waste to finished product. There are now technically possible ways of recycling all our waste streams, but work is still to be done in order to make the logistics and routes to recycling more efficient. Some of the composite waste is recycled directly into new composite products, while some go via energy production to separate the fibers and the matrices. For glassfibre reinforced composites there now is a viable and available solution via the cement industry. In the cement kilns, at temperatures above 1200C, the glass and the fillers are turned into raw materials needed for the cement (SiO_2 , CaO , Al_2O_3).

At Exel Composites we do produce materials also from natural fibers and natural base resins. They show some exciting properties which complement the glass, carbon and synthetic fibers that are more common in our man-made composites. We are sure to see further use of these materials in the future, and especially the hybrid combinations show great potential. •

Quality in every aspect

In 2011, our internal focus continued to be on developing the expertise of our personnel as well as quality, safety and environmental matters.



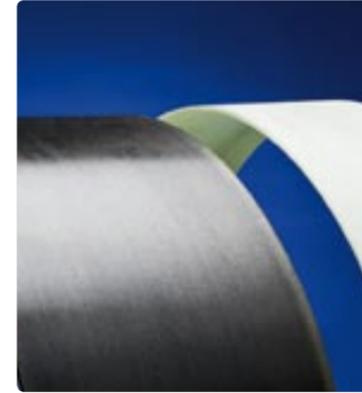
PERSONNEL

Human resources

Supporting the attainment of the key targets of the Group strategy was the main focus of the Human Resources function in 2011. Special attention was paid to recognizing and developing change needs within the organization, analyzing human resources and knowledge potential as well as making and implementing a recruiting plan. Special attention was also given to recognizing management potential.

Exel Composites' Group-wide HR function was started partly on a new basis, and plans to develop the function in the future were made. Besides establishing a proper HR function operating on unit level, more attention is given to attaining the HR function's targets on Group level. Group-level HR function's duties were revised and certain aspects were added. These include development of organizational structure, recognizing key potential of the Group and developing incentive systems. The duties will also include developing Group-level management and knowledge with the help of common training/development programs. Supporting Group-level recruiting and developing the recruiting process were also included in the Group HR function.

During the period under review, we started to build a common corporate culture or Exel Composites with the aim of making the best use of the different lines of operation and processes based on the best practices of the Group. A project called ExelWay was launched to implement this. The project was preceded by a survey on the efficiency of Exel Composites' corporate culture. The survey was executed in all the units and personnel groups of the Group. It provided a clear picture of the prevailing corporate cultures in the different business units of the Group, most of which have joined the Exel family through acquisitions. At the same time, the results make it easier to pay attention to areas that need to be developed and, on the other hand, to strengths that



are to remain such also in the future. Concrete measures were started in each unit at the end of 2011 and they will continue throughout 2012.

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 performance reviews and training needs analysis are used to clarify where knowledge is needed and to support personal development.

Equality

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 em-

CASE



Exel Composites involved in a global climate change scientific field experiment in Australia

IN 2011, EXEL COMPOSITES' MELBOURNE UNIT was awarded the contract to supply glass fibre composite tubes used to construct the primary structure for the FACE (Free-Air CO₂ Enrichment) experiment, a global climate change scientific initiative of the University of Western Sydney, Australia.

The FACE experiment allows investigation of the response of woodlands to rising CO₂ and climate change under natural conditions. The work has broad significance for understanding how forest ecosystems will adapt to rising atmospheric CO₂ in a low nutrient, seasonally dry context. The results are examined by the Hawkesbury Institute. The outcomes are then integrated into decision support systems for management of forests to reduce the risks arising from climate change.

The experiment is the first conducted in natural forest. It will run for 15 years to test the long-term effects on the flora and fauna in an old-growth eucalypt forest, of a green-house gas enriched environment, simulating predicted atmospheric green-house gas levels in the future. •

Exel Composites supplied six identical experimental 'arrays' inside the forest. Each array is served by a permanent tower crane and comprises 32 CO₂ vent masts 28 metres high in a 25 metre circle, surrounding a group of old-growth trees. The vent structure is fabricated from pultruded glass-fibre composite material.



employees are also eligible for incentive compensation, but their annual bonus is based on productivity. The key management is additionally covered by a program designed to enhance their long-term commitment.

Personnel

At the end of 2011 the Group employed 428 (408) personnel. The average number of employees during the period was 428 (404). The number of employees in Finland was 199 (189) and in other countries 229 (219). The increase both in Finland and abroad is due to the increased sales volumes.

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 top 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 new common ERP was taken use the in Exel Composites Group in 2008. The rollout has been completed in Europe and Australia. The system will be in use in all the units of the Group by the end of 2012.

Environment and safety

Exel Composites Group's Finnish and Chinese 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.

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.

The occupational health and safety issues are part of normal management and the performance is measured by indicators. 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.

Exel Composites remains committed to re-using composite wastes and is an active participant in programs such as the work done by the European Composites Recycling Services Company (ECRC). The ECRC is developing new applications for using composite waste and influencing European legislation as part of the European composites industry. •



Mastering the challenges of thermal expansion

Tight tolerances and varying temperatures pose a significant challenge for fast moving machine parts. The solution lies in low thermal expansion characteristics and excellent endurance – both qualities of carbon fiber composites.

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") published 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 Finnish Corporate Governance 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.

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.

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 has considered the possibility of proposing a suitable female Board candidate, in accordance with the Corporate Governance Code concerning the gender parity of the Board. So far the Nomination Board has not found a suitable candidate who would be also familiar with the Company's main lines of business. The Company aims at complying with the recommendation in the long run.

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).

In 2011, 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 three times in 2011.

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.

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 6 April 2011 the Annual General Meeting re-elected Peter Hofvenstam, Göran Jönsson, Reima Kerttula and Heikki Mairinoja to the Board of Directors. Heikki Hiltunen was elected as a new member of the Board of Directors. Vesa Kainu was no longer available for re-election to the Board. 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.

Vesa Kainu was born in 1947. He holds a B.Sc. in Engineering. He retired in 1947 from the position of Managing Director of Metso Ventures. He is currently actively involved in board work and management consulting. Vesa Kainu was member of the Board of Directors until 6 April 2011. He was no longer available for re-election to the Board.

Reima Kerttula was born in 1955. He holds an M.Sc. in Engineering. He is President of Metso Fabrics Inc.

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 2011, 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 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 indepen-

gency rules.

The term of the current Board members will expire at the end of the AGM 2012.

Further information on the Board (biographical details, holdings and compensation) is presented separately under the heading "Board of Directors" on page 38 in this Annual Report and on the Company website at www.exelcomposites.com.

Work of Board of Directors in 2011

The Board of Directors convened 9 times in 2011 and the average attendance rate at these meetings was 100 per cent.

Besides the regular annual Board work during the financial year 2011, the key priorities in 2011 included continued measures to protect the financial fundamentals and to reinforce the financial position, to reinforce the focus on the core composite business, to develop the group organization, to improve management tools such as CRM, to accelerate the sales force activities and to refine the Group strategy. The Board confirmed the strategy to continue focusing on profitable growth by pursuing organic growth opportunities and bolt-on acquisitions.

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.

Vesa Korpimies is Exel Composites' President and CEO. He was born in 1962 and holds an M.Sc. in Economics.

The 2011 information on the President and CEO (biographical details and holdings) is presented separately under the heading "Group Management Team" on page 40 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 man-

agement 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 is in use in all the European units of the Group as well as in Australia. Subsidiaries submit their figures to group reporting system for consolidation purposes. The reported figures are reviewed both in the subsidiaries and in group accounting. A global CRM system was implemented in the Group during 2011.

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 2011. 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, audit of the financial statements, and review of internal control procedures as well as communication with 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 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.

During 2011 Exel Composites concluded the Business Unit level assessment of the effectiveness and adequacy of control activities pertaining to financial reporting process. Assessments conducted resulted in action plans aimed at further improvement of reporting controls in units. Furthermore, risks, control objectives and common controls were systematically identified and documented in monthly Business Unit level closing process and Group level consolidation processes. Management has defined sales processes as the next core area for internal control development. This objective was pursued in 2011 with the introduction of Group-wide instructions and policies concerning these processes.

Sales process evaluation will start in 2012 with the identification of key risks and definition of appropriate control measures followed by unit level reviews aimed at establishing the current status and adequacy of controls as well as establishing improvement actions when necessary. Furthermore, Group Controller function will monitor the progress of and drive internal control improvements in line with the action plans in the course of financial reporting controls reviews. •



Chairman Peter Hofvenstam

- Born 1965
- M.Sc. (Econ.)
- Senior Vice President, Nordstjernan AB
- Member of the Board since 2001
- Chairman of the Board since 2008
- No Exel Composites holdings
- Swedish citizen

PREVIOUS MAIN POSITIONS

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



Heikki Hiltunen

- Born 1962
- B.Sc. (Eng.)
- Executive Vice President and Deputy to CEO of Vacon Plc
- Member of the Board since 2011
- No Exel Composites holdings
- 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



Göran Jönsson

- Born 1947
- M.Sc. (Econ.)
- Member of the Board since 2008
- Holdings: 3,000 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

- Born 1955
- M.Sc. (Eng.)
- President, Metso Fabrics Inc.
- Member of the Board since 2009
- No Exel Composites holdings
- Finnish citizen

PREVIOUS MAIN POSITIONS

- President and CEO, Tamfelt Corporation
- Senior Vice 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



Heikki Mairinoja

- Born 1947
- M.Sc. (Eng.), B.Sc. (Econ.)
- Member of the Board since 2008
- No Exel Composites holdings
- Finnish citizen

PREVIOUS MAIN POSITIONS

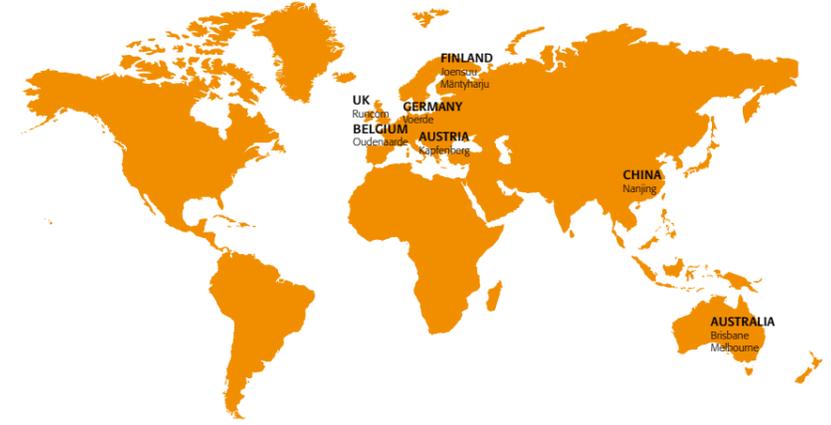
- President and CEO, Oy G.W. Sohlberg Ab
- CEO, Uponor Group
- Executive Vice President, Uponor Group

KEY POSITIONS OF TRUST

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

INDEPENDENCE

Independent of the Company and its major shareholders



Vesa Korpimies

- Born 1962
- M.Sc. (Econ.)
- President and CEO since 2008
- Member of the Management Group since 1996
- Joined the Company in 1987
- Holdings: 94,662 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

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 Management Group since 2004
- Holdings: 10,557 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

Callum Gough

- Born 1960
- M.Sc. (GM)
- Senior Vice President, Operations
- Joined the Company in 2006
- Member of the Management Group since 2007
- Holdings: 11,594 Exel Composites shares
- British citizen

AREAS OF RESPONSIBILITY

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

PREVIOUS MAIN POSITIONS

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

Kim Sjödahl

- Born 1974
- M.Sc. (Eng.)
- Senior Vice President, Product and Technology Development
- Joined the company in 1997
- Member of the Group Management Team as of 1 February 2012
- Holdings: 5,000 Exel Composites shares
- Finnish citizen

AREAS OF RESPONSIBILITY

- Group-wide development of products, product platforms and 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

General Managers of Business Units

Ken Slater
Australia

Josef Lanzmaier
Austria

Eric Moussiaux
Belgium

Callum Gough (Acting General Manager)
China

Tarmo Karhapää
Finland

Michael Lorenz (Procurist)
Germany

Richard Thomas
UK

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 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 incentive share-based compensation.

