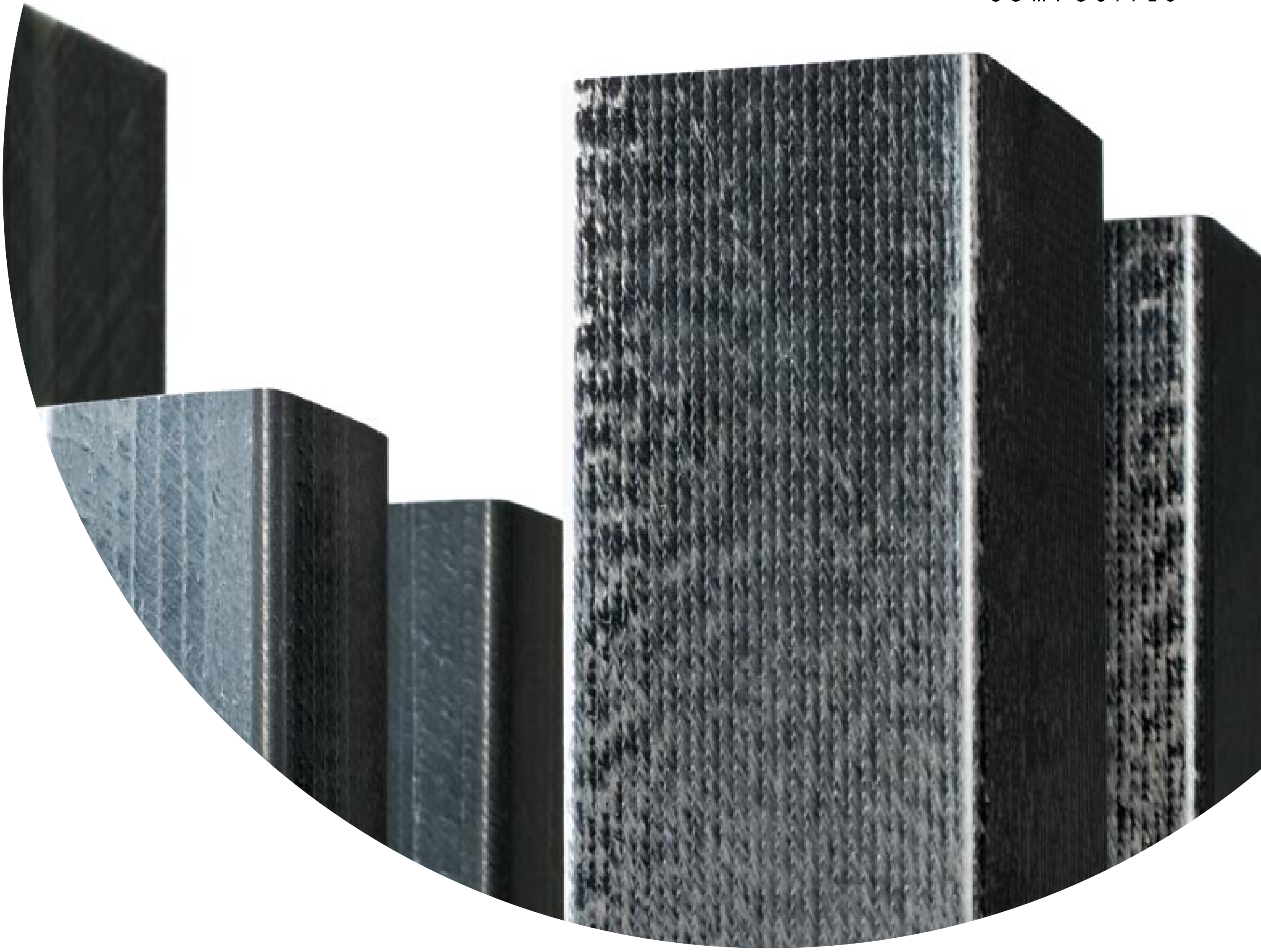


2009

ANNUAL REPORT

2009

Exel Composites – Annual report


Leading


the way

Contents

15 Innovative product and technology development generates competitive advantages for Exel Composites' customers.

21 Exel Composites' products are supplied to 10 market segments.

38 Integrated risk management helps to improve profitability and competitiveness.

GROUP STRUCTURE

EXEL COMPOSITES PLC

Exel Composites Plc
- Kiihtelysvaara, 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

GEOGRAPHICAL PRESENCE

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

Exel – the leader of composite profiles

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 own, 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's operations.

In 2009 Exel Composites focused on its core industrial activities and completed the restructuring of the Group with the divestment of the Floorball business.

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

Our strategy

EXEL COMPOSITES CONCENTRATES ON demanding, customer-tailored composite profile products for industrial applications in selected market segments. Exel's target is growth ahead of the market while maintaining good profitability. Acquisitions may be used to strengthen Exel's competences or market position globally or locally.

Our vision

EXEL COMPOSITES IS A LEADING global supplier of advanced composite profiles to the selected niche market segments. Exel's objective is to generate good returns for the Company's shareholders. Exel's specialized total service, high quality products and long-term partnerships earn the Company the trust and confidence of its customers. In doing this Exel Composites offers its employees an exciting and rewarding place of employment.

> We will continue to play an active role.

CEO's review

THE RECESSION CONTINUED TO IMPACT the pultrusion markets in 2009. Sales decreased in almost all our geographical markets. Exel took robust actions to deal with the economic down-turn. The main objective was to protect the financial fundamentals and the business in order to ensure stability. We reinforced the focus on the core composite business and divested Exel Sports Brands' Floorball business in March 2009. We prioritized cash flow and implemented measures to improve cash management and reduce working capital, as well as to prioritize capital spending. Exel Composites had a strong cash flow in 2009 and the net interest-bearing liabilities were reduced by EUR 14.6 million to EUR 6.1 million. Gearing was improved from 123.9 per cent to 23.7 per cent. We initiated actions to cut costs and to improve efficiency resulting in a substantial reduction of annual fixed costs. We invested in sales activities in order to protect the top line.

Total earnings per share improved significantly in 2009 from EUR -0.25 to EUR 0.59. Earnings per share for continuing operations improved to EUR 0.50 (0.34) and for discontinued operations to EUR 0.06 (-0.59). The major contributors were the restructuring of the Group including the divestment of Exel Sports Brands and favorable foreign exchange rate development. Return on investment improved from 0.0 per cent to 20.9 per cent.

In accomplishing the turn-around, Exel improved its competitive position relative to many competitors. The Group strategy was refined in order to find ways to capitalize on the down-turn for longer term success. We have prioritized our segments creating a more focused business portfolio, based on future expected growth, profitability and Exel Composites' relative strength. We will increasingly allocate resources to the prioritized segments. The sales teams and technical sales teams were strengthened to drive sales even more actively.

Small signs of market recovery could be seen during the latter part of the year. Sales to general industries, especially defense, improved due to new applications. New, innovative applications were developed also in the building, construction and infrastructure market. We also see many interesting opportunities relating to new energy regulations. Furthermore, long-term agreements were signed in the electrical industry.

In 2010, Exel reaches a significant milestone as it celebrates its 50th anniversary. Long-term mission of the company has been to become one of the most profitable world class pultrusion companies. During my 20 years with the company, it has been very interesting to witness and work for this development. Exel Composites has been an active consolidator of the pultrusion industry and has emerged as one of the leading pultrusion companies in the world. We will continue to play an active role in this respect also in the future.

We maintain a cautious stance on the world economy and expect the challenging market environment to continue also in 2010. We will continue our focus on sales and on developing new applications with our customers. Economic uncertainty calls for prudent housekeeping, hence productivity improvements and cost efficiency remain our priorities also in 2010.

We have a strong financial position and we are well prepared to take advantage of the challenging business environment and the growth opportunities as the markets gradually recover.