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 2011 confirmed the following compensation for Board members:

Chairman of the Board: EUR 34,000 per annum and ad-

REMUNERATION RECEIVED BY THE BOARD IN 2011, EUR 1,000

Name	Position	Board Salaries 2011	Board Meeting Fees 2011	Board Salaries and Fees Total 2011	Board Salaries and Fees Total 2010
Peter Hofvenstam	Chairman	34	12	46	50
Heikki Hiltunen <i>as of 6.4.2011</i>	Member	12	7	19	-
Göran Jönsson	Member	16	8	24	26
Heikki Mairinoja	Member	16	8	24	26
Reima Kerttula	Member	16	8	24	26
Vesa Kainu <i>until 6.4.2011</i>	Member	4	1	5	26
TOTAL		96	44	140	154

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.

ditionally 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.

The Board of Directors convened 9 times in 2011. The table on the opposite page describes the remuneration received by the Board in 2011 (EUR 1,000).

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. In line with TyEL the President and CEO's retirement is flexible from age 63 to age 68. 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, fringe benefits and an annual bonus. 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 2011, the annual financial performance criteria were turnover growth, EBIT and OWC turnover. In 2011, the maximum annual bonus for the President and CEO was a maximum of 50 per cent of his an-

nual 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 long-term incentive program for the Group Management Team and selected key employees of the Company. The aim of the program is to commit persons entitled to participate in the program to improve Exel Composites Plc's long-term profitability and value and reward them for achieving these goals in line with Exel Composites' strategy and financial targets. The Program is confirmed annually by the Board of Directors.

The Participants shall earn the reward under the annual program if the financial performance targets as set by the Board of Directors have been met. The Board of Directors will decide on the targets related to the growth of the Exel Composites Group's earnings per share (EPS) and return on capital employed (ROCE) for each program separately before the beginning of the program. The maximum amount of reward for each annual program is decided by the Board of Directors and can be denominated as cash or a corresponding number of granted shares. There is a vesting period of two years before the title of the shares is transferred. The cost of the program will be accounted for as operating expenses during the duration of the program and accrued for in the financial statements according to IFRS 2. The disbursement of the rewards is subject to the participant being employed or being in the service, and having not given notice thereof, of the Group at the time of disbursement, unless otherwise decided by the Board.

Under the program 2011, the reward was denominated as cash and the allocated rewards totalled EUR 0.5 million and the cost has been recorded.

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 2011 results*	Share based compensation based on 2011 results*	Total 2011	Total 2010
President and CEO	227	13	122	171	532	520
Management Group	238	21	106	114	479	669
TOTAL	465	33	228	285	1,011	1,189

*Paid in 2012

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. •

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, 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
- Securing continuous operation without interruptions
- Developing contingency plans to address the market uncertainty and limited visibility
- 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 and AUD 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. •

Inbuilt fire safety

Fire safety is undoubtedly one of the key criteria for the majority of products and applications, regardless of what they are used for. Our resin systems have been developed to comply with demanding fire safety regulations, resulting in safe materials for your applications.



Review by the Board of Directors

EXEL COMPOSITES IS A TECHNOLOGY COMPANY which designs, manufactures and markets composite profiles and tubes for industrial applications. The Group is the leading composite profile manufacturer in the world and concentrates on growing niche segments.

The core of the operations is based on proprietary, in-house developed composite technology, a broad and competitive product range and a strong market position in selected segments with a strong quality and brand image. Profitable growth is pursued by searching 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.

Financial performance

In 2011, net sales for the Exel Composites Group increased on the previous year, ending the year at EUR 85.1 (72.9) million. Net sales started to improve in the first quarter of 2011 compared to the weak first quarter of 2010. Market conditions improved and strong growth continued until the fourth quarter when the growth started to level off. Strong market demand was experienced especially in telecommunication and machine industry. Building and infrastructure sales were supported by a recovery in airport products from the previous year's low levels as well as a positive trend in windows and doors driven by consistent sales efforts. Sales picked up also in the electrical industry in the third quarter of 2011 following recovered demand most notably in the electrical machine industry and other electrical applications.

A decision was made in the second quarter of 2011 to invest in five new production lines using advanced pultrusion technology to secure future growth. The first advanced line started in September in the Mäntyharju unit in Finland. It is designed to produce more demanding and broader products.

The European Commission raised a new anti-dumping investigation on imported Chinese glass fiber raw materials in August 2011. In September 2010, the Commission imposed an anti-dumping tariff of 43.6 per cent on imported Chinese glass fiber which was lowered to 13.8 per cent in mid-March 2011 in addition to the base tariff of 7 per cent. Exel Composites has increased product prices, employed alternative sourcing opportunities and increased production in its Chinese operations in Nanjing to reduce the impact of the tariffs.

Exel Composites' operating profit for the financial period improved to EUR 11.1 million including EUR +0.5 million non-recurring items (EUR 9.4 million including non-recurring items of EUR +1.4 million). The operating profit as a percentage of net sales was 13.0 (12.9) per cent. Operating profit without non-recurring items was 12.4 (11.0) per cent of net sales. In 2011 other operating income included EUR 0.5 million of one-off items. Other operating income included one-off Sports licensing income of EUR 2.5 million. In the previous year, other operating expenses included one-off restructuring costs of EUR 1.8 million due to the corporate restructuring of the former Floorball licensee and other operating income included one-off Sports licensing income of EUR 2.5 million.

Exel Composites' Nanjing unit in China achieved ISO 14001 Environmental Management status in September 2011. The Group's Finnish units were granted ISO 14001 environmental certificate earlier. The target is to have all the units of the Group certified.

Exel Composites entered into a trademark license agreement with E-Sports Group in relation to Exel's pole products on 1 August 2011. The licence agreement covers the use of the Exel trademark with regards to poles for skiing, Nordic Walking and Nordic Blading. E-Sports Group is the license holder also for Exel floorball products.

The increased raw material costs started to have an ad-

verse effect on the margins in the third quarter of 2011. Exel Composites took measures to mitigate the effects, and passed part of the rising costs to the market by increasing product prices. Personnel costs increased in 2011 as we continued to invest more resources in sales and customer-oriented product development. We will continue to strengthen the organization to ensure future growth.

The measures taken in the units to improve profitability showed positive results. A particularly positive outcome was achieved at our Nanjing unit in China.

The Group's net financial expenses in 2011 were EUR 0.3 (0.5) million. The net financial expenses in 2011 included exchange differences of EUR -0.1 (-0.0) million. The Group's profit before taxes was EUR 10.8 (8.9) million and profit after taxes EUR 7.9 (6.8) million.

Fully diluted total earnings per share improved from EUR 0.57 in 2010 to EUR 0.67 in 2011. Return on capital employed in 2011 increased to 26.1 (21.8) per cent, due to improved operating profit and higher turnover of capital employed. Return on equity was 23.5 (23.3) per cent.

Balance sheet and financial position

Exel Composites maintained a strong emphasis on cash flow and improved the financial position further in 2011. Cash flow from business operations was positive at EUR 9.6 (12.0) million. Cash flow before financing, but after capital expenditure, amounted to EUR 6.4 (10.4) million.

Capital expenditure was financed with cash flow from business operations. At the end of the financial year, the Group's liquid assets stood at EUR 9.8 (11.6) million.

The Group's consolidated total assets at the end of the financial year were EUR 57.0 (56.9) million.

Interest-bearing liabilities amounted to EUR 8.1 (10.2) million, of which short-term liabilities accounted for EUR 0.0 (0.0) million. Net interest-bearing liabilities were reduced by EUR 0.4 million to EUR -1.7 (-1.4) million. Non-current liabilities were prematurely amortized by EUR 2.1 million. Exel Composites ensured in July 2011 a new committed 3-year revolving credit facility of EUR 20 million to refinance current credit facilities and to ensure the financing of growth.

Equity at the end of the financial year was EUR 35.1 (32.5) million and equity ratio 61.6 (57.4) per cent. The net gearing ratio was -5.0 (-4.3) per cent.

The Company paid total dividends during the financial year of EUR 5.9 (3.0) million. Dividend per share was EUR 0.50 (0.25) including an extraordinary dividend of EUR 0.25 per share due to Exel Composites' 50th anniversary in 2010.

Capital expenditure and depreciation

The capital expenditure on fixed assets amounted to EUR 3.2 (1.6) million.

Total depreciation of non-current assets during the year under review amounted to EUR 2.7 (2.9) million.

Personnel

The number of Exel Composites Group employees on 31 December 2011 was 428 (408), of whom 199 (189) worked in Finland and 229 (219) in other countries. The average number of personnel during the financial year was 428 (404). The increase both in Finland and abroad is due to the increased sales volumes.

Research and development

Product and technology development costs totaled EUR 1.6 (1.3) million, representing 1.9 (1.8) per cent of net sales. The main projects were connected with the development of new products and customer applications.

Risk management

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

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

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

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

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

Financial risks consist of currency, interest rate, liquidity and funding risks, and credit and other counter party risks. Currency and interest rate risks are managed by hedging using different

derivatives. Credit insurance is in place to cover risks related to trade receivables.

The most significant near-term business risks are related to the general economic development, government regulations and a possible new financial crisis in the Euro area as well as to market demand in certain market segments. Raw material prices, energy cost and other cost increases may continue and put pressure on profitability. The European Commission's anti-dumping tariffs imposed on Chinese glass fiber will have a negative effect on the profitability in case the rising costs of glass fiber can only be transferred partially to product prices. In case the measures taken in the Chinese and British units to improve efficiency prove to be unsuccessful, this may have an effect on the result of the company. Currency rate changes, price competition and alternative competing materials may also have a negative effect on the result. The availability and cost of financing may continue to have an effect on the demand and increase the risk of credit losses.

Environment

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

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 annual bonus is based on productivity.

The Group has a long-term incentive program for the Group Management Team and selected key employees of the Company. The aim of the program is to commit persons entitled to participate in the program to improve Exel Composites Plc's long-term profitability and value and reward them for achieving these goals in line with Exel Composites' strategy and financial targets. The program is confirmed annually by the Board of Directors.

The participants shall earn the reward under the annual program if the financial performance targets as set by the Board of Directors for the program have been met. The Board of Directors will decide on the targets related to the growth of the Exel Composites Group's earnings per share (EPS) and return on capital employed (ROCE) for each program separately before the beginning of the program. The maximum amount of reward for each annual program is decided by the Board of Directors

and can be denominated as cash or corresponding number of granted shares. There is a vesting period of two years before the title of the shares is transferred. The disbursement of the rewards is subject to the participant being employed or being in the service, and having not given notice thereof, of the Group at the time of disbursement, unless otherwise decided by the Board. The cost of the program will be accounted for as operating expenses during its duration and recorded according to IFRS 2. Under the 2011 program, the reward was denominated in cash and the allocated rewards totaled EUR 0.5 million.

Shares and share capital

The share capital has remained unchanged during the financial year and is 11,896,843 shares each having the counter-book value of EUR 0.18. There is only one class of shares and all shares are freely assignable under Finnish law.

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

Share performance and turnover

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

During the financial year the highest share price quoted was EUR 9.40 (7.25) and the lowest EUR 6.75 (5.00). At the end of the year, the share price was EUR 7.65 (7.06). The average share price during the financial year was EUR 8.10 (5.86).

Total shareholder return (TSR) in 2011 was 15 (36) per cent.

A total of 1,381,139 (2,298,611) shares were traded during the year, which represents 11.6 (19.3) per cent of the average number of shares. On 31 December 2011, Exel Composites' market capitalization was EUR 91.0 (84.0) million.

Shareholders and disclosures

On 31 December 2011, 0.8 per cent of the shares and votes of Exel Composites were owned or controlled, directly or indirectly by the President and CEO and the members of the Board.

The Company's largest shareholder is the Swedish investment company Nordstjernan AB, which owned 29.4 per cent of shares at the end of 2011. Other major shareholders included Ilmarinen Mutual Pension Insurance Company (5.8 per cent), OP-Suomi Small Cap Investment Fund (4.5 per cent) and Ulkomarkkinat Oy (4.0 per cent). At the end of the year, the Company had a total of 2,649 (2,363) shareholders.

Exel Composites received two flagging announcements during the financial year. Exel Composites Plc was informed on 20 May 2011 that the holdings of Veikko Laine Oy (business identity code 0110592-0) had fallen under 5 per cent of the voting rights and share capital in Exel Composites Plc. Before the transaction the holdings of Veikko Laine Oy were 595,796 shares or 5.95 per cent Exel Composites' share capital and votes. After the transaction Veikko Laine Oy's ownership share was 395,796 shares or 3.33 per cent.

On 12 December 2011 Exel Composites Plc was informed that the holdings of Evli Group Plc (business identity code 0533755-0) had fallen under 5 per cent of the voting rights and share capital in Exel Composites Plc on 9 December 2011. As a result of selling 50,000 Exel Composites shares on 9 December 2011, the holdings of the funds administered by Evli Fund Management Company Ltd (business identity code 0744659-0) in Exel Composites Plc fell to 4.77 per cent.

Corporate governance

Exel Composites issues a Corporate Governance Statement for the financial year 2011. The Corporate Governance Statement has been composed in accordance with recommendation 54 of the new Corporate Governance Code and Chapter 2, Section 6 of the Finnish Securities Market Act. The Corporate Governance Statement is issued separately from the Board of Directors' report. Further information concerning the corporate governance matters is available at the Group's website at www.exelcomposites.com.

Decisions of the AGM 2011

The Annual General Meeting of Exel Composites Plc held on 6 April 2011 approved the Board's proposal to distribute a dividend of EUR 0.50 per share for the financial year 2010 amounting to a total of EUR 5.9 (3.0) million.

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

Board of Directors and Auditors

On 6 April 2011, the Annual General Meeting appointed Peter Hofvenstam, Göran Jönsson, Reima Kerttula and Heikki Mairinoja to continue on the Board of Directors. Vesa Kainu was no longer available for re-election to the Board. Heikki Hiltunen was elected as a new member of the Board of Directors.

At the formative meeting of the Board of Directors held after the AGM, the Board of Directors re-elected from among its members Peter Hofvenstam as its Chairman.

The Board of Directors convened 9 times in 2011 and the average attendance rate at these meetings was 100 per cent. The fees paid to the Board of Directors totaled EUR 140 (154) thousand in 2011.

The Board of Directors has reviewed the independence of Board members 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 Vice President of Nordstjernan AB. Göran Jönsson is considered as non-independent from the Company as former President and CEO of the company. The Board was considered to comply

with the Corporate Governance independency rules.

The Annual General Meeting of Exel Composites has elected a Shareholders' Nomination Board, which nominates candidates to the Annual General Meeting for election as Board members and proposes the fees to be paid to the Board members. The Nomination Board included the Chairman and persons nominated by the four largest shareholders as of 1 November 2011. In 2011 the 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, as an expert member. The Nomination Board met three times in 2011.

Ernst & Young, Authorized Public Accountants, with Juha Hilmola, APA, as principal auditor, were elected to serve as company auditor in the AGM in 2011.

The fees paid to the auditors totaled EUR 173 (206) thousand in 2011.

Group strategy redefined

The Group strategy was redefined in September 2011 and the financial goals over a business cycle remained unchanged. The objective is that Exel Composites' average organic growth annually exceeds market growth of the industry. Growth achieved through acquisitions is part of Exel Composites' strategy. Exel Composites' target is the operating profit to exceed 10 per cent of net sales. Exel Composites aims to distribute at least 40 per cent of net income in dividends, as permitted by the financial structure and growth opportunities.

Adoption of International Financial Reporting Standards (IRFS)

All IFRS's in force on 31 December 2011 that are applicable to Exel Composites' business operations, including all SIC- and IFRIC-interpretations thereon, have been complied with when preparing year 2011 and comparable year 2010 figures. International financial reporting standards, referred to in the Finnish Accounting Act and in ordinances issued based on the provisions of this Act, refer to the standards and their interpretations adopted in accordance with the procedure laid down in regulation (EC) No 1606/2002 of the EU. The notes to the consolidated financial statements conform also with the Finnish accounting and company legislation.

Events after the reporting period

Kim Sjö Dahl was appointed Senior Vice President Product and Technology Development and member of Exel Composites Plc's Group Management Team as of 1 February 2012. He holds an M.Sc. in Mechanical Engineering. Mr. Sjö Dahl has been employed by Exel Composites since 1997. His earlier position is VP Product Development for Exel Composites' units in Finland and Germany.

Outlook for 2012

The Exel Composites Group had a strong performance in 2011 with sales and operating profit developing favourably.

In the fourth quarter 2011 overall demand softened. There are major uncertainties relating to general growth prospects in the economy, and these uncertainties may affect the demand for composite products. Due to the prevailing state of the markets, the visibility is low.

Exel Composites maintains its cautious stance in 2012, but will continue to drive the long-term initiatives to strengthen the Company's competitive position and to invest in growing market segments to pursue the strategy of profitable growth.

Board proposal for dividend distribution

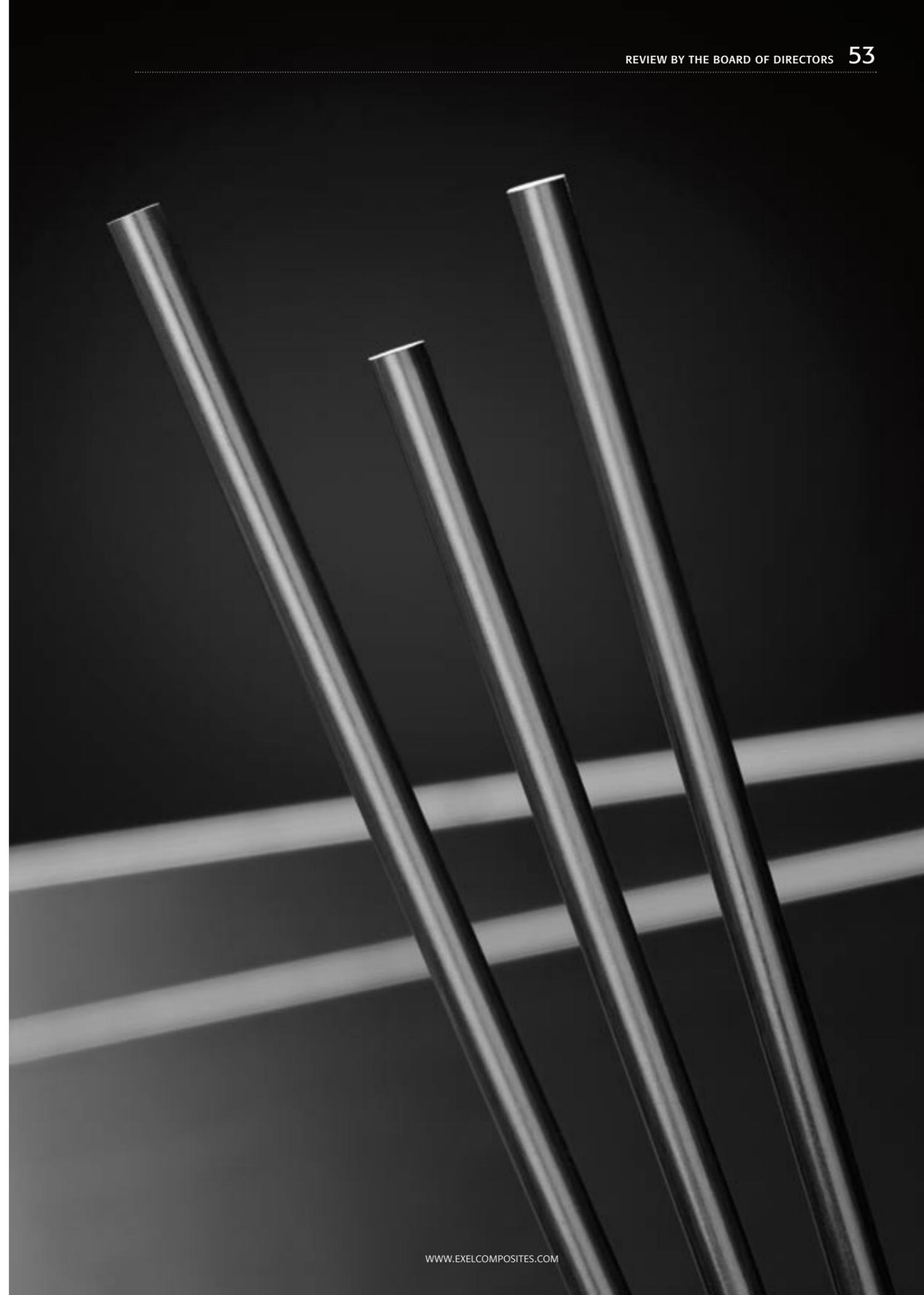
Exel Composites' financial goals include distributing dividends equal to at least 40 per cent of the profit for the financial year unless otherwise required by growth and liquidity.

On 31 December 2011 Exel Composites Plc's distributable funds totaled EUR 22,736 thousand, of which profit for the financial period accounted for EUR 6,832 thousand.

The Board proposes to the Annual General Meeting that a dividend of EUR 0.50 (0.50) per share be paid for the 2011 financial year.

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

The proposed record date for dividends is 3 April 2012. If the Annual General Meeting approves the Board's proposal, it is estimated that dividend payments will be paid on 12 April 2012. •



CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

for the year ended 31 December 2011

EUR 1,000	Notes	1.1.-31.12.2011	1.1.-31.12.2010
NET SALES	6	85,136	72,872
Other operating income	9	849	3,481
Increase(+)/Decrease in inventories of finished goods and work in progress		575	195
Materials and services		-33,933	-28,598
Employee benefit expenses	11	-21,133	-18,833
Depreciation and amortization	13	-2,702	-2,880
Other operating expenses	10,12	-17,709	-16,808
OPERATING PROFIT		11,082	9,430
Financial income	14	350	178
Financial expenses	15	-634	-672
PROFIT BEFORE TAX		10,798	8,936
Income taxes	16	-2,852	-2,165
PROFIT/LOSS FOR THE PERIOD		7,946	6,772
OTHER COMPREHENSIVE INCOME			
Exchange differences on translating foreign operations		893	3,411
Income tax relating to components of other comprehensive income		0	0
OTHER COMPREHENSIVE INCOME, NET OF TAX		893	3,411
TOTAL COMPREHENSIVE INCOME		8,839	10,183
PROFIT AND LOSS ATTRIBUTABLE TO:			
Equity holders of the parent company		7,946	6,772
Non-controlling interest		0	0
COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Equity holders of the parent company		8,839	10,183
Non-controlling interest		0	0
TOTAL EARNINGS PER SHARE, BASIC AND DILUTED	18	0.67	0.57

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2011

EUR 1,000	Notes	31.12.2011	31.12.2010
ASSETS			
NON-CURRENT ASSETS			
Goodwill	20	11,939	11,637
Other intangible assets	20	1,961	2,426
Tangible assets	21	11,612	10,427
Other non-current assets	22	64	64
Deferred tax assets	17	148	1,585
TOTAL NON-CURRENT ASSETS		25,723	26,139
CURRENT ASSETS			
Inventories	23	10,499	9,600
Trade and other receivables	24	10,985	9,540
Cash at bank and in hand	25	9,840	11,606
TOTAL CURRENT ASSETS		31,323	30,746
TOTAL ASSETS		57,046	56,885
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY	33		
Share capital		2,141	2,141
Other reserves		30	37
Invested unrestricted equity fund		8,488	8,488
Translation differences		4,204	3,311
Retained earnings		20,255	18,529
EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF PARENT COMPANY		35,118	32,507
Non-controlling interest		35,118	32,507
TOTAL EQUITY		35,118	32,507
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	27, 31	8,088	10,204
Non-current interest-free liabilities	26	392	362
Deferred tax liabilities	17	539	549
TOTAL NON-CURRENT LIABILITIES		9,018	11,114
CURRENT LIABILITIES			
Interest-bearing loans and borrowings	27	10	15
Trade and other current liabilities	26	12,375	12,567
Income tax payable	26	525	683
TOTAL CURRENT LIABILITIES		12,910	13,265
TOTAL EQUITY AND LIABILITIES		57,046	56,885

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

31.12.2011

EUR 1,000	Share Capital	Other Reserves	Invested Unrestricted Equity Fund	Translation Differences	Retained Earnings	Non-controlling Interest	Total
BALANCE AT 1 JANUARY 2010	2,141	37	8,488	-100	15,013	0	25,580
Profit for the period					6,772		6,772
Other comprehensive result				3,411			3,411
Dividend					-2,974		-2,974
Other items					-282		-282
BALANCE AT 31 DECEMBER 2010	2,141	37	8,488	3,311	18,529	0	32,507
BALANCE AT 1 JANUARY 2011	2,141	37	8,488	3,311	18,529	0	32,507
Profit for the period					7,946		7,946
Other comprehensive result				893			893
Dividend					-5,948		-5,948
Other items		-7			-271		-278
BALANCE AT 31 DECEMBER 2011	2,141	30	8,488	4,204	20,255	0	35,118

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2011

EUR 1,000	Notes	1.1.-31.12.2011	1.1.-31.12.2010
CASH FLOW FROM OPERATING ACTIVITIES			
Profit for the period		7,946	6,772
Non-cash adjustments to reconcile profit to net cash flow	36	6,308	6,276
Change in working capital		-2,216	1,729
Cash flow generated by operations		12,038	14,777
Interest paid		-349	-515
Interest received		129	114
Other financial items		-191	-88
Income taxes paid		-2,067	-2,296
NET CASH FLOW FROM OPERATING ACTIVITIES		9,560	11,992
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from sale of activities		0	0
Purchase of non-current assets		-3,208	-1,570
Proceeds from sale of non-current assets		0	0
NET CASH FLOW FROM INVESTING ACTIVITIES		-3,208	-1,570
CASH FLOW BEFORE FINANCING			
		6,352	10,422
CASH FLOW FROM FINANCING			
Proceeds from long-term borrowings		0	0
Repayments of long-term borrowings		-2,160	-6,857
Change in short-term loans		0	-106
Repayments of finance lease liabilities		-10	-1,477
Dividends paid		-5,948	-2,974
NET CASH FLOW FROM FINANCING		-8,118	-11,414
CHANGE IN LIQUID FUNDS			
		1,766	-992
Liquid funds at the beginning of period		11,606	12,597
Liquid funds at the end of period		9,840	11,606

(All figures in EUR thousands unless otherwise stated)

THE CONSOLIDATED FINANCIAL STATEMENTS of Exel Composites Plc for the year ended 31 December 2011 were authorized for issue in accordance with a resolution of the Board of Directors on 16 February 2012.