Finally, I would like to thank all Exel Composites personnel for their work, flexibility and commitment. Many thanks also to our shareholders, customers and partners for their confidence in the past year. •

MARCH 2010

VESA KORPIMIES, PRESIDENT AND CEO

Q1

January–March 2009 highlights

- Net sales of continuing operations decreased to EUR 18.5 (20.9) million in the first quarter of 2009 and were 11.4 per cent lower than for the corresponding period in 2008
- Operating profit was EUR 2.0 million compared to EUR 2.7 million in the first quarter of 2009, representing 10.8 (12.9) per cent of net sales
- Net operative cash flow was positive at EUR +3.0 (-0.2) million
- Fully diluted earnings per share were EUR 0.14 (-0.01)
- Net gearing continued to decrease from 123.9 per cent (year end 2008) to 91.4 per cent
- Exel Sports Brands' Floorball business transferred to Cape Nordic in March 2009
- Exel Sports Brands will be reported as discontinued operations as of this interim report
- Due to the market uncertainty and poor visibility, Exel will not give any profit guidance

Q2

April–June 2009 highlights

- Net sales of continuing operations were EUR 19.3 (22.4) million, 14.1 per cent below previous year
- Operating profit of continuing operations improved 22.8 per cent to EUR 2.4 (1.9 including EUR -0.7 million non-recurring items) million, representing 12.4 (8.7) per cent of net sales
- Net operative cash flow was positive at EUR 3.2 (+0.5) million
- Fully diluted earnings per share EUR 0.16 (-0.30)
- Due to the market uncertainty and poor visibility, Exel will not give any profit guidance

Q3

Q4

July–September 2009 highlights

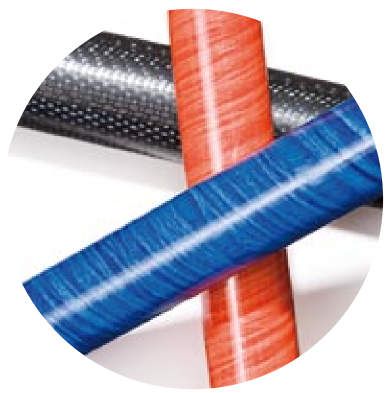
- Net sales of continuing operations decreased to EUR 15.9 (21.1) million
- Operating profit of continuing operations was EUR 1.2 (1.8) million, representing 7.8 (8.5) per cent of net sales
- Fully diluted earnings per share were EUR 0.07 (0.07) of which continuing operations accounted for EUR 0.06 (0.03)
- The challenging market conditions are expected to continue also during the rest of the year affecting net sales and profitability also during the fourth quarter

October–December 2009 highlights

- Net sales from continuing operations in the fourth quarter of 2009 were EUR 16.2 (20.5) million
- Operating profit from continuing operations in the fourth quarter of 2009 was EUR +2.4 million including net reversal of the restructuring provisions of EUR +0.7 million (EUR +2.2 million), or 14.5 (10.6) per cent of net sales
- Due to the market uncertainty and poor visibility Exel will not give any profit guidance

A year of change

Because of the worldwide financial situation in 2009, Exel Composites initiated measures to reduce fixed costs to improve productivity. In order to drive sales even more actively, the sales teams and technical sales teams were strenghtened.



Financial results

Net sales from continuing operations decreased in 2009, ending the year at EUR 70.0 (84.9) million. This represents a decrease on the previous year of 17.6 per cent.

The Group's operating profit from continuing operations in 2009 was EUR +8.0 million, including net reversal of the restructuring provisions and other non-recurring items of EUR +1.2 million (EUR +8.6 million including EUR -0.7 million non-recurring items).

Main events in 2009

In March 2009 Exel sold Exel Sports Brands' Floorball business to Cape Nordic Oy.

In April 2009 the Company name was changed into Exel Composites Plc in English and Exel Composites Oyj in Finnish.

On 11 June 2009 Exel announced that it will begin co-determination negotiations at its Finnish units. As a result of the negotiations, the amount of permanent employment contracts to be terminated was 19.

On 7 July 2009 Exel announced that Exel Sports Oy will merge into its parent company Exel Composites Plc.

On 8 October 2009 the resignation of Mr. Grant Pearce, Managing Director of Exel Composites Australia and member of Exel Composites Plc' Management Group, was announced.

On 29 November 2009 Exel announced that Mr. Lasse Orre has been appointed SVP Sales and member of the Management Group as of 1 February 2010. •

CONSOLIDATED KEY FIGURES	2009	2008
Net sales, continuing operations, EUR millions	70.0	84.9
Operating profit, continuing operations, EUR millions	8.0	8.6
% of net sales	11.4	10.1
Profit for the period, continuing operations, EUR millions	5.9	4.0
Return on capital employed (ROCE), %	20.9	0.0
Net gearing, %	23.7	123.9
Equity ratio, %	44.6	28.2
Earnings per share, EUR	0.56	-0.25
Equity/share, EUR	2.15	1.40

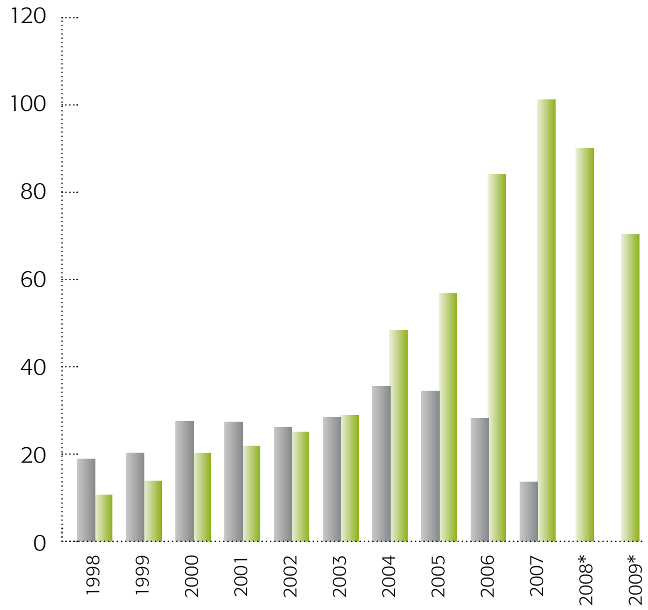
NET SALES FROM CONTINUING OPERATIONS

2009: EUR 70.0 million
2008: EUR 84.9 million

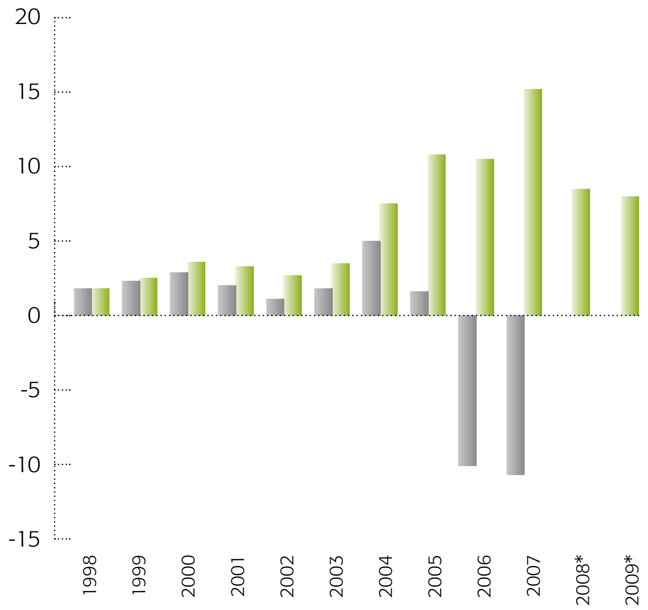
OPERATING PROFIT FROM CONTINUING OPERATIONS

2009: EUR 8.0 million
2008: EUR 8.6 million

NET SALES BY SEGMENT 1998–2009 (EUR millions)



OPERATING PROFIT BY SEGMENT 1998–2009 (EUR millions)



EXEL COMPOSITES   EXEL SPORTS BRANDS   * FROM CONTINUING OPERATIONS

Your business, our commitment

Heading to the future

By concentrating on demanding, customer-tailored composite profile products, Exel Composites heads for the leading position in supplying advanced composite profiles to a variety of market segments.

Strategy

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

According to its strategy Exel focuses on continuous production technologies including pultrusion, pullwinding and lamination.

The global composite profile market size is around EUR 1 billion. Exel Composites is the world's leading composite profile manufacturer. The industry is extremely fragmented and globally there are a few hundreds of manufacturers. The average size of companies is around EUR 5 to 7 million. Exel has been one of the few consolidators of the industry over the years.

Profitable growth is ensured by concentration on OEM customers in selected market segments chosen for their profitability and growth potential. Currently Exel delivers products for the following industries and market segments: transportation, building, construction and infrastructure, energy, telecommunications, paper industry, electric industry, cleaning and maintenance, sports and leisure industry, machine industry and general industries.

Basis for the profitable growth is also formed by Exel's total service, customer-oriented operations and close cooperation with customers. Besides innovative and high-quality products, Exel's total service consists of expertise in sales and customer service, technical support and long-term partnership.