NOTE 1 CORPORATE INFORMATION

Exel Composites is a Finnish technology company which designs, manufactures and markets composite profiles and tubes for industrial applications. The Group is the leading composite profile manufacturer in the world and concentrates on growing niche segments.

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

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

NOTE 2 BASIS OF PREPARATION

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

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

Statement of Compliance

The consolidated financial statements of Exel Composites have been prepared in compliance with International Financial Reporting Standards (IFRS), applying IAS and IFRS standards, as well as SIC and IFRIC interpretations, valid on 31 December 2011. The notes to the consolidated financial statements are also in compliance with the Finnish Accounting and Companies Acts.

Basis of Consolidation

Exel Composites' consolidated financial statements include the accounts of the parent company Exel Composites Plc and its subsidiaries as at 31 December each year. Subsidiaries are viewed as companies in which it owns, directly or indirectly, over 50 per cent of the voting rights or in which it is in a position to govern the financial and operating policies of the entity. Subsidiaries are fully consolidated from the date that Exel Composites

acquired control and are no longer consolidated from the date that control ceases. Where necessary, the accounting principles of subsidiaries have been changed to ensure consistency with the accounting principles of the Group. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

Acquisitions of companies are accounted for using the purchase method. The cost of an acquisition is measured at fair value over the assets given up, shares issued or liabilities incurred or assumed at the date of acquisition. Transaction costs directly attributable to the acquisition are included in the acquisition cost. The excess acquisition cost over the fair value of net assets acquired is recognized as goodwill.

All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

Losses are attributed to the non-controlling interest even if that results in a deficit balance.

If the Group loses control over a subsidiary, it:

- Derecognizes the assets and liabilities of the subsidiary;
- Derecognizes the carrying amount of non-controlling interest;
- Derecognizes the cumulative translation differences, recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss.

When compiling the opening IFRS balance sheet, Exel Composites has applied the exemption provided by IFRS 1 related to business combinations. This means that the assets and liabilities of subsidiaries have not been assessed retroactively at their market value. Instead, they have been included in the balance sheet on the transition date in an amount in accordance with earlier financial accounting practice. The Group has no affiliated companies or joint ventures.

Non-controlling interest is deducted from shareholders' equity and presented as a separate item in the balance sheet. Similarly, it is presented as a separate item in the consolidated financial statements. The share of losses attributable to the holders of non-controlling interest was debited to non-controlling interest in the consolidated balance sheet up to the full value of the non-controlling interest prior to 1 January 2010. The Group had no non-controlling interests in 2011.

NOTE 3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

The Group has adopted following new and amended IFRS

standards and IFRIC interpretations as of 1 January 2010. When the adoption of the standard or interpretation is deemed to have an impact on the financial statements or performance of the Group, its impact is described below:

IAS 24 Related Party Disclosures (Amendment)

The amended standard is effective for annual periods beginning on or after 1 January 2011. It clarifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government related entities. The Group does not expect any impact on its financial position or performance.

IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (Amendment)

The amendment to IAS 32 is effective for annual periods beginning on or after 1 February 2010 and amends the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. In absence of the rights issues described in the amendment, this amendment will have no impact on the Group's financial position or performance.

IFRIC 14 Prepayments of a minimum funding requirement (Amendment)

The amendment to IFRIC 14 is effective for annual periods beginning on or after 1 January 2011 with retrospective application. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. The amendment is deemed to have no impact on the financial statements of the Group.

In May 2010, the IASB issued an omnibus of amendments to its IFRS standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies, but no impact on the financial position or performance of the Group.

IFRS 3 Business Combinations

Only components of non-controlling interest fulfilling certain conditions can be measured either at fair value or at the proportionate share of the acquiree's identifiable net assets. In other cases the only allowed alternative is measurement at fair value. The amendment is effective for annual periods beginning on or after 1.7.2011, but the Group adopted it as of 1.1.2011.

IFRS 7 Financial Instruments – Disclosures

The amendment was intended to simplify the disclosures

provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context. The Group reflects the revised disclosure requirements in the notes pertaining to financial instruments.

IAS 1 Presentation of Financial Statements

The amendment clarifies that the Group may present an analysis of each component of other comprehensive income maybe either in the statement of changes in equity or in the notes to the financial statements. The Group provides this analysis in the statement of changes in equity.

Amendments to the following standards did not have any impact on the accounting policies, financial position or performance of the Group:

IFRS 3 Business Combinations (Contingent consideration arising from business combination prior to adoption of IFRS 3 (as revised in 2008))

IFRS 3 Business Combinations (Un-replaced and voluntarily replaced share-based payment awards)

IAS 27 Consolidated and Separate Financial Statements

IAS 34 Interim Financial Statements

The following IFRIC interpretations did not have any effect on accounting policies or financial position or performance of the Group:

IFRIC 13 Customer Loyalty Programmes, IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

NOTE 4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements may require the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the end of the reported period and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. The preparation of impairment tests requires the use of estimates.

Judgements

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

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date,

that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of non-financial assets

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

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

Deferred tax assets

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

Pension and other post-employment benefits

The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Determining the fair value of assets in business combinations

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

NOTE 5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BUSINESS COMBINATIONS AND GOODWILL

Business combinations from 1 January 2009

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the agree-

gate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed.

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

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

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

Business combinations prior to 31 December 2008

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

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

The Group does not have any associates or joint ventures.

Non-current assets held for sale and discontinued operations

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

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

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Sales of products are recognized as income once the risk and benefits related to ownership of the

sold products have been transferred to the buyer and the Group no longer has the possession of, or control over, the products. Sales of services are recognized as income once the service has been rendered. Revenue from the Sports license agreements is recognized based on the actual cash flow according to IFRS standard 18. Net sales comprise the invoiced value for the sale of goods and services net of indirect taxes, sales adjustment and exchange rate differences. Distribution costs for products to be sold are included in the income statement as other operating expenses. Interest income is recognized using the effective interest rate method and dividend income when the right to the dividend has been created.

Foreign currency translation

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

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

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

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

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

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

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

Intangible assets

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

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

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

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

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

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

Research and development

Research costs are expensed as incurred. Costs incurred from development projects, which are often connected with the design and testing of new or advanced products, are recorded in the balance sheet as intangible assets from the time that the product can be technically achieved, it can be utilized commercially, and the product is expected to create a comparable financial benefit. Other development costs are recorded as expenses. Capitalized development costs are amortized on a straight-line basis beginning from the commercial production of the product during the period they are effective, yet no longer than five years. There were no capitalized development costs during 2011.

Computer software

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

Other intangible assets

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

Property, plant and equipment

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

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

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

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

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

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

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

Government grants

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

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity occurs in connection with the borrowing of funds. For the year ending 31 December 2011, the Group had no assets where the borrowing costs would have been capitalized.

Financial assets

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

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

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

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

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

"Held-to-maturity financial assets" include non-derivative

financial assets with fixed or determinable payments and fixed maturities when the Group has the positive intention and ability to hold them to maturity. After initial measurement held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. The Group did not have any held-to-maturity investments during the years ended 31 December 2011 and 2010.

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

A financial asset is derecognized when:

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

Cash and short-term deposits

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

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

Financial liabilities

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

derivative financial instruments.

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

Derivative financial instruments and hedging

Derivative contracts are recorded initially as an acquisition cost equal to their fair value. Following their acquisition derivative contracts are valued according to their fair value. Profits and losses that are generated from the valuation of fair value are recorded according to the intended use of the derivative contract. The Group does not apply hedge accounting as described by IAS 39. As a result, all value changes are recognized in profit or loss. The Group has entered into interest rate swap agreements to convert non-current floating rate financial liabilities to fixed interest rates and forward foreign exchange contracts. Derivative financial instruments are presented in Section 31 of the Notes. Derivatives are recorded in the balance sheet as accrued expenses and deferred income.

Hedges for net investments in foreign units are recorded in the same way as cash-flow hedges. A hedge on a foreign subsidiary's equity is recorded in shareholders' equity in the same way as the exchange rate difference in shareholders' equity. The Group did not hedge its net foreign investments exposure during 2011 or 2010.

Impairment of non-financial assets

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

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

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

Goodwill and intangible assets with indefinite useful lives are tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

Impairment of financial assets

The Group assesses on each reporting date whether there is

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

Lease agreements

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

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

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

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

Inventories

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

business operations less the estimated expenditure on product completion and sales.

Trade receivables

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

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

Share capital

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

Taxes

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

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

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

Deferred tax assets have been recorded to the extent that it is probable that taxable profit will be available against which

the temporary difference can be utilized will materialize in the future. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date.

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

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

Pensions and other post-employment benefits

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

In defined benefit pension plans, the present value of future pension payments on the closing date is presented less the fair value of the plan-related assets on the closing date and adjusted with the actuarial profits and losses and retroactive labor costs. Pension liabilities are calculated by independent actuaries. The pension liability is determined according to the projected unit credit method: the pension liability is discounted to the present value of estimated future cash flows using the interest rate which is equal to the interest rate of government bonds corresponding to the term of the pension liability. Pension costs are recorded in the income statement as an expense with costs periodized over the employees' time of service based on actuarial calculations carried out annually. Actuarial gains and losses, in terms of the portion exceeding a certain limit, are recognized over the employees' average term of service.

In defined-contribution schemes, pension contributions are paid to insurance companies, after which the Group no longer has other payment obligations. The Group's contributions to defined-contribution schemes are entered in the financial period to which the payments relate.

Share-based compensation

The Group has a long-term incentive program for the Group Management Team and selected key employees of the Company. The aim of the program is to commit persons entitled to participate in the program to improve Exel Composites Plc's long-term profitability and value and reward them for achieving these goals in line with Exel Composites' strategy and financial targets. The program is confirmed annually by the Board of Directors.

The participants shall earn the reward under the annual program if the financial performance targets as set by the Board of Directors for the program have been met. The Board of Directors will decide on the targets related to the growth of the Exel Composites Group's earnings per share (EPS) and return on capital employed (ROCE) for each program separately before the beginning of the program. The maximum amount of reward for each annual program is decided by the Board of Directors and can be denominated as cash or a corresponding number of granted shares. There is a vesting period of two years before the title of the shares is transferred. The cost of the program will be accounted for as operating expenses during the duration of the program and accrued for in the financial statements according to IFRS 2. Under the 2011 program, the reward was denominated in cash and the allocated rewards totaled EUR 0.5 million.

Provisions

A provision is recognized in the balance sheet when the Group has a legal or actual obligation on the basis of a prior event, the materialization of the payment obligation is probable and the size of the obligation can be reliably estimated and requires a financial payment or causes a financial loss. If compensation for a share of the obligation can be received from a third party, the compensation is recorded as a separate asset item, but only when it is practically certain that said compensation will be received.

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

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

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

Dividends

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

Earnings per share

The undiluted earnings per share is calculated by dividing the profit for the period belonging to the shareholders of the parent company by the weighted average of shares in issue, not including shares purchased by the company itself and that are presented as own shares. The weighted average number of

shares used to calculate the diluted earnings per share takes into account the diluting effect of outstanding stock options during the period. This effect is calculated by the number of shares that could have been acquired at market price with the value of the subscription rights to usable stock options, which defines the "free element"; "free shares" are added to the number of released shares, but the result for the financial year is not adjusted.

NOTE 6 SEGMENT INFORMATION

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

Operating segments consist of asset groups and businesses whose risks and profitability relative to products or services dif-

fer from other business segments. In geographical information products or services are produced in a certain financial environment the risks and profitability of which differ from the financial environments' risks and profitability of other geographical locations.

Operating segments

The Group has one operating segment, Exel Composites.

Geographical information

The Group's geographical information is given for Nordic Countries, Other European Countries, and Other Countries. Net sales of geographical distribution are presented according to the customers, while assets are presented according to the location of the assets.

NET SALES OUTSIDE THE GROUP ACCORDING TO LOCATION OF CUSTOMERS

EUR 1,000	2011	2010
Nordic countries	15,256	13,919
Other European countries	53,629	46,326
Other countries	16,251	12,627
TOTAL	85,136	72,872

Revenue from the biggest customer amounted to EUR 19,285 thousand (2010: EUR 13,317 thousand).

TOTAL ASSETS ACCORDING TO GEOGRAPHIC LOCATION

EUR 1,000	2011	2010
Nordic countries	13,760	12,731
Other European countries	14,228	12,852
Other countries	18,617	17,983
TOTAL	46,605	43,566

CAPITAL EXPENDITURE ACCORDING TO GEOGRAPHIC LOCATION

EUR 1,000	2011	2010
Nordic countries	1,287	749
Other European countries	1,389	545
Other countries	532	277
TOTAL	3,208	1,570

NOTE 7 BUSINESS COMBINATIONS

The Group did no acquisitions in 2010 or 2011.

NOTE 8 EXCHANGE RATES

The income statements of subsidiaries, whose measurement and reporting currency is not the euro, are translated into the Group reporting currency using the average exchange rate, whereas the assets and liabilities of the subsidiaries are translated using the exchange rates on the reporting date. The

reporting date exchange rates are based on exchange rates published by the European Central Bank for the closing date. The average exchange rate is calculated as an average of each month's average rates from the European Central Bank. Key exchange rates for Exel Group applied in the accounts are:

Country	Currency	Average rate 2011	Average rate 2010	Balance sheet rate 2011	Balance sheet rate 2010
Australia	AUD	1.34817	1.44418	1.27230	1.31360
United Kingdom	GBP	0.86777	0.85824	0.83530	0.86075
China	RMB	8.99607	8.98050	8.15880	8.82200
Sweden	SEK	9.02761	9.54693	8.91200	8.96550
USA	USD	1.39171	1.32681	1.29390	1.33620

NOTE 9 OTHER OPERATING INCOME

EUR 1,000	2011	2010
Rental income	14	75
Other operating income	835	3,406
Net gain on disposal of non-current assets	0	0
TOTAL	849	3,481

Other operating income includes one-off Sports licensing income of EUR 0.5 million (2.5 million).

NOTE 10 OTHER OPERATING EXPENSES

EUR 1,000	2011	2010
Rental expenses	1,078	1,256
Other operating expenses	16,631	15,552
TOTAL	17,709	16,808

The fees paid in 2011 to the external auditor for auditing Exel Group companies totaled EUR 173 (206) thousand, while the fees paid for non-audit services totaled EUR 20 (59) thousand. Other operating expenses include one-off restructuring costs of EUR 0.0 million (EUR 1.1 million) due to the corporate restructuring of the former Floorball license.

NOTE 11 EMPLOYEE BENEFIT EXPENSES

EUR 1,000	2011	2010
Wages and salaries	17,834	15,699
Pension costs – defined contribution schemes	1,847	1,563
Pension costs – defined benefit schemes	54	45
Other employee benefits	1,398	1,525
TOTAL	21,133	18,833
Personnel		
Average number of personnel	428	404
TOTAL	428	404

NOTE 12 RESEARCH AND DEVELOPMENT EXPENDITURE

The income statement includes research and development costs entered as costs amounting to EUR 1,639 thousand in 2011 (EUR 1,312 thousand in 2010). These costs are included in the income statement under Employee Benefit Expenses and Other Operating Expenses.

NOTE 13 DEPRECIATION, AMORTIZATION AND IMPAIRMENT

Depreciation of assets EUR 1,000	2011	2010
Intangible assets	553	528
Tangible assets		
Buildings	357	440
Machinery and equipment	1,785	1,904
TOTAL	2,695	2,873
Impairment and write-down of assets EUR 1,000		
Intangible assets	0	0
Goodwill	0	0
Tangible assets		
Buildings	7	7
Machinery and equipment	0	0
Other	0	0
TOTAL	7	7

NOTE 14 FINANCIAL INCOME

EUR 1,000	2011	2010
Interest income on loans and receivables	131	56
Dividend income	1	1
Foreign exchange gains	178	123
Change in fair value of financial assets recognized at fair value through profit or loss (from derivatives)	40	-3
Other finance income	0	1
TOTAL FINANCE INCOME	350	178

NOTE 15 FINANCIAL EXPENSES

EUR 1,000	2011	2010
Interest expenses on debt and borrowings	346	459
Interest expenses under finance leases	1	26
Foreign exchange losses	284	149
Change in fair value of financial assets recognized at fair value through profit or loss (from derivatives)	0	-2
Other finance expenses	3	40
TOTAL FINANCE EXPENSES	634	672

Exchange differences for sales (exchange rate loss EUR -16 thousand) and purchases (exchange rate profit EUR -7 thousand) are entered in the income statement in the appropriate sales and purchase accounts.

NOTE 16 INCOME TAXES

The income tax entered as an expense consisted mainly of the following components for the years ended 31 December 2011 and 2010:

EUR 1,000	2011	2010
Income tax based on taxable income for the financial year	-1,442	-2,211
Income taxes from previous financial periods	0	220
Deferred taxes	-1,410	-174
TOTAL INCOME TAXES REPORTED IN THE INCOME STATEMENT	-2,852	-2,165

A reconciliation between tax expense and the product of accounting profit multiplied by Finland's domestic tax rate for the years ended 31 December 2011 and 2010 is as follows:

Income tax reconciliation	2011	2010
Accounting profit before tax	10,798	8,936
Tax calculated at domestic tax rate 26%	2,808	2,323
Difference between the domestic and foreign tax rates	101	92
Expenses not deductible for tax purposes	186	-149
Other	-243	-101
Tax charge	2,852	2,165
Effective tax rate	26.4	24.2

NOTE 17 DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

Deferred tax assets, EUR 1,000	1.1.2011	Recognized in income statement	Recognized in shareholders' equity	Exchange rate differences	31.12.2011
Intercompany profit in inventory	17	-13			4
Losses	180	-102			78
Other temporary differences	2,448	-1,414	-278		756
Offset with deferred tax liabilities	-1,060	370			-690
NET DEFERRED TAX ASSETS	1,585	-1,159	-278		148

Deferred tax liabilities, EUR 1,000	1.1.2011	Recognized in income statement	Recognized in shareholders' equity	Exchange rate differences	31.12.2011
Accumulated depreciation					1,229
Other temporary differences	1,609	-380			-690
Offset with deferred tax assets	-1,060	370			539
NET DEFERRED TAX LIABILITIES	549	-10			539

Deferred tax assets, EUR 1,000	1.1.2010	Recognized in income statement	Recognized in shareholders' equity	Exchange rate differences	31.12.2010
Intercompany profit in inventory	21	-4			17
Losses	124	56			180
Other temporary differences	3,182	-452	-282		2,448
Offset with deferred tax liabilities	-1,012	-48			-1,060
NET DEFERRED TAX ASSETS	2,315	-448	-282		1,585

Deferred tax liabilities, EUR 1,000	1.1.2010	Recognized in income statement	Recognized in shareholders' equity	Exchange rate differences	31.12.2010
Accumulated depreciation					
Other temporary differences	1,260	349			1,609
Offset with deferred tax assets	-1,012	-48			-1,060
NET DEFERRED TAX LIABILITIES	248	301			549

Some deferred tax items related to the earlier accounting periods have been recorded directly to the equity. The Group had taxable net losses on 31 December 2011 of EUR 312 (EUR 964) thousand, of which the company has recorded deferred tax assets of EUR 78 (180) thousand that are available for offset against future taxable profits of the companies in which the losses arose.

NOTE 18 EARNINGS PER SHARE

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

	2011	2010
Profit for the financial year (EUR 1,000) attributable to ordinary equity holders of the parent company	7,946	6,772
Weighted average number of outstanding shares during the financial year (1,000 shares)	11,897	11,897
Basic and diluted earnings per share (EUR/share)	0.67	0.57

NOTE 19 DIVIDENDS PER SHARE

The Annual General Meeting held on 6 April 2011 approved the Board's proposal to distribute a dividend of EUR 0.50 per share including an extraordinary dividend of EUR 0.25 per share due to Exel Composites' 50th anniversary for the 2010 financial year.

Following the balance sheet date the Board of Directors has proposed for approval at the Annual General Meeting that a dividend of EUR 0.50 per share be distributed (not recognized as a liability as at 31 December).

NOTE 20 INTANGIBLE ASSETS

The Group has no internally created intangible assets.

Goodwill EUR 1,000	2011	2010
Acquisition cost at 1 Jan.	15,741	14,072
Additions	0	0
Exchange rate differences	302	1,669
Acquisition cost at 31 Dec.	16,043	15,741
Accumulated amortization at 1 Jan.	-4,104	-4,104
Impairment charge	0	0
Accumulated amortization at 31 Dec.	-4,104	-4,104
Book value at 1 Jan.	11,637	9,968
Book value at 31 Dec.	11,939	11,637

Other intangible assets, EUR 1,000	2011	2010
Acquisition cost at 1 Jan.	5,471	4,775
Additions	0	4
Decreases	0	0
Transfers between asset groups	0	0
Exchange rate differences	126	692
Acquisition cost at 31 Dec.	5,597	5,471
Accumulated amortization at 1 Jan.	-3,555	-2,874
Amortization for the period	-379	-355
Impairment charge and write-downs	0	0
Decreases	0	0
Exchange rate differences	-86	-326
Accumulated amortization at 31 Dec.	-4,020	-3,555
Book value at 1 Jan.	1,916	1,900
Book value at 31 Dec.	1,577	1,916

Other long-term expenses, EUR 1,000	2011	2010
Acquisition cost at 1 Jan.	3,092	2,970
Additions	48	83
Decreases	0	0
Transfers between asset groups	0	39
Translation differences	0	0
Acquisition cost at 31 Dec.	3,140	3,092
Accumulated amortization at 1 Jan.	-2,582	-2,408
Amortization for the period	-174	-174
Decreases	0	0
Translation differences	0	0
Accumulated amortization at 31 Dec.	-2,756	-2,582
Book value at 1 Jan.	510	560
Book value at 31 Dec.	383	510

NOTE 21 PROPERTY, PLANT AND EQUIPMENT

Land and water areas, EUR 1,000	2011	2010
Acquisition cost at 1 Jan.	828	779
Additions	0	0
Decreases	0	0
Transfer between asset groups	0	0
Exchange rate differences	41	49
Acquisition cost at 31 Dec.	869	828
Impairment charge and write-downs	-45	-34
Exchange rate differences	-4	-3
Book value at 1 Jan.	790	752
Book value at 31 Dec.	820	790
Buildings and structures, EUR 1,000	2011	2010
Acquisition cost at 1 Jan.	6,767	5,941
Additions	146	61
Decreases	0	0
Transfer between asset groups	0	572
Exchange rate differences	112	193
Acquisition cost at 31 Dec.	7,025	6,767
Accumulated amortization at 1 Jan.	-3,568	-3,228
Amortization for the period	-357	-294
Decreases	0	0
Exchange rate differences	-27	-46
Accumulated amortization at 31 Dec.	-3,952	-3,568
Book value at 1 Jan.	3,200	2,714
Book value at 31 Dec.	3,074	3,200
Machinery and equipment, EUR 1,000	2011	2010
Acquisition cost at 1 Jan.	34,129	31,761
Additions	2,546	982
Decreases	-66	-18
Transfers between asset groups	392	639
Exchange rate differences	285	765
Acquisition cost at 31 Dec.	37,286	34,129
Accumulated amortization at 1 Jan.	-28,415	-26,082
Amortization for the period	-1,775	-1,894
Impairment charge and write-downs	0	0
Decreases	27	0
Translation differences	-193	-439
Accumulated amortization at 31 Dec.	-30,356	-28,415
Book value at 1 Jan.	5,711	5,677
Book value at 31 Dec.	6,927	5,711
Advance payments and construction in progress, EUR 1,000	2011	2010
Acquisition cost at 1 Jan.	692	930
Additions	468	440
Transfers between asset groups	-392	-678
Decreases	0	0
Exchange rate differences	0	0
Acquisition cost at 31 Dec.	768	692
Book value at 1 Jan.	692	930
Book value at 31 Dec.	768	692

Finance lease arrangements, EUR 1,000	2011	2010
BUILDINGS		
Acquisition cost at 1 Jan.	1,105	1,677
Transfer between asset groups	0	-572
Acquisition cost at 31 Dec.	0	1,105
Accumulated amortization at 1 Jan.	-1,105	-959
Amortization for the period	0	-146
Accumulated amortization at 31 Dec.	0	-1,105
Book value at 1 Jan.	0	719
Book value at 31 Dec.	0	0
Finance lease arrangements, EUR 1,000	2011	2010
MACHINERY AND EQUIPMENT		
Acquisition cost at 1 Jan.	1,810	1,810
Additions	0	0
Decreases	0	0
Exchange rate differences	0	0
Acquisition cost at 31 Dec.	1,810	1,810
Accumulated amortization at 1 Jan.	-1,776	-1,766
Amortization for the period	-10	-10
Impairment charge and write-down	0	0
Decreases	0	0
Exchange rate differences	0	0
Accumulated amortization at 31 Dec.	-1,786	-1,776
Book value at 1 Jan.	34	44
Book value at 31 Dec.	24	34

The Group had no assets for sale.