To meet the targets of the growth strategy Exel invests in product and technology development and in technical sales. The objective behind innovative product and technology development is to generate competitive advantages for Exel's customers. Investments are focused on strengthening Exel's position in the selected market segments. Profitable growth also requires continuous improvement of productivity and efficiency, which will be achieved through focused best practice initiatives and optimized site planning.

Vision

Exel is a leading global supplier of advanced composite profiles to the selected niche market segments. Exel's objective is to generate good returns for the Company's shareholders. Exel's specialized total service, high quality products and long-term partnerships earn Company the trust and confidence of its customers. In doing this Exel offers its employees an exciting and rewarding place of employment.

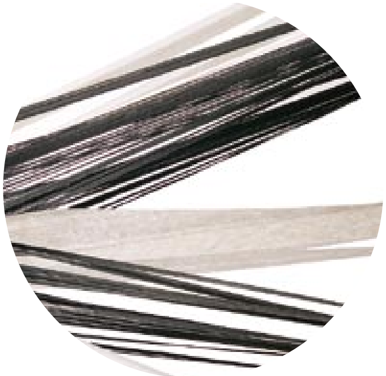
Financial targets

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

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

OPERATING PROFIT: Exel Composites' operating profit to exceed 10 per cent of net sales.

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



Summary of the stock exchange releases and notifications published in 2009

9 January 2009 at 10.30
Disclosure under Chapter 2, Section 9 of the Finnish Securities Market Act

9 February 2009 at 14.30
Invitation to Exel Composites' press conference

13 February 2009 at 9.50
Exel Composites Plc's financial statements release 2008

17 February 2009 at 9.00
Exel Composites AGM 2009 – composition and remuneration of the Board of Directors

27 February 2009 at 8.00
Notice to Exel Composites Plc Annual General Meeting

12 March 2009 at 12.30
Exel Composites' Annual Report 2009 has been published in electronic format

24 March 2009 at 9.40
Exel Composites sells its Floorball business to Cape Nordic Oy

16 April 2009 at 14.00
Decisions of the Annual General Meeting of Exel Composites Plc, 16 April 2009

ISO 9001 certificate covers all the sites of the Group.

EXEL

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

23 April 2009 at 12.30
Exel Plc's new name, Exel Composites Plc, entered into Trade Register

30 April 2009 at 10.15
Invitation to Exel Composites' press conference

7 May 2009 at 9.50
Exel Composites interim report for January 1–March 31, 2009

11 June 2009 at 12.00
Co-determination negotiations started in the Finnish units of the Exel Group

6 July 2009 at 12.45
Notice of a subsidiary merger to Exel Composites Plc's shareholders

23 July 2009 at 11.00
Exel Composites interim report for January 1–June 30, 2009

31 July 2009 at 13.00
Co-determination negotiations concluded in the Finnish units of the Exel Group

8 October 2009 at 10.00
Change in Exel Composites Plc's Management Group

23 October 2009 at 9.00
Invitation to Exel Composites' press conference

29 October 2009 at 9.00
Exel Composites Plc Interim Report for January 1–September 30, 2009

29 October 2009 at 9.10
Exel Composites' Annual General Meeting and financial calendar in 2010

26 November 2009 at 10.30
Exel Composites' Group Management Team reinforced –
Lasse Orre appointed SVP Sales

8 December 2009 at 15.15
Disclosure under Chapter 2, Section 9 of the Finnish Securities Markets Act •

Challenging

the prevalent

Vast array of applications

Exel Composites –

Unbeatable durability and functionality

All Exel's products are designed and developed in close co-operation with our customers. Our aim is to meet and exceed the customer requirements and expectations.

Introduction

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 rigid qualities of composite materials make them unbeatable in terms of durability and functionality. Exel Composites invests considerable financial and human resources with key partners in strategic areas of product development. It is Exel's main objective to create superior competitiveness for its customers.

Products are supplied to 10 market segments. The segments include transportation, building, construction and infrastructure, energy industry, telecommunication, paper industry, electrical industry, cleaning and maintenance, sport and leisure industry, machine engineering, and general industries.

Divestment of Exel Sports Brands

Exel Composites completed the restructuring of the Group in spring 2009. Exel Sports Brands' Outdoor business was sold to ESB Sports in June 2008. The remaining Floorball business was sold to Cape Nordic in March 2009. Both transactions included long-term licensing agreements related to the use of the Exel brand together with other brands such as Nordic Walker™ and Nordic Blader™ for selected market groups.

The business transfers streamlined the business structure of the Exel Group. Now the Group concentrates solely on the core industrial activities.

APPLICATIONS AND MARKETS

Transportation

Exel Composites provides external and internal body parts for trains and trams as well as buses and coaches. External body parts are typically adhesively bonded to the metal frames of buses and coaches. Products include cant rails, skirts and luggage

door panels. Internal body parts include 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. Refrigerated trailers are a key application for composite products.

In 2009, the truck and trailer market continued to suffer from the prevailing economic situation. On the other hand, the train and tram market was active. The substitution of side panels in buses and trains continued, as the benefits of composites have overrun more conventional materials such as aluminum. The major advantages of composites in these applications are lightness, durability and different shape alternatives.

Building, construction and infrastructure

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

The segment includes airport products (approach lighting systems, masts for weather measurement and ILS glide path towers), access engineering (access ladders, hand rails systems and stair treads), cable management systems, geological stabilization for the mining and earthworks industries, marina gratings, water treatment as well as window and door profiles.

Airport investments, in spite of supportive government actions in several countries, suffered a significant downturn with the worldwide economic crisis. In August 2009, the Federal Aviation Administration (FAA) listed Exel Composites' frangible safety approach masts as approved airport lighting equipment. The effect of the FAA approval will be seen only from 2010 onwards.

There is great potential in the European window and door profile market thanks to new energy regulations. Rail and tunnel applications also offer good prospects, but incubation times are long.

Energy industry

New and innovative solutions are being developed by Exel Composites to meet the demands of the global energy sector.

New products were developed and approved in 2009 for the Chinese and European wind energy markets with a leading blade manufacturer, with both European and Chinese facilities obtaining supply accreditation.

The world's 1st pultruded composite subsea structure, DELOS – Deep Ocean Environmental Long-term Observatory System – a system with which British Petroleum will perform long-term (25 years) environmental monitoring in the deep ocean, was launched in Angola.

Exel Composites is involved in the major energy sectors where the use of composites materials can bring real benefits in providing a cost effective solution, through lightweight but strong materials.

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

There is great potential in the European window and door profile market thanks to new energy regulations.

specification. Exel's 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 weatherability and UV stabilization.

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.

Paper industry
With over 10 years' experience with composites in paper industry applications, Exel Composites has developed a wide range of customer products. 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 excellent electrical insulation properties. In addition, they have ideal mechanical properties in low, ambient and elevated temperatures. Based on many years of experience, Exel Composites provides specific solutions for this segment.

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

Cleaning and maintenance
Exel Composites continues to develop and expand its tool handles and telescopic pole range providing versatile systems for numerous applications for professional use. Cleaning and maintenance in industrial environments is demanding work especially where access may be severely restricted or in situations beyond normal reach. As health and safety issues are essential when working at heights, Exel Composites provides with its range of composite telescopes a safe solution to complete the work safely from the ground. In today's high-reach window cleaning industry an extension up to 22 meters is needed. The Exel handles and poles are also used with testing and measuring equipment, in industrial vacuuming, with gardening and industrial tools.

Sports and leisure industry
Thanks to excellent mechanical properties, composite tubes, profiles and laminates are being used increasingly in the sporting goods industry to produce products such as skis, ski poles, trekking poles, Nordic Walking poles, floorball sticks, surfing masts, snowboards, skateboards, kite boards 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 over 30 years of manufacturing experience of demanding state-of-the-art pultruded composite profiles used in different segments of the machine industry. An increasing number of applications in mechanical engineering is benefiting from composites' advantages: textile machine parts, printing machines, robotic and manipulator parts, packing machines, processing machines and measuring devices.

General industries
Composite materials can be used in many different applications in different industries. The unique combination of excellent properties – high corrosion-resistance combined with light weight and high stiffness – are the properties that make composites the best choice compared to many traditional materials. Exel has a long experience in the development of products for the defense sector. These include both customer-specific and non-customer-specific defense products; sector umbrellas designed to give shelter to large, stationary objects, mine detecting probes and camouflage support poles.