NOTE 22 OTHER NON-CURRENT ASSETS

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

EUR 1,000	2011	2010
Book value at 1 Jan.	64	64
Decreases	0	0
Change in fair value	0	0
Book value at 31 Dec.	64	64

NOTE 23 INVENTORIES

EUR 1,000	2011	2010
Raw materials	5,037	4,755
Work in progress	876	727
Finished products and goods	4,586	4,119
TOTAL INVENTORIES	10,499	9,600

During the 2011 financial year an expense of EUR 0.3 million was recognized to reduce the book value of inventories to their net realizable value (EUR 0.4 million in 2010).

NOTE 24 TRADE AND OTHER RECEIVABLES

EUR 1,000	2011	2010
Trade receivables	9,750	8,796
Deferred income	812	381
Other receivables	423	364
TOTAL RECEIVABLES	10,985	9,540

During the 2011 financial year credit losses of EUR 33 thousand were recorded (EUR 1,170 thousand in 2010), consisting of actual credit losses amounting to EUR 425 thousand (EUR 741 thousand in 2010) and change in the bad debt provision amounting to EUR -392 thousand (EUR 429 thousand in 2010) covering all overdue trade receivables which are over 90 days overdue.

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

	Total	Neither past due nor impaired	Past due but not impaired					Over 1 year
			< 30 days	30–60 days	61–90 days	91–180 days	181–365 days	
2011	9,750	7,276	1,745	589	140	0	0	0
2010	8,796	6,690	1,712	278	115	0	0	0

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

NOTE 25 CASH AND CASH EQUIVALENTS

Cash assets and short-term deposits consist of cash-in-hand and bank accounts amounting to EUR 9,840 (11,606) thousand.

NOTE 26 TRADE AND OTHER NON-INTEREST-BEARING LIABILITIES

EUR 1,000	2011	2010
Trade payables	6,959	6,692
Accrued expenses	5,057	5,561
Advance payments	66	275
Other current interest-free liabilities	818	722
Non-current interest-free liabilities	392	362
TOTAL	13,291	13,612

NOTE 27 INTEREST-BEARING LOANS AND BORROWINGS

Non-current interest-bearing loans and borrowings, EUR 1,000	2011	2010
	Book values	Book values
Loans from financial institutions	7,840	10,000
Pension loans	233	179
Finance lease liabilities	15	25
TOTAL	8,088	10,204
Current interest-bearing loans and borrowings, EUR 1,000	2011	2010
Short-term loans from financial institutions	0	5
Current portion of long-term debt (repayments)	0	0
Finance lease liabilities	10	10
TOTAL	10	15
Maturity of non-current interest-bearing liabilities, EUR 1,000	2011	2010
2011	0	0
2012	0	720
2013	0	1,440
2014	1,440	1,440
2015	6,400	6,400
2016	0	0
later	0	0
TOTAL	7,840	10,000

In 2011, non-current liabilities were prematurely amortized by EUR 2,160 thousand.

Maturity of finance lease liabilities, EUR 1,000	2011	2010
Finance lease liabilities – total value of minimum lease payments		
Not later than 1 year	11	11
1–5 years	15	26
Finance lease liabilities – present value of minimum lease payments		
Not later than 1 year	10	10
1–5 years	15	25
Future finance charges	1	2
TOTAL FINANCE LEASE LIABILITIES	25	35

Among interest-bearing loans EUR 10,000 thousand (EUR 10,000 thousand in 2010) has been converted to fixed interest rates through interest rate swap agreements.

NOTE 28 IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLES WITH INDEFINITE LIVES

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

Distribution of goodwill, EUR 1,000	2011	2010
Finland	135	135
Germany	1,305	1,305
Belgium	209	209
Austria	688	688
Pacific Composites	9,603	9,301
TOTAL	11,939	11,637

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

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

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

The Group has allocated goodwill to cash-generating units. The impairment of cash-generating units is tested by comparing the recoverable amounts to the carrying amounts. The recoverable amount of cash-generating units is determined based on calculations of value in use, which are based on discounted future cash flows. Future cash flows are based on the continual use of the item and forecasts made by management for the next five years. Forecasts for periods further ahead in the future have been calculated on the assumption of annual growth of 3% (3%) on the industry in the long term. The level of gross

NOTE 29 FINANCIAL RISK MANAGEMENT

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

Foreign currency risk

The Group operates internationally and is thus exposed to various transactions risks caused by currency positions and risks that are generated when investments made in different currencies are converted into the parent company's operating currency. In addition to the euro (EUR), the main currencies are the Australian dollar (AUD), the British pound (GBP), the US dollar (USD)

margins in these forecasts is expected to remain on average at the current level.

Discount rates are defined separately in order to reflect the effect of the different business risks on the expected return on equity. The cost of liabilities is defined according to the existing credit portfolio. The calculation of the average cost of capital takes into account the Group's targeted capital structure, as well as the effect of debt on the cost of Group equity. The discount rate before taxes used in the calculations varied between 7.9% -9.9% (7.5 – 9.9%).

On the basis of the impairment test, the amount of money that can be accrued by all cash-generating units exceed the corresponding balance sheet values. In 2011 no impairment losses were booked.

Sensitivity of the impairment test

With regard to the assessment of value in use the management believes that the turnover can drop with 25% before there would be a situation where the carrying value would not exceed the recoverable amount. Alternatively the sales margin can decline with 10 per cent units or discount rate increase to 25%.

and the Chinese renminbi (RMB). Foreign exchange risks are generated by commercial transactions, from monetary items in the assets and liabilities and from net investments in foreign subsidiaries. The objective of foreign exchange risk management is to protect the operating result and shareholders' equity against foreign exchange rate fluctuations.

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

Currency positions are assessed at their net amount in each currency generally for the following 12-month period. Currency flows are partly protected by forward agreements and currency options. The Group's transaction exposure is in USD amounting to USD 0.3 million on 31 December 2011.

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

Net investment, EUR 1,000	31 Dec. 2011	31 Dec. 2010
AUD	19,348	19,349
GBP	5,643	5,317
RMB	3,567	3,073

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

31 December 2011	AUD	GBP	RMB
Increase in currency rate vs EUR	5%	5%	5%
Effect on profit before tax in EUR 1,000			
Effect on equity EUR 1,000	967	282	178

31 December 2010	AUD	GBP	RMB
Increase in currency rate vs EUR	5%	5%	5%
Effect on profit before tax in EUR 1,000			
Effect on equity EUR 1,000	967	266	154

Interest rate risk

The Group's currency-denominated borrowings are in the functional currencies of Group companies. The nominal values of interest-bearing liabilities on 31 December 2011 were divided to the currencies as follows:

Currency	Amount EUR 1,000	%
EUR	7,840	100
TOTAL	7,840	100

NON-CURRENT LOANS have adjustable rates of interest, but they are partially protected against interest rate risks by converting them to fixed interest rates through interest rate swaps. At the balance sheet date the Group had interest swap contracts worth EUR 10,000 thousand, where the Group pays 2.50-2.552% fixed interest. The Group does not use the hedge accounting to the interest swap or option contracts.

The Group's exposure to the risk of changes in the market interest rates relates primarily to the Group's loans. The effect of one percentage point in the interest rates on 31 December 2011 was EUR 78 thousand (EUR 100 thousand in 2010).

Liquidity and funding risk

The Group aims to ensure adequate liquidity under all circumstances and to optimize the use of liquid assets in financing business operations. In addition, the objective is to minimize net interest costs and bank charges. Cash reserves are invested

only in objects that can be realized quickly. In addition to cash reserves and interest rate investments, the Group had unused credit limits on 31 December 2011 amounting to EUR 32.6 million of which EUR 29 million were committed.

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

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

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

Year ended 31 Dec. 2011	On demand	Less than 3 months	3–12 months	1–5 years	> 5 years	Total
Interest-bearing liabilities	0	0	0	7,840	0	7,840
Trade and other current payables		12,900				12,900
Year ended 31 Dec. 2010	On demand	Less than 3 months	3–12 months	1–5 years	> 5 years	Total
Interest-bearing liabilities	5	0	0	10,000	0	10,005
Trade and other current payables		13,250				13,250

Credit and counterparty risk

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

Counterparty risk refers to a situation in which a contracting party is unable to fulfill its contractual obligations. Derivative instruments and cash reserve investments are only employed with counterparties that have a good credit rating. At the end of the 2011 financial year, the Group's only counterparties were financial institutions.

EUR 1,000

	2011	2010
Interest-bearing liabilities	8,098	10,219
Cash and cash equivalents	9,840	11,606
Net interest-bearing liabilities	-1,741	-1,387
Shareholders' equity	35,118	32,507
Net gearing %	-5.0	-4.3

NOTE 30 PENSION AND OTHER POST-EMPLOYMENT OBLIGATIONS

THE GROUP OPERATES a number of defined benefit and contribution pension schemes throughout the world.

The most significant pension scheme in Finland is the statutory Finnish employee pension scheme (TyEL) according to which benefits are directly linked to the employee's earnings. The TyEL pension scheme is mainly arranged with

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

Capital management

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

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

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

insurance companies. The disability share of the TyEL pension scheme is recognized as a defined benefit scheme.

Pension schemes elsewhere than in Finland include both defined benefit and defined contribution pension schemes. Defined benefit pension schemes are not significant.

Amounts recognized in the income statement, EUR 1,000

	2011	2010
Service cost for the financial year	1,847	1,563
Differences in benefit schemes	54	44
TOTAL INCLUDED IN PERSONNEL EXPENSES	1,901	1,607

Amounts recognized in the balance sheet, EUR 1,000

	2011	2010
At the beginning of financial period	179	150
Transferred to other liabilities	0	-16
Pension expenses in the balance sheet	54	45
AT THE END OF FINANCIAL PERIOD	233	179

NOTE 31 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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

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

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

- Foreign currency options are fair valued based on quoted market prices on the balance sheet date.

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

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

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

EUR 1,000	2011 Net fair value	2011 Nominal value	2010 Net fair value	2010 Nominal value
Trade and other receivables	10,985	10,985	9,540	9,540
Cash and cash equivalents	9,840	9,840	11,606	11,606
Interest rate swap agreements	-182	10,000	-222	10,000
Bank loans	7,816	7,840	9,961	10,000
Finance leasing	25	25	35	37
Non-current loan facilities	0	0	5	5
Trade and other payables	12,900	12,900	13,250	13,250

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

NOTE 32 CONTINGENT LIABILITIES

EUR 1,000

	2011	2010
COMMITMENTS ON OWN BEHALF		
Mortgages	2,783	2,783
Floating charges	12,500	12,500
OPERATING LEASES		
Not later than one year	1,035	887
1–5 years	2,724	2,770
OTHER LIABILITIES	25	10

NOTE 33 SHARE CAPITAL

EUR 1,000	Number of shares (1,000)	Share capital	Share premium fund	Total
1 January 2010	11,897	2,141	8,448	10,589
Share issue				
31 December 2010	11,897	2,141	8,448	10,589
Share issue				
31 December 2011	11,897	2,141	8,488	10,589

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

On 6 April 2011 the Annual General Meeting authorized the Board of Directors to acquire the Company's own shares by using unrestricted equity. The maximum amount to be acquired is 600,000 shares. The authorization is valid until the next Annual General Meeting.

On 31 March 2010 the Annual General Meeting authorized the Board of Directors to issue a maximum of 2,400,000 new shares and convey a maximum of 600,000 own shares. By virtue of the authorization, the Board of Directors also has the right to grant option rights, convertible bonds and/or special rights referred to in Chapter 10, Section 1 of the Companies Act. The authorization is valid until 31 March 2013.

These authorizations have not been exercised during the year.

NOTE 34 SHARE-BASED PAYMENT PLANS

THE GROUP HAS a long-term incentive program for the Group Management Team and selected key employees of the Company. The aim of the program is to commit persons entitled to participate in the Program to improve Exel Composites Plc's long-term profitability and value and reward them for achieving these goals in line with Exel Composites' strategy and financial targets. The program is confirmed annually by the Board of Directors.

The participants shall earn the reward under the annual program if the financial performance targets as set by the Board of Directors for the program have been met. The Board of Directors will decide on the targets related to the growth of the Exel

Composites Group's earnings per share (EPS) and return on capital employed (ROCE) for each program separately before the beginning of the program. The maximum amount of reward for each annual program is decided by the Board of Directors and can be denominated as cash or a corresponding number of granted shares. There is a vesting period of two years before the title of the shares is transferred. The cost of the program will be accounted for as operating expenses and accrued for in the financial statements during the duration of the program according to IFRS 2. Under the 2011 program, the reward was denominated in cash and the allocated rewards totaled EUR 0.5 million.

NOTE 35 DISTRIBUTABLE FUNDS, 31 DECEMBER 2011

The parent company's distributable funds on 31 December 2011 were EUR 22,736 thousand.

NOTE 36 CASH FLOW FROM BUSINESS OPERATIONS

Non-cash adjustments to the result for the financial year, EUR 1,000	2011	2010
Depreciation, impairment charges and write-offs	2,702	2,880
Taxes	2,852	2,165
Financial expenses	634	671
Financial income	-350	-178
Other adjustments	470	738
TOTAL	6,308	6,276

NOTE 37 RELATED PARTY TRANSACTIONS

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

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

The ultimate parent company is Exel Composites Plc.

Management remuneration

Senior management salaries, fees and bonuses, EUR 1,000	2011	2010
President & CEO	532	520
Members of the Board of Directors	140	154
TOTAL	672	674

Salaries and fees per person

	EUR 1,000
Vesa Korpimies, President & CEO	532
Peter Hofvenstam, Chairman of the Board	46

Members of the Board

	EUR 1,000
Heikki Hiltunen (as of 6 April 2011)	19
Göran Jönsson	24
Vesa Kainu (until 6 April 2011)	5
Reima Kerttula	24
Heikki Mairinoja	24

NOTE 38 EVENTS AFTER THE BALANCE SHEET DATE

KIM SJÖDAHL WAS APPOINTED Senior Vice President Product and Technology Development and member of Exel Composites Plc's Group Management Team as of 1 February 2012. He holds an M.Sc. in Mechanical Engineering. Mr. Sjö Dahl has been employed by Exel Composites since 1997. His earlier position is VP Product Development for Exel Composites' units in Finland and Germany.

PARENT COMPANY INCOME STATEMENT, EUR 1,000

	Notes	1.1.–31.12.2011	1.1.–31.12.2010
NET SALES	1	46,742	38,931
Increase(+)/Decrease(-) in inventories of finished goods and work in progress		323	246
Other operating income		779	3,331
Materials and services		-17,607	-14,095
External services		-1,279	-880
Personnel expenses	2	-11,137	-9,431
Depreciation and write-down Planned depreciation	3	-1,262	-1,236
Other operating expenses	4	-9,115	-9,779
OPERATING PROFIT		7,445	7,088
Financial income and expenses	5		
Interest paid and other financial expenses		23	1,338
PROFIT BEFORE EXTRAORDINARY ITEMS		7,468	8,427
Group subsidy	6	0	0
PROFIT BEFORE APPROPRIATIONS AND TAXES		7,468	8,427
Direct taxes	7	-635	-1,643
PROFIT FOR THE PERIOD		6,832	6,784

PARENT COMPANY BALANCE SHEET, EUR 1,000

	Notes	31.12.2011	31.12.2010
ASSETS			
NON-CURRENT ASSETS	8		
Intangible assets			
Intangible rights		118	271
Other capitalized expenditure		383	531
TANGIBLE ASSETS		502	802
Land and water		90	90
Buildings		1,518	1,678
Machinery and equipment		1,961	1,652
Construction in progress		763	593
INVESTMENTS	9	4,332	4,013
Holdings in Group companies		24,643	25,419
Other shares and holdings		53	53
TOTAL NON-CURRENT ASSETS		29,530	30,286

CURRENT ASSETS			
Inventories			
Raw-materials and consumables		2,693	2,737
Work in progress		867	686
Finished products		1,083	941
Current receivables	10	4,643	4,365
Trade receivables		3,993	3,630
Receivables from Group companies		881	350
Other receivables		34	10
Prepaid expenses and accrued income		493	1
Cash in hand and at bank		5,401	3,991
TOTAL CURRENT ASSETS		12,766	11,558
TOTAL ASSETS		42,296	41,844
LIABILITIES AND SHAREHOLDERS' EQUITY			
EQUITY	11		
Share capital		2,141	2,141
Share premium reserve		0	0
Invested unrestricted equity fund		8,488	8,488
Retained earnings		7,416	6,581
Profit for the financial period		6,832	6,784
TOTAL EQUITY		24,877	23,994
LIABILITIES			
NON-CURRENT LIABILITIES	12		
Loans from financial institutions		7,840	10,000
CURRENT LIABILITIES	13		
Loans from financial institutions		0	0
Accounts payable		66	275
Trade payables		2,732	2,597
Liabilities to Group companies		3,376	1,489
Other liabilities		372	391
Accrued liabilities and deferred income		3,032	3,099
TOTAL CURRENT LIABILITIES		9,578	7,850
TOTAL LIABILITIES		17,418	17,850
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		42,296	41,844

PARENT COMPANY CASH FLOW STATEMENT, EUR 1,000

	2011	2010
CASH FLOW FROM BUSINESS OPERATIONS		
Profit for the year	6,832	6,784
Profit for the year adjustments	1,903	1,597
Change in net working capital	724	936
Interest paid and other financial expenses	-409	-502
Dividends received	1,179	1,855
Interest received	4	70
Income taxes paid	-1,318	-2,216
CASH FLOW FROM BUSINESS OPERATIONS	8,915	8,524
NET CASH FLOW FROM INVESTMENTS		
Disposal of business	0	0
Capital expenditure	-1,287	-1,268
Instalments in subsidiaries' shares	0	0
Proceeds from sale of fixed assets	0	0
NET CASH FLOW FROM INVESTMENTS	-1,287	-1,268
CASH FLOW BEFORE FINANCING	7,628	7,256
CASH FLOW		
Withdrawals of non-current loans	-2,160	-6,857
Repayments of non-current loans	0	0
Net withdrawals of/repayment of current loans	0	0
Group subsidies	0	0
Dividend paid	-5,948	-2,974
CASH FLOW FROM FINANCING	-8,108	-9,831
CHANGE IN LIQUID FUNDS	-480	-2,575
Liquid funds on January 1	3,202	5,778
Liquid assets from merger	0	0
LIQUID FUNDS ON DECEMBER 31	2,722	3,202

NOTE 1 NET SALES, EUR 1,000

	Parent Company 2011	Parent Company 2010
BY MARKET AREA		
Nordic Countries	16,152	14,312
Other European Countries	26,640	21,456
Other Countries	3,950	3,163
TOTAL	46,742	38,931

NOTE 2 PERSONNEL EXPENSES

Management salaries and remunerations, EUR 1,000 Paid in 2011	Parent Company 2011	Parent Company 2010
President	566	504
Members of the Board	140	154
TOTAL	706	658
AVERAGE PERSONNEL EMPLOYED	2011	2010
Salaried employees	70	67
Non-salaried employees	125	112
TOTAL	195	178

NOTE 3 DEPRECIATION

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

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

Planned depreciation, amortization and impairment, EUR 1,000	Parent Company 2011	Parent Company 2010
Intangible rights	152	165
Other capitalized expenditure	195	174
Buildings	259	198
Machinery and equipment	655	699
Write-downs of non-current assets	0	0
TOTAL	1,262	1,236

NOTE 4 OTHER OPERATING EXPENSES, EUR 1,000

	Parent Company 2011	Parent Company 2010
Rents	191	417
Marketing expenses	221	212
Other expenses	8,703	9,150
TOTAL	9,115	9,779
Auditor's fee	62	64
Tax counseling	5	4
Other fees	0	3
TOTAL	67	71

NOTE 5 FINANCIAL INCOME AND EXPENSES, EUR 1,000

	Parent Company 2011	Parent Company 2010
OTHER INTEREST AND FINANCIAL INCOME		
From Group companies	1,177	1,853
From others	137	47
TOTAL	1,314	1,901
INTEREST AND OTHER FINANCIAL EXPENSES	2011	2010
To Group companies	-61	-20
To others	-1,230	-542
TOTAL	-1,291	-562
TOTAL FINANCIAL INCOME AND EXPENSES	23	1,338

NOTE 6 EXTRAORDINARY ITEMS, EUR 1,000

	Parent Company 2011	Parent Company 2010
Extraordinary items / Group subsidy	0	0

NOTE 7 DIRECT TAXES, EUR 1,000

	Parent Company 2011	Parent Company 2010
Income tax on actual operations	-635	-1,643

NOTE 8 INTANGIBLE AND TANGIBLE RIGHTS, EUR 1,000

	Parent Company 2011	Parent Company 2010
INTANGIBLE RIGHTS		
Acquisition cost Jan. 1	1,010	1,010
Increase	0	0
Decrease	0	0
Reclassification between items	0	0
Acquisition cost Dec. 31	270	1,010
Accumulated planned depreciation Jan. 1	-740	-575
Planned depreciation	-152	-165
Planned depreciation of decrease	0	0
Accumulated planned depreciation Dec. 31	-892	-740
Book value Jan. 1	270	435
Book value Dec. 31	118	270
CAPITALIZED EXPENDITURE	2011	2010
Acquisition cost Jan. 1	2,987	2,864
Increase	48	83
Decrease	0	0
Reclassification between items	0	39
Acquisition cost Dec. 31	3,035	2,987
Accumulated planned depreciation Jan. 1	-2,456	-2,282
Planned depreciation	-195	-174
Planned depreciation of decrease	0	0
Accumulated planned depreciation Dec. 31	-2,651	-2,456
Book value at Jan. 1	531	582
Book value Dec. 31	383	531

	Parent Company 2011	Parent Company 2010
LAND AND WATER		
Acquisition cost Jan. 1	90	90
Decrease	0	0
Acquisition cost Dec. 31	0	90
Book value Jan. 1	90	90
Book value Dec. 31	90	90
BUILDINGS	2011	2010
Acquisition cost Jan. 1	4,732	4,101
Increase	99	631
Decrease	0	0
Reclassification between items	0	0
Acquisition cost Dec. 31	4,831	4,732
Accumulated planned depreciation Jan. 1	-3,054	-2,856
Planned depreciation	-259	-198
Planned depreciation of decrease	0	0
Accumulated planned depreciation Dec. 31	-3,313	-3,054
Book value Jan. 1	1,678	1,245
Book value Dec. 31	1,518	1,678
MACHINERY AND EQUIPMENT	2011	2010
Acquisition cost Jan. 1	19,057	18,159
Increase	686	259
Decrease	-16	0
Reclassification between items	284	639
Acquisition cost Dec. 31	20,011	19,057
Accumulated planned depreciation Jan. 1	-17,405	-16,706
Planned depreciation	-655	-699
Planned depreciation of decrease	10	0
Accumulated planned depreciation Dec. 31	-18,050	-17,405
Book value Jan. 1	1,652	1,454
Book value Dec. 31	1,961	1,652
Undepreciated acquisition cost of production machinery and equipment	1,935	1,624
ADVANCE PAYMENT AND CONSTRUCTION IN PROGRESS, EUR 1,000	2011	2010
Acquisition cost Jan. 1	593	923
Increase	454	348
Reclassification between items	-284	-678
Decrease	0	0
Acquisition cost Dec. 31	763	593
Book value at Jan. 1	593	923
Book value at Dec. 31	763	593
SHARES	2011	2010
Group companies		
Acquisition cost Jan. 1	25,419	25,418
Increase Dec. 31	0	0
Decrease Dec. 31	-776	0
Acquisition cost Dec. 31	24,643	25,418
OTHER SHARES AND HOLDINGS	2011	2010
Acquisition cost Jan. 1	53	53
Decrease Dec. 31	0	0
Acquisition cost Dec. 31	53	53

NOTE 9 COMPANIES OWNED BY PARENT COMPANY

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

NOTE 10 RECEIVABLES

Current receivables, EUR 1,000	Parent Company 2011	Parent Company 2010
RECEIVABLES FROM GROUP COMPANIES		
Trade receivables	857	350
Loan receivables	0	0
Prepaid expenses and accrued income	24	0
TOTAL RECEIVABLES FROM GROUP COMPANIES	881	350
RECEIVABLES FROM OTHERS		
	2011	2010
Trade receivables	3,993	3,630
Other receivables	34	10
Prepaid expenses and accrued income	493	1
TOTAL RECEIVABLES FROM OTHERS	4,520	3,641
TOTAL CURRENT RECEIVABLES	5,401	3,991

Deferred tax assets amounting to EUR 157 (187) thousand have not been booked from cumulative depreciation exceeding the maximum tax depreciations by EUR 0.6 (0.7) million.