The general industries segment also includes System 30 Light Weight Structures which is a self-assembly system for building frameworks and other lightweight structures. The light weight, non-corroding structures can be utilized indoors and outdoors, e.g. for garages and boat covers, supermarket kiosks and promotion stands. Furthermore, the segment includes various applications within the agriculture and forest sectors. •

A safe environment is our priority

The basis of manufacturing top quality products for our customers lies in our highly skilled personnel. For Exel Composites, ensuring their safety and paying attention to environmental issues are self-evident.

PERSONNEL

Personnel policy

Highly skilled personnel and state-of-the-art technology play a key role in Exel Composites' operations. A knowledgeable workforce is Exel's 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 issues

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

Incentive programs

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

Personnel

At the end of 2009 the Group employed 419 (472) personnel. The average number of employees during the period was 436 (526). The number of employees in Finland was 183 (208) and in other countries 236 (264). The decrease both in Finland and abroad is due to the rationalization actions in the Finnish, British and Chinese units and the divestments of Exel Sports Brands' Outdoor and Floorball businesses.

Annually established goals motivate employees equally and fairly.

419 employees were working for Exel Composites at the end of 2009.

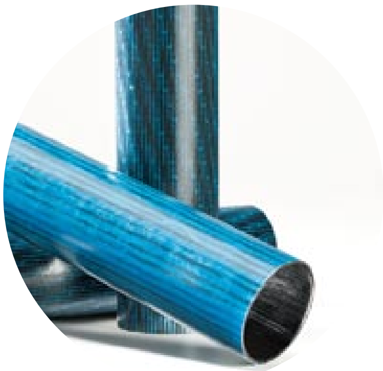
QUALITY, ENVIRONMENT AND SAFETY

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. The multi-site certificate covers all the sites of the Group. Exel 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 into use in the Exel Group in 2008. The rollout has now been completed in Finland, Belgium, Germany and the UK. The system will be in use in all the units of the Group by the end of 2011.



Environment and safety

Exel Composites Group's Finnish units, the Kivara and Mäntyharju factories, 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.

An organization has identified the significant environmental aspects and assessed risks. The 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 sites have a safety organization with defined responsibilities.

Exel 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. Exel 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. •

Experience


the quality

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, published by Securities Market Association. This Corporate Governance Statement has been prepared in accordance with the Finnish Corporate Governance Code Recommendation 51. The code is available at www.cgfinland.fi.

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

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

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 the President and CEO and the Deputy Managing Director 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 Management Group. 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;
- 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 Committee's work. In addition, the Board performs an annual self-evaluation of its organization, working methods and fulfillment of its duties. The Board evaluates the independence of each member of the Board at the first meeting following the AGM.

According to the Corporate Governance Code Recommendation 27, the Board 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 auditors' election.

According to the Recommendation 28 of the Corporate Governance Code, the Board may establish a nomination committee to improve the efficient preparation ot 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 Committee 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.

In 2009, the Shareholders' Nomination Committee comprised Tomas Billing as chairman (Nordstjernan AB), Mikko Mursula (Ilmarinen Mutual Pension Insurance Company) and Pertti Laine (Veikko Laine Oy) and Peter Hofvenstam, the Chairman of the Board of Directors, acting as an expert member. The Committee met two times in 2009.

Members of the Board

On 16 April 2009 the Annual General Meeting appointed Peter Hofvenstam, Göran Jönsson, Vesa Kainu and Heikki Mairinoja to continue on the Board of Directors. Reima Kerttula was appointed as new member to the Board. Peter Hofvenstam was re-elected Chairman of the Board. 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.

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 2007 from the position of Managing Director of Metso Ventures. He is currently actively involved in board work and management consulting.

Reima Kerttula was born in 1955. He holds an M.Sc. in Engineering. He is Managing Director of Tamfelt Corporation.

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

In 2009, Exel's Board of Directors has evaluated the Board members' independence of the Company in accordance with Recommendation 15 of the Corporate Governance Code. Vesa Kainu, Reima Kerttula and Heikki Mairinoja are independent Board members. Peter Hofvenstam is considered as independent from the Company, but non-independent from a major shareholder, since he is the Senior Vice President of Nordstjernan AB. Göran Jönsson is considered as independent from major shareholders, but as non-independent from the Company as former President and CEO of the Company. The Board was considered to comply with the Corporate Governance independency rules. The term of the current Board members will expire at the end of the AGM 2010.

Further information on the Board (biographical details, holdings and compensation) is presented separately under the heading "Board of Directors" on page 33 in this Annual Report and on the Company website at www.exelcomposites.com.

Work of Board of Directors in 2009

The Board of Directors convened 10 times in 2009 and the average attendance rate at these meetings was 98 per cent.

Besides the regular annual Board work during the financial year 2009, the key priorities in 2009 included measures to protect the financial fundamentals and to reinforce the financial position, to reinforce the focus on the core composite business, to accelerate the sales force activities and refine the Group strategy to find ways to capitalize on the down-turn for longer term success.

President & 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 Chairman 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's President and CEO. He was born in 1962 and holds an M.Sc. in Economics.

The 2009 information on the President and CEO (biographical details and holdings) is presented separately in this Annual Report under the heading "Management Group" on page 34.

Internal Control and Risk Management Pertaining to the Financial Reporting

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

Exel Composites' system of internal control and risk management related to financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with applicable laws and regulations, generally accepted accounting principles and other requirements for listed companies.

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

Group accounting maintains a common chart of accounts that is applied in all units. The rollout of a common enterprise resource planning system has continued in 2009, which has further supported the harmonization of processes and controls. Subsidiaries submit their figures to group accounting system for consolidation purposes. The reported figures are reviewed both in the subsidiaries and in group accounting.

The consolidated financial statements of Exel Composites have been prepared in compliance with International Financial Reporting Standards (IFRS), applying IAS and IFRS standards, as well as SIC and IFRIC interpretations, valid on 31 December 2009. 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 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 that external financial reporting is correct, timely and in compliance with applicable regulations.

WEB

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

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.

As part of internal control development during 2009, Exel Composites has performed identification and analysis of financial reporting risks to the achievement of financial reporting objectives. Risks, control objectives and common controls were systematically identified and documented in monthly Business Unit level closing process and Group level consolidation processes. During the latter part of 2009, Group controlling started to evaluate control effectiveness in different business units in order to ensure that the defined common controls are implemented.

The focus areas in 2010 will include operative follow-up of the adequacy and effectiveness of control activities of financial reporting process. Exel Composites' management has also identified other core processes where the internal controls development work will be prioritized. In 2010 the management will focus on risk assessments and controls identification pertaining to the sales process. Group wide common controls will be defined, and implemented throughout Exel Composites. •





UPPER ROW FROM THE LEFT: Peter Hofvenstam, Heikki Mairinoja and Vesa Kainu
LOWER ROW FROM THE LEFT: Göran Jönsson and Reima Kerttula

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 holdings
- Swedish citizen

Previous main positions
- Partner, E. Öhman J:or Fondkommission AB
- CFO, AB Aritmos
- Financial Analyst, Proventus AB

Key positions of trust
- Chairman of the Board, Ramirent Plc.
- Member of the Board of various subsidiaries in the Nordstjernan Group

Independence
- Independent of the company but not of a major shareholder

Göran Jönsson
- Born 1947
- M.Sc. (Econ.)
- Member of the Board since 2008
- Holdings: 3,000 Exel 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 not independent of the company as he is the former President and CEO of the company

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

Previous main positions
- ECO, 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, Komas Oy
- Member of the Board, Lindström Oy
- Member of the Board, Suominen Corporation

Independence
- Independent of the company and its major shareholders

Reima Kerttula
- Born 1955
- M.Sc. (Eng.)
- Managing Director of Tamfelt Corporation
- Member of the Board since 2009
- No Exel holdings
- Finnish citizen

Previous main positions
- 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

Vesa Kainu
- Born 1947
- B.Sc. (Eng.)
- Member of the Board since 2000
- No Exel holdings
- Finnish citizen

Previous main positions
- Managing Director, Metso Ventures
- Executive Vice President, Metso Minerals Oy
- Executive Vice President, Metso Paper, Inc.