NOTE 11 EQUITY, EUR 1,000

	Parent Company 2011	Parent Company 2010
Share capital Jan. 1	2,141	2,141
SHARE CAPITAL DEC. 31	2,141	2,141
Invested unrestricted equity fund Jan. 1	8,488	8,488
INVESTED UNRESTRICTED EQUITY FUND DEC. 31	8,488	8,488
Retained earnings	13,365	9,555
Dividend paid	-5,948	-2,974
Retained earnings	7,416	6,581
Operating profit for the financial year	6,832	6,784
TOTAL EQUITY	24,877	23,994
CALCULATION OF FUNDS DISTRIBUTABLE AS PROFIT DEC. 31		
	2011	2010
Non-restricted equity fund	8,488	8,488
Retained earnings	7,416	6,581
Operating profit/loss for the financial year	6,832	6,784
TOTAL NON-CURRENT LIABILITIES	22,736	21,852

NOTE 12 NON-CURRENT LIABILITIES, EUR 1,000

	Parent Company 2011	Parent Company 2010
Loans from financial institutions	7,840	10,000
Total non-current liabilities	7,840	10,000
Liabilities falling due in a period longer than five years	0	0

NOTE 13 CURRENT LIABILITIES, EUR 1,000

	Parent Company 2011	Parent Company 2010
LIABILITIES TO GROUP COMPANIES		
Trade payables	478	139
Accrued liabilities and deferred income	2,899	1,350
TOTAL	3,376	1,489
LIABILITIES TO OTHERS		
	2011	2010
Loans from financial institutions	0	0
Advance payments	66	275
Trade payables	2,732	2,597
Other liabilities	372	391
Accrued liabilities and deferred income	3,032	3,099
TOTAL LIABILITIES TO OTHERS	6,202	6,361
TOTAL CURRENT LIABILITIES	9,578	8,091
SPECIFICATION OF ACCRUED LIABILITIES AND DEFERRED INCOME		
Salaries, wages and holiday pay, including social security expenses	2,675	2,344
Other accrued liabilities and deferred income	357	755
TOTAL ACCRUED LIABILITIES AND DEFERRED INCOME	3,032	3,099

NOTE 14 CONTINGENT LIABILITIES**Derivatives****Interest rate risk**

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

EUR 1,000	Face value	Fair market value
Interest swaps (NPV)		
Interest swaps	10,000	-182

Liabilities for which a corporate mortgage and real estate mortgages have been provided as collateral

	2011	2010
Financial institution loans	7,840	10,000
Mortgages given on land and buildings	2,783	2,783
Corporate mortgage given	12,500	12,500
COLLATERAL FOR GROUP COMPANIES		
Credit limit guarantee	0	2

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

NOTE 15 LEASING, RENTAL AND OTHER LIABILITIES, EUR 1,000

	Parent Company 2011	Parent Company 2010
LEASING LIABILITIES		
Falling due in 2012	45	104
Falling due later	38	44
Rental liabilities		
Falling due in 2012	0	0
Falling due later	0	0
Other liabilities	25	10

NOTE 16 SHARE OWNERSHIP**Distribution of share ownership on 31 December 2011**

	%
Private companies	14.2
Financial and insurance institutions	24.3
Public sector entities	7.4
Non-profit organizations	2.7
Households	18.5
Foreign	29.6
Of which, nominee registration	3.2

Distribution of share ownership on 31 December 2011

Shares	Number of shareholders	Percentage of shareholders	Total number of shares	Percentage of total number of shares
1–1,000	2,254	85.09	658,486	5.54
1,001–10,000	331	12.5	923,002	7.76
10,001–50,000	33	1.25	711,800	5.98
over 50,000	31	1.17	9,603,555	80.72

NOTE 17 SHAREHOLDERS**Information on shareholders on 31 December 2011**

Shareholder	Number of shares	Percentage of shares and votes
Nordstjernan AB	3,496,506	29.4
Ilmarinen Mutual Pension Insurance Company	689,400	5.8
OP-Suomi Small Cap Investment Group	540,000	4.5
Ulkomarkkinat Oy	480,000	4.0
Fondita Nordic Micro Cap Investment Fund	450,000	3.8
Veikko Laine Oy	395,796	3.3
Alfred Berg Finland Investment Fund	362,903	3.1
Matti Suutarinen	291,400	2.4
Mutual Fund Evli Finnish Equity	257,140	2.2
Aktia Capital Investment Fund	250,000	2.1
Nominee registration	384,882	3.2
Other	4,298,816	36.2
TOTAL	11,896,843	100.0

NOTE 18 MANAGEMENT INTERESTS

The aggregate holding of the members of Board of Directors and the President was 97,662 shares on 30 December 2011. This accounts for 0.8% of corporate shares and 0.8% of the votes carried by all shares. The members of the Board of Directors and the President do not have any unsubscribed option rights.

NOTE 19 SHARE ISSUE AND OPTION PROGRAMS

On 6 April 2011 the Annual General Meeting authorized the Board of Directors to acquire the Company's own shares by using unrestricted equity. The maximum amount to be acquired is

600,000 shares. The authorization is valid until the next Annual General Meeting.

On 31 March 2010 the Annual General Meeting authorized the Board of Directors to issue a maximum of 2,400,000 new shares and convey a maximum of 600,000 own shares. By virtue of the authorization, the Board of Directors also has the right to grant option rights, convertible bonds and/or special rights referred to in Chapter 10, Section 1 of the Companies Act. The authorization is valid until 31 March 2013.

These authorizations have not been exercised during the year.

NOTE 20 SHARE PRICE AND TRADING

Share price (EUR)	2007	2008	2009	2010	2011
Average price	14.14	5.92	4.08	5.86	8.10
Lowest price	10.55	2.41	2.37	5.00	6.75
Highest price	17.45	12.20	6.20	7.25	9.40
Share price at end of financial year	11.90	2.72	5.39	7.06	7.65
Market capitalization, EUR million	141.6	32.4	64.1	84.0	91.0
Share trading					
Number of shares traded	4,907,765	1,653,992	3,522,974	2,298,611	1,381,139
% OF TOTAL	41.3	13.9	29.6	19.3	11.6

Number of shares adjusted for share issues

Average number	11,896,843	11,896,843	11,896,843	11,896,843	11,896,843
Number at end of financial year	11,896,843	11,896,843	11,896,843	11,896,843	11,896,843

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

NOTE 21 KEY INDICATORS

Key indicators illustrating financial trends

Figures given in EUR 1,000 (unless otherwise stated)	2007 IFRS	2008 IFRS**	2009 IFRS**	2010 IFRS**	2011 IFRS**
Net sales	113,489	84,921	70,005	72,872	85,136
Operating profit	4780	8,593	7,990	9,430	11,082
% of net sales	4.2	10.1	11.4	12.9	13.0
Profit before extraordinary items	2,420	5,590	7,970	8,936	10,798
% of net sales	2.1	6.6	11.4	12.3	12.7
Profit before provisions and income taxes	2,420	5,590	7,970	8,936	10,798
% of net sales	2.0	6.6	11.4	12.3	12.7
Total assets	75,192	59,275	57,303	56,885	57,046
Return on equity, %	8.4	-14.7	31.3	23.3	23.5
Return on capital employed, %	7.3	0.0	20.9	21.8	26.1
Equity ratio, %	31.3	28.2	44.6	57.4	61.6
Net gearing, %	118.4	123.9	23.7	-4.3	-5.00
Capital expenditure	2,469	1,765	1,440	1,570	3,208
% of net sales	2.2	2.1	2.1	2.2	3.8
R&D costs	2,824	1,361	1,407	1,312	1,639
% of net sales	2.5	1.6	2.0	1.8	1.9
Average personnel	568	527	436	404	428
Personnel at year end	579	470	419	408	428
Share data					
Earnings per share (EPS), EUR	0.17	0.34	0.50	0.57	0.67
Adjusted earnings per share (EPS), EUR*	0.17	0.34	0.50	0.57	0.67
Equity per share, EUR	1.98	1.40	2.15	2.73	2.95
Dividend per share, EUR	0.20	0.00	0.25	0.50	0.50
Payout ratio, %	118.40	0.00	50.00	87.80	74.90
Effective yield of shares, %	1.68	0.00	4.64	7.08	6.54
Price/earnings (P/E), %	70.44	8.00	10.79	12.40	11.45

* Adjusted for the dilution of option rights

** From continuing operations

Return on equity %

profit before extraordinary items, provisions and income taxes less income taxes
 x100
 equity + minority interest + voluntary provisions and depreciation difference less deferred tax liabilities (average)

Return on investment %

profit before extraordinary items, provisions and income taxes + interest and other financial expenses
 x100
 total assets less non-interest-bearing liabilities (average)

Solvency ratio %

equity + minority interest + voluntary provisions and depreciation difference less deferred tax liabilities
 x100
 total assets less advances received

Net gearing %

net interest-bearing liabilities (=interest-bearing liabilities less liquid assets)
 x100
 equity

Earnings per share (EPS) EUR

profit before extraordinary items, provisions and income taxes less income taxes +/- non-controlling interest
 x100
 average adjusted number of shares in the financial period

Equity per share EUR

equity + voluntary provisions + depreciation difference less deferred tax liabilities and minority interest

 adjusted number of shares on closing date

Dividend per share EUR

dividend for the financial period

 adjusted number of shares on closing date

Payout ratio %

dividend per share
 x100
 earnings per share (EPS)

Effective yield of shares %

dividend per share x 100
 x100
 adjusted average share price at year end

Price/earnings (P/E) %

adjusted average share price at year end
 x100
 earnings per share

Exel Composites Plc's distributable funds are EUR 22,736,005.09 of which profit for the financial period accounts for EUR 6,832,174.86.

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

• a dividend of EUR 0.50 per share	EUR 5,948,421.50
• carried over as equity	EUR 16,787,583.59
	EUR 22,736,005.09

Vantaa, 16 February 2012

Peter Hofvenstam
Chairman

Heikki Hiltunen Göran Jönsson

Reima Kerttula Heikki Mairinoja

Vesa Korpimies
President and CEO

Our auditor's report has been issued today.

Vantaa, 16 February 2012

Ernst & Young
Authorized Public Accountants

Juha Hilmola
Authorized Public Accountant

To the Annual General Meeting of Exel Composites Plc

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Exel Composites Plc for the financial period 1.1.–31.12.2011. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the

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

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

Opinion on the consolidated financial statements

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

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

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

Opinions based on the decision of the Board of Directors

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

Vantaa, 16 February 2012
Ernst & Young Oy
Authorized Public Accountant Firm

Juha Hilmola
Authorized Public Accountant

Summary of the stock exchange releases published in 2011**12 JANUARY 2011**

Exel Composites Plc's annual summary for 2010

4 FEBRUARY 2011

Change in Exel Composites' Group Management

11 FEBRUARY 2011

Invitation to Exel Composites' press conference

18 FEBRUARY 2011

Exel Composites Plc's financial statements release 2010

18 FEBRUARY 2011

Correction to Exel Composites Plc's financial statements release 2010

2 MARCH 2011

Notice to Exel Composites Plc Annual General Meeting

3 MARCH 2011

Exel Composites Annual Report 2010 and Corporate Governance Statement published

6 APRIL 2011

Decisions of the Annual General Meeting of Exel Composites Plc, 6 April 2011

28 APRIL 2011

Invitation to Exel Composites' press conference

5 MAY 2011

Exel Composites Plc's interim report for January 1–March 31, 2011

20 MAY 2011

Disclosure under Chapter 2, Section 9 of the Finnish Securities Markets Act

22 JULY 2011

Exel Composites Plc's interim report for January 1–June 30, 2011

19 OCTOBER 2011

Invitation to Exel Composites' press conference

26 OCTOBER 2011

Exel Composites Plc Interim Report for January 1–September 30, 2011

12 DECEMBER 2011

Disclosure under Chapter 2, Section 9 of the Finnish Securities Markets Act

15 DECEMBER 2011

Exel Composites' financial calendar and Annual General Meeting in 2012 •

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