Key positions of trust
- Member of the Board, Tamfelt 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: 70,300 Exel shares
- Finnish citizen

Areas of responsibility
- 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: 2,000 Exel 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.(Eng.)
- Senior Vice President, Operations
- Joined the Company in 2006
- Member of the Management Group since 2007
- Holdings: 1,500 Exel shares
- British citizen

Areas of responsibility
- Strategic site planning
- Investments
- Strategic purchasing
- Quality and environment
- R&D coordination

Previous main positions
- Managing Director Exel Composites UK
- Operations Director Motherwell Bridge Aerospace
- General Manager/Operations Director Motherwell Bridge Plastics

Grant Pearce, Managing Director of Exel Composites Australia and member of Exel Composites Plc's Management Group, resigned at the beginning of October 2009.

Pertti Kainu
China

Tarmo Karhapää
Finland

Josef Lanzmaier
Austria

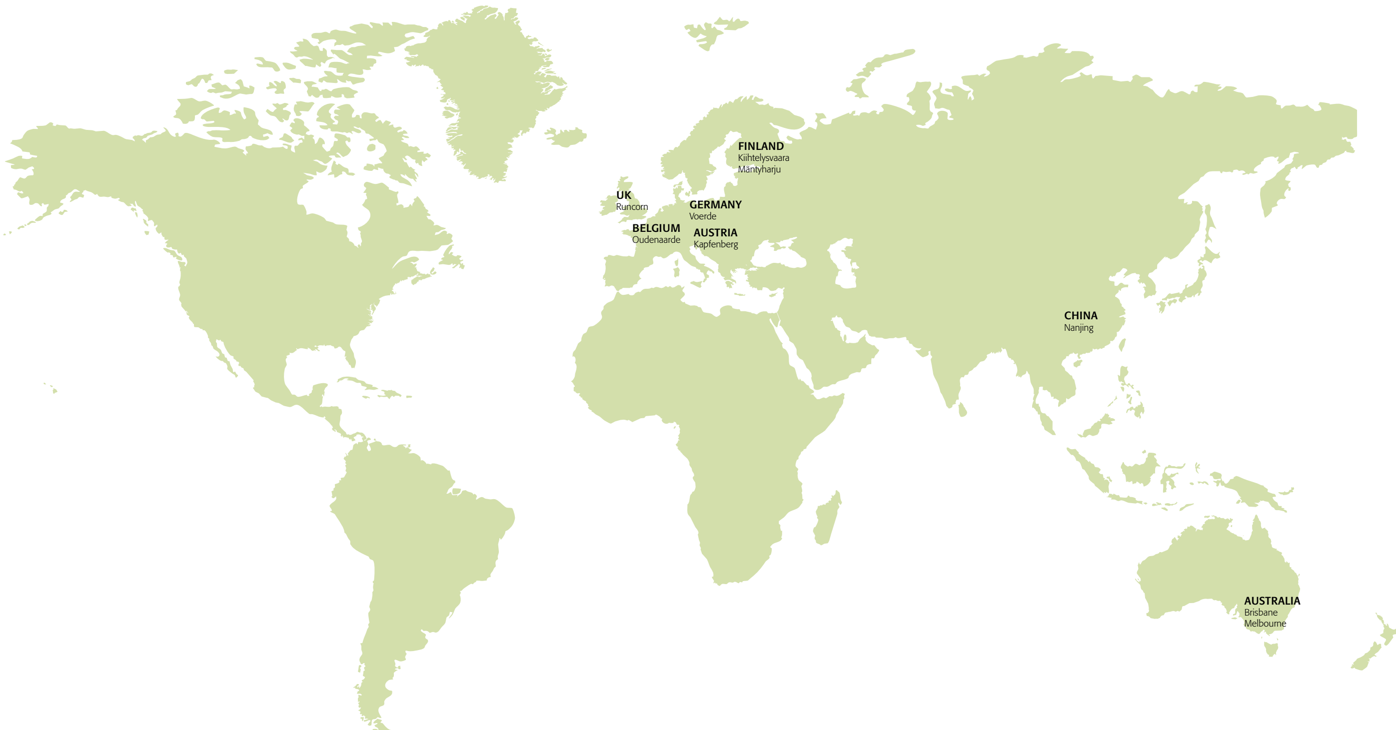
Michael Lorenz
Germany

Eric Moussiaux
Belgium

Grant Pearce
Australia (until October 2009)

Ken Slater
Australia (from March 2010)

Richard Thomas
UK



EXEL Composites is a global technology company with manufacturing sites in seven countries.

THIS REMUNERATION STATEMENT is prepared in accordance with the Finnish Corporate Governance Code, section 7, "Remuneration".

Board Remuneration

The Annual General Meeting determines annually the remuneration of the Board members. The AGM held in 2009 confirmed the following compensation for Board members:
Chairman of the Board: EUR 32,000 per annum and additionally EUR 1,500 per meeting.
Other Board members: EUR 14,000 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 10 times in 2009. Following table describes the remuneration received by the Board in 2009 (EUR 1,000).

Name	Position	Board Salaries and Fees Total 2009, EUR 1,000	Board Salaries and Fees Total 2008, EUR 1,000
Peter Hofvenstam	Chairman	46	48
Göran Jönsson	Member	23	20
Vesa Kainu	Member	25	26
Heikki Marinoja	Member	22	19
Reima Kerttula *since 16 April 2009*	Member	18	–
Kari Haavisto *until 16 April 2009*	Member	6	30
Ove Mattsson *until 10 April 2008*	Chairman	–	15
Esa Karppinen *until 10 April 2008*	Member	–	6
TOTAL		140	164

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.

Remuneration of the President and CEO and Management Group

The Board of Directors decides on the remuneration and other terms of employment 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 President and CEO's retirement is flexible from age 63 to age 68. The President and CEO has no separate pension agreement.

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

Compensation for the members of the Management Group comprises a fixed monthly base salary, fringe benefits, a long-term incentive scheme and an annual bonus, which in 2009 was based on the achievement of Exel Composites' financial performance criteria. The amount of the bonus and the performance criteria are annually determined by the Board of Directors of Exel Composites. In 2009, the maximum annual bonus for the President and CEO was up to 50% of his annual salary. For the other members of the Management Group the maximum annual bonus was 40% of their respective annual salary.

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

Share-based compensation

The Board of Directors decided on a performance-based incentive program for the Management Group and selected key employees of the Company for the period 2007-2009. 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 Composite's strategy and financial targets. The Program consists of three subprograms (one for each of the financial years 2007, 2008 and 2009) with the total duration of each of the subprograms being three years.

The Participants shall earn the reward under each of the subprograms if the financial performance targets as set by the Board of Directors for the subprogram 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 subprogram separately before the beginning of the subprogram. The maximum amount of reward for each subprogram 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.

Under the sub-program 2009, the reward was denominated as cash and the allocated rewards totaled EUR 0.5 million (before taxes).

FINANCIAL BENEFITS OF THE PRESIDENT AND CEO AND MANAGEMENT GROUP, EUR 1,000

	Fixed annual base salary	Fringe benefits	Performance based bonus	Share based compensation	Total 2009
President and CEO	219	12	95	170	495
Management Group	342	24	82	113	562
TOTAL	**561**	**35**	**178**	**283**	**1,057**

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

Risk management

THE CENTRAL SHORT-TEM 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's 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's 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 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
- 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, division and group level.

Strategic risks

Regarding strategic risks Exel 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 own technology is important and the risk of IPR violations is exceeding when the business is enlarging globally. Also the importance and risks related to the suppliers and sub-contractors have grown.

Financial risks

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

Currency risk

Most invoicing and purchases are carried out in euros. Possible changes in the exchange rates of the USD, GBP, AUD and SEK 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's 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 Management Group 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 Management Group 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. •

Lightness of


composites

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 own, 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 a relentless search for new applications and development in co-operation with customers. The personnel's expertise and advanced technology play a major role in Exel Composites' operations.

Financial performance

Net sales from continuing operations for the Exel Composites Group decreased on the previous year, ending the year at EUR 70.0 (84.9) million. Sales in almost all geographical markets decreased in 2009, and the order intake was weak. Especially the machine industry, sports and leisure, paper industry and telecommunication applications were affected. Sales developed relatively better in Europe compared to Asia, which suffered from tough competition especially in China.

The Company initiated measures to reduce fixed costs, to improve productivity and to increase sales activities. Despite a decline in sales, the operating profit as a percentage of net sales from continuing operations was improved to 11.4 (10.1) per cent. However, Exel Composites' operating profit from continuing operations for the financial period decreased to EUR 8.0 million (including net reversal of the restructuring provisions and non-recurring items of EUR +1.2 million) compared to EUR 8.6 million (including EUR -0.7 million non-recurring items).

The Group's net financial expenses from continuing operations in 2009 decreased to EUR 0.0 (3.0) million. The main reasons for the improvement were lower interest rates, lower debt and favorable currency exchange rates, especially the Australian dollar. The Group's profit before taxes from continuing operations was EUR 8.0 (5.6) million and profit after taxes EUR 5.9 (4.0) million.

Exel Composites initiated a restructuring program to increase the focus on the core industrial activities. The Exel Sports Brands floorball business was divested through an asset deal and the transaction also included a licensing agreement to secure the continued presence and distribution of Exel branded floorball products. The operating profit of discontinued operations improved to EUR 1.1. (-9.0) million.

Due to the comprehensive savings and restructuring programs, the total earnings per share improved. Earnings per share for continuing operations improved to EUR 0.50 (0.34) and for discontinued operations to EUR 0.06 (-0.59). Fully diluted total earnings per share improved from EUR -0.25 in 2008 to EUR 0.56 in 2009. The return on capital employed in 2009 increased to 20.9 (0.0) per cent, due to improved operating margins and higher turnover of capital employed.

Balance sheet and financial position

Exel Composites maintained a strong emphasis on cash flow and improved the financial position in 2009. Reinforced measures were taken to reduce operative working capital and cash flow from business operations was positive at EUR 14.2 (11.1) million. Cash flow before financing, but after capital expenditure, amounted to EUR 14.4 (9.4) million.

Net interest-bearing liabilities were reduced by EUR 14.6 million to EUR 6.1 (20.7) million, and the net gearing ratio improved to 23.7 (123.9) per cent.

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 12.6 (8.0) million.

The Group's consolidated total assets at the end of the financial year were EUR 57.3 (59.3) million.

Equity at the end of the financial year was EUR 25.6 (16.7) million and equity ratio 44.6 (28.2) per cent. Interest-bearing liabilities amounted to EUR 18.7 (28.7) million, of which short-term liabilities accounted for EUR 2.3 (6.6) million.

The Company paid no dividends during the financial year.

Capital expenditure and depreciation

The capital expenditure on fixed assets amounted to EUR 1.4 (1.8) million.

Total depreciation of non-current assets during the year under review amounted to EUR 3.0 (4.0 including write-downs amounting to EUR 0.3 million) million.

Personnel

The number of Exel Composites Group employees on 31 December 2009 was 419 (472), of whom 183 (208) worked in Finland and 236 (264) in other countries. The average number of personnel during the financial year was 436 (526). The decrease both in Finland and abroad is due to the rationalization actions in the Finnish, British and Chinese units and the divestments of Exel Sports Brands' Outdoor and Floorball businesses.

The co-determination negotiations concerning the Group's Finnish units were concluded on 31 July 2009. As a result of negotiations, the amount of permanent employment contracts to be terminated was 19. In addition, 7 temporary employment contracts for non-salaried employees and 1 for salaried employees came to termination at the end of their duration. Furthermore, the job descriptions, tasks and essential terms of the employment contracts of certain both non-salaried and salaried employees were altered to correspond to the new situation.

In addition, Exel Composites issued a warning of temporary layoffs covering all the employees of the Finnish units. The warning of temporary layoffs is valid until the end of 2010. Actions to adjust Exel Composites' cost base to lower sales continued also in the units outside of Finland.

Research and development

Product development costs totaled EUR 1.4 (1.4) million, representing 2.0 (1.6) per cent of net sales. The main projects were connected with the development of new customer applications, including transportation profiles, and the testing and development of the properties of vital raw materials, including polyester and epoxy resins, as well as glass and carbon fibers.

Risk management

The central short-term goal of Exel Composites is to distinctly improve the profitability and competitiveness and to secure the financial position that the 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 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, division 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 own 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 development of general economic development and especially to market demand in certain market segments. The market sentiment is still utmost vulnerable and 2010 still seems challenging. The raw material prices, energy cost and other cost increases may put pressure on profitability. Currency rate changes, especially strengthening USD and price competition may also have a negative effect on the result. The availability of financing may weaken the demand in Exel Composites' market and increases the credit loss risks. Disturbance in the labor market may also have an impact on deliveries.

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.

Changes in the Group structure

In March 2009, Exel Composites signed an agreement to sell Exel Sports Brands' Floorball business to Cape Nordic Oy, a sports and fashion distributor based in Finland. Cape Nordic took over the Floorball business and acquired the inventory and order backlog related to the Floorball business through an asset deal. The transaction also included a long-term licensing agreement related to the use of the Exel brand together with other brands related to the Floorball business. The employees of the Floorball business in Finland (9 persons) and Sweden (5 persons) were transferred to Cape Nordic as existing employees.

The divestment of the Floorball business completed Exel Composites' program to reinforce focus on the core industrial activities.

The Group comprised at the turn of the year the parent company Exel Composites Plc and its six subsidiaries operating abroad: Exel GmbH in Germany, Exel Composites N.V. in Belgium, Exel Composites GmbH in Austria, Exel Composites Australia, Exel Composites China as well as Exel Composites UK. Exel Composites Plc owns 100 percent of all subsidiaries. The parent company also owns a subsidiary called Pro Stick Oy, which remained inactive during the financial year.

On 31 December 2009, the merger of Exel Composites Plc and Exel Sports Oy was entered in the Trade Register. Exel Sports Oy's assets and liabilities were transferred to the parent company Exel Composites Plc without liquidation. No merger consideration was paid for the merger, as the parent company owned all the shares of the merging company. The merger caused no amendments to Exel Composites Plc's Articles of

Association. The reason for the merger was the clarification of the company structure.

Changes in Group management

Mr. Grant Pearce, Managing Director of Exel Composites Australia and member of Exel Composites Plc's Management Group resigned in September 2009.

Mr. Lasse Orre was appointed Senior Vice President Sales and member of Exel Composites Plc's Management Group as of 1 February 2010.

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 Board has in 2007 established a long-term incentive program for the top management of the Company. The aim of the program is to commit persons entitled to participate in the Program to improve the Group's long-term profitability and value and reward them for achieving these goals. The Program consists of three subprograms (one for each of the financial years 2007, 2008 and 2009) with the total duration of each of the subprograms being three years.

The Participants shall earn the reward under each of the subprograms as and when the financial performance targets as set by the Board for the subprogram have been met. The Board will decide on the targets related to the growth of the Group's earnings per share (EPS) and return on capital employed (ROCE) for each subprogram separately in conjunction with the start of the programs. The maximum amount of reward for each subprogram is decided by the Board and is denominated as cash. The participant has to use the reward to buy Exel shares and there is a vesting period of two years before the final title of the shares is transferred.

The disbursement of the rewards is subject to the particiant 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 and accured for in the financial statements.

Based on the development of the performance criteria EPS and ROCE, the reward paid for 2009 was EUR 0.5 million, which costs were thus recorded in the financial statements.

Shares and share capital

The Company's share is listed in the Small Cap segment of the NASDAQ OMX Helsinki Ltd. in the Materials sector.

The Annual General Meeting of Exel Composites held on 16 April 2009 approved the Board's proposal not to distribute a dividend for the financial year 2008.

The Annual General Meeting decided to amend Section 1 of the Articles of Association regarding the Company Name and Domicile and changed the Company name to Exel Composites Oyj in Finnish and Exel Composites Plc in English. The AGM also decided to amend Section 10 of the Articles of Association regarding Invitations to Meetings to comply with the Finnish Corporate Governance Code for Listed Companies.

The Annual General Meeting authorized the Board 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 16 April 2010.

The Annual General Meeting authorized the Board 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 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 16 April 2010.

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

Share performance and turnover

During the financial year the highest share price quoted was EUR 6.20 (12.20) and the lowest EUR 2.37 (2.41). At the end of the year, the share price was EUR 5.39 (2.72). The average share price during the financial year was EUR 4.08 (5.92).

A total of 3,522,974 (1,654,322) shares were traded during the year, which represents 29.6 (13.9) per cent of the average number of shares. On 31 December 2009, the market capitalization was EUR 64.1 (32.6) million.

Shareholders and disclosures

On 31 December 2009, 0.6 per cent of the shares and votes of the Company were owned or controlled, directly or indirectly by the President and CEO and the members of the Board.

The Company's largest shareholder is the Swedish investment company Nordstjernan AB, which owned 29.4 per cent of shares at the end of 2009. Other major shareholders included Ilmarinen Mutual Pension Insurance Company (5.8 per cent) and Veikko Laine Oy (5.2 per cent). At the end of the year, the Company had a total of 1,785 (1,673) shareholders.

On 8 January 2009, Exel received a flagging announcement from Veikko Laine Oy according to which the holdings of Veikko Laine Oy had exceeded 1/20 of the voting rights and share capital in Exel Composites Plc.

On 4 December 2009, Exel received a flagging announcement from Evli Group according to which the holdings of Evli Group had exceeded 1/20 of the voting rights and share capital in Exel Composites Plc.

Corporate Governance

Exel Composites issues a Corporate Governance Statement for the financial year 2009. The Corporate Governance Statement has been composed in accordance with recommendation 51 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.

Board of Directors and Auditors

On 16 April 2009, the Annual General Meeting appointed Peter Hofvenstam, Göran Jönsson, Vesa Kainu and Heikki Mairinoja to continue on the Board of Directors. Reima Kerttula was appointed as new member of the Board. Peter Hofvenstam was re-elected Chairman of the Board.

The Board of Directors convened 10 times in 2009 and the average attendance rate at these meetings was 98 per cent. The fees paid to the Board of Directors totaled EUR 140 thousand in 2009.

The Board of Directors has reviewed the independence of Board members in accordance with Recommendation 15 of the Corporate Governance Code. Vesa Kainu, Reima Kerttula and Heikki Mairinoja are independent Board members. Peter Hofvenstam is considered as independent from the Company, but non-independent from a major shareholder, since he is the Senior Vice President of Nordstjernan AB. Göran Jönsson is considered as 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 Committee, which nominates candidates to the Annual General Meeting for election of Board members and proposes the fees to be paid to the Board members. The Nomination Committee included the Chairman and persons nominated by the four largest shareholders as of 1 November 2009. In 2009 the Nomination Committee comprised Tomas Billing as Chairman (Nordstjernan AB), Mikko Mursula (Ilmarinen Mutual Pension Insurance Company) and Pertti Laine (Veikko Laine Oy). The committee met twice in 2009.

Ernst & Young, Authorized Public Accountants, with Eija Niemi-Nikkola, APA, as principal auditor appointed by Ernst & Young, were elected to serve as company auditor in the AGM in 2009.

The fees paid to the auditors totaled EUR 186 (188) thousand in 2009.

Adoption of International Financial Reporting Standards (IFRS)

All IFRS's in force on 31 December 2009 that are applicable to Exel Composites' business operations, including all SIC- and IFRIC-interpretations thereon, have been complied with when preparing year 2009 and comparable year 2008 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

Exel Composites sold its Floorball business to Cape Nordic in March 2009. The transaction included a long-term licensing agreement related to the use of the Exel brand together with other floorball brands. Exel Composites terminated the license agreement with Cape Nordic in January 2010, and entered into a new license agreement with EF Team Sports Oy, who continued the Floorball business with the brands in question as from 30 January 2010. The transaction is not expected to have any material impact on the financial accounts.

Market outlook for 2010

The Group has a cautious stance on the economy in 2010 and expects the market conditions to remain challenging. Exel Composites is prepared to take further prompt actions, but also to capture opportunities due to the economic down-turn. Even though the short-term market outlook is challenging, the long-term growth opportunities remain favorable.

Exel Composites' outlook for 2010

Due to the market uncertainty and poor visibility, Exel will not give any profit guidance.

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 2009 Exel Composites Plc's distributable funds totaled EUR 18,043 thousand, of which profit for the financial period accounted for EUR 3,417 thousand.

The Board proposes to the Annual General Meeting that a dividend be paid for the 2009 financial year of EUR 0.25 (0.00) per share.

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 7 April 2010. If the Annual General Meeting approves the Board's proposal, it is estimated that dividend payments will commence on 14 April 2010. •

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

for the year ended 31 December 2009

EUR 1,000	Notes	1.1.–31.12.2009	1.1.–31.12.2008
CONTINUING OPERATIONS			
NET SALES	6	70,005	84,921
Other operating income	9	1,296	281
Increase(+)/Decrease in inventories of finished goods and work in progress		-1,030	-1,621
Materials and services		-27,400	-32,955
Employee benefit expenses	11	-17,994	-20,650
Depreciation and amortization	13	-3,028	-3,967
Other operating expenses	10,12	-13,859	-17,417
OPERATING PROFIT		7,990	8,593
Financial income	14	1,258	1,017
Financial expenses	15	-1,277	-4,020
PROFIT BEFORE TAX		7,970	5,590
Income taxes	16	-2,025	-1,554
PROFIT/LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS		5,945	4,036
DISCONTINUED OPERATIONS			
Profit/loss for the period from discontinuing operations	18	662	-6,992
PROFIT/LOSS FOR THE PERIOD		6,607	-2,956
OTHER COMPREHENSIVE INCOME			
Exchange differences on translating foreign operations		2,293	-1,513
Income tax relating to components of other comprehensive income		0	0
OTHER COMPREHENSIVE INCOME, NET OF TAX		2,293	-1,513
TOTAL COMPREHENSIVE INCOME		8,900	-4,469
PROFIT AND LOSS ATTRIBUTABLE TO:			
Equity holders of the parent company		6,607	-2,956
Non-controlling interests		0	0
COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Equity holders of the parent company		8,900	-4,469
Non-controlling interests		0	0
EARNINGS PER SHARE, BASIC AND DILLUTED			
From continuing operations (EUR per share)	19	0.50	0.34
From discontinued operations (EUR per share)	19	0.06	-0.59
TOTAL EARNINGS PER SHARE, BASIC AND DILUTED	19	0.56	-0.25

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2009

EUR 1,000	Notes	31.12.2009	31.12.2008
ASSETS			
NON-CURRENT ASSETS			
Goodwill	21	9,968	8,362
Other intangible assets	21	2,460	2,514
Tangible assets	22	10,835	11,823
Other non-current assets	23	64	68
Deferred tax assets	17	2,315	3,207
TOTAL NON-CURRENT ASSETS		**25,642**	**25,975**
CURRENT ASSETS			
Inventories	24	8,782	12,408
Trade and other receivables	25	10,281	12,856
Cash at bank and in hand	26	12,597	8,035
TOTAL CURRENT ASSETS		**31,661**	**33,300**
TOTAL ASSETS		**57,303**	**59,275**
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY	35		
Share capital		2,141	2,141
Other reserves		37	5
Invested unrestricted equity fund		8,488	8,488
Translation differences		-100	-2,393
Retained earnings		15,013	8,440
EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF PARENT COMPANY		**25,580**	**16,680**
Non-controlling interest		0	0
TOTAL EQUITY		**25,580**	**16,680**
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	28, 33	16,346	22,057
Non-current interest-free liabilities	27	330	348
Deferred tax liabilities	17	248	353
TOTAL NON-CURRENT LIABILITIES		**16,923**	**22,758**
CURRENT LIABILITIES			
Interest-bearing loans and borrowings	28	2,324	6,648
Trade and other current liabilities	27	11,014	12,968
Income tax payable	27	1,462	220
TOTAL CURRENT LIABILITIES		**14,799**	**19,836**
TOTAL EQUITY AND LIABILITIES		**57,303**	**59,275**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
for the year ended 31 December 2009

EUR 1,000	Share Capital	Share Premium	Other Reserves	Invested Unre-stricted Equity fund	Translation Differ-ences	Retained Earnings	Non-con-trolling Interests	Total
BALANCE AT 1 JANUARY 2008	**2,141**	**8,488**	**5**	**0**	**-880**	**13,780**	**0**	**23,533**
Profit for the period						-2,956		-2,956
Other comprehensive result					-1,513			-1,513
Dividend						-2,379		-2,379
Other items		-8,488		8,488		-5		-5
BALANCE AT 31 DECEMBER 2008	**2,141**		**5**	**8,488**	**-2,393**	**8,440**	**0**	**16,680**
BALANCE AT 1 JANUARY 2009	**2,141**		**5**	**8,488**	**-2,393**	**8,440**	**0**	**16,680**
Profit for the period						6,607		6,607
Other comprehensive result					2,293			2,293
Dividend								
Other items			33			-33		0
BALANCE AT 31 DECEMBER 2009	**2,141**		**37**	**8,488**	**-100**	**15,013**	**0**	**25,580**

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2009

EUR 1,000	Notes	1.1.–31.12.2009	1.1.–31.12.2008
CASH FLOW FROM OPERATING ACTIVITIES			
Profit for the period		6,607	-2,956
Non-cash adjustments to reconcile profit to net cash flow	37	4,829	6,182
Change in working capital		2,309	11,815
Cash flow generated by operations		13,745	15,041
Interest paid		-1,015	-1,876
Interest received		292	259
Other financial items		770	-763
Income taxes paid		427	-1,572
NET CASH FLOW FROM OPERATING ACTIVITIES		**14,219**	**11,089**
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds form sale of activities		1,225	25
Purchase of non-current assets		-1,440	-1,765
Proceeds from sale of non-current assets		410	90
NET CASH FLOW FROM INVESTING ACTIVITIES		**195**	**-1,650**
CASH FLOW BEFORE FINANCING		**14,414**	**9,439**
Proceeds from long-term borrowings		0	10,000
Repayments of long-term borrowings		-7,623	-8,973
Change in short-term loans		-1,823	-4,563
Repayments of finance lease liabilities		-406	-390
Dividends paid		0	-2,379
NET CASH FLOW FROM FINANCING		**-9,852**	**-6,305**
CHANGE IN LIQUID FUNDS		**4,562**	**3,134**
Liquid funds at the beginning of period		8,035	4,901
Liquid funds at the end of period		12,597	8,035

(All figures in EUR thousands unless otherwise stated)

THE CONSOLIDATED FINANCIAL STATEMENTS of Exel Composites Plc for the year ended 31 December 2009 were authorized for issue in accordance with a resolution of the Board of Directors on 18 February 2010.

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 own, 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 Finland, Germany, Belgium, Austria, UK, Australia and China. Exel's share is listed in the Small Cap segment of the NASDAQ OMX Helsinki Ltd. in the Materials sector. Exel Composites Plc is domiciled in Mäntyharju, Finland and its registered address is Uutelantie 24 B, 52700 Mäntyharju, Finland.

NOTE 2 BASIS OF PREPARATION

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

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

Statement of Compliance

The consolidated financial statements of Exel Composites have been prepared in compliance with International Financial Reporting Standards (IFRS), applying IAS and IFRS standards, as well as SIC and IFRIC interpretations, valid on 31 December 2009. 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 percent 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 acquired control and are no longer consolidated from the date that control ceases. Where necessary, the accounting principles of subsidiaries have been changed to ensure consistency with the accounting principles of the Group. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

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

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

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
- 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 non-controlling interest of the accumulated losses is allocated to minority interest in the consolidated balance sheet up to the maximum of the investment prior to 1 January 2009. The Group had no non-controlling interests in 2009.

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 2009. 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:

IFRS 2 Share-based Payment (Revised)
The IASB issued an amendment to IFRS 2 which clarifies the definition of vesting conditions and prescribes the treatment for an award that is cancelled. The IASB also issued an amendment that clarified the scope and the accounting for group cash-settled share-based payment transactions. The Group adopted these amendments as of 1 January 2009. They did not have an impact on the financial position or performance of the Group.

IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended)
IFRS 3 (Revised) introduces changes in the accounting for business combinations occurring after 1 January 2009. Changes affect the valuation of non-controlling interest, the accounting of transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and future reported results.

IAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transaction will no longer give rise to goodwill, nor will it give rise to a gain or loss. The changes by IFRS 3 (Revised) or IAS 27 (Amended) will affect future acquisitions or loss of control of subsidiaries and transactions with non-controlling interests.

IFRS 7 Financial Instruments: Disclosures
The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurement related to items recorded at fair value by source of inputs using three level fair value hierarchy, by class, for all financial instruments recognized at fair value. In addition, a reconciliation between the beginning and ending balance for level 3 fair value measurement is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are presented in Note 33. The liquidity risk disclosures are not significantly impacted by the amendments and are presented in Note 30.

IFRS 8 Operating Segments
IFRS 8 replaces IAS 14 Segment Reporting upon its effective date. The Group concluded that the operating segments determined in accordance with IFRS 8 are the same as the business segments previously identified under IAS 14. The Group has only one segment as from 1 January 2009.

IAS 1 Presentation of Financial Statements
The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in reconciliation of each component of equity. In addition, the standard introduces the statement of comprehensive income: it presents the items or recognized income and expense, either in one single statement or in two linked statements. The Group has elected to present one single statement.

IAS 23 Borrowing Costs
The revised IAS 23 requires capitalization of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. In accordance with the transitional provisions of the amended IAS 23, the Group has adopted the standard on a prospective basis. The borrowing costs are capitalized on qualifying assets with a commencement date on or after 1 January 2009. During 2009 the Group did not have any qualifying assets.

IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation
The standards have been amended to allow a limited scope exception for puttable financial instruments to be classified as equity if they fulfill a number of specific criteria. The adoption of these amendments did not have any impact on the financial position or the performance of the Group.

IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items
The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations. The Group has concluded that the amendment will have no impact on the financial position or performance of the Group, as the Group has not entered into such hedges.

IFRIC 9 Reassessment of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement
This amendment to IFRIC 9 requires to assess whether an embedded derivative must be separated from a host contract when the entity reclassifies a hybrid asset out of the fair value through profit or loss category. IAS 39 now states that if an embedded derivative cannot be reliably measured, the entire hybrid instrument must remain classified as at fair value through profit or loss. The Group has no embedded derivatives and therefore the amendments have no impact on the financial position or performance of the Group.

IFRIC 13 Customer Loyalty Programs

IFRIC 13 requires customer loyalty credits to be accounted for as a separate component of the sales transaction in which they are granted. The Group has no customer loyalty program.

IFRIC 16 Hedges of a Net Investment in a Foreign Operation

The interpretation is to be applied prospectively. IFRIC 16 provides guidance on the accounting for a hedge of a net investment. The Group has no hedge accounting and therefore the interpretation has no impact on the financial position or performance of the Group.

In May 2008 and April 2009 the IASB issued omnibus of amendments to its standards primarily with a view to removing inconsistencies and clarifying wording. The adoption of the amendments has been taken into account in the accounting policies, but did not have any impact on the financial position or performance of the Group:
IFRS 2 Share-based Payment; IFRS 5 Non-current Assets Held for Sale and Discontinued Operations; IFRS 7 Financial Instruments: Disclosures; IFRS 8 Operating Segments; IAS 1 Presentation of Financial Statements; IAS 7 Statement of Cash Flows; IAS 8 Accounting Policies, Change in Accounting Estimates and Error; IAS 10 Events after the Reporting Period; IAS 16 Property, Plant and Equipment; IAS 18 Revenue; IAS 19 Employee Benefits; IAS 20 Accounting for Government Grants and Disclosure of Government Assistance; IAS 23 Borrowing Costs; IAS 27 Consolidated and Separate Financial Statements; IAS 28 Investments in Associates; IAS 31 Interest in Joint Ventures; IAS 34 Interim Financial Reporting; IAS 36 Impairment of Assets; IAS 38 Intangible Assets; IAS 39 Financial Instruments: Recognition and Measurement; IAS 40 Investment Properties; IFRIC 9 Reassessment of Embedded Derivatives; IFRIC 16 Hedge of a Net Investment in a Foreign Operation.

Standards issued but not yet effective up to the date of issuance of Group's financial statements are listed below.

IFRIC 17 Distribution of Non-Cash Assets to Owners

This interpretation is effective for annual periods beginning on or after 1 July 2009 with early application permitted. It provides guidance on how to account for non-cash distributions to owners. The Group does not expect IFRIC 17 to have an impact on the consolidated financial statements as the Group has not made non-cash distributions in the past.

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 29.

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

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

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

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

Business combinations prior to 31 December 2008

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

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

The Group does not have any associates or joint ventures.

Non-current assets held for sale and discontinued operations

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

In the consolidated income statement of the reporting period, and of the comparable period of the previous year, income and expenses from discontinued operations are reported separate from income and expenses from continuing activities, down to the level of profit after taxes. The resulting profit or loss (after taxes) is reported separately in the income statement.

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 risks 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 of the Outdoor asset sale is recognized based on the actual cash flow according to IFRS standard 8. 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. Activated 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 activated development costs during 2009.

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 cost of acquisition or revaluation 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. 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 2009 and 2008.

"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 Groups financial liabilities include trade and other payables, bank overdrafts, loans and borrowings and derivative financial instruments.

Finance lease liabilities are recognized at fair value. All financial liabilities are later valued at the periodisized acquisition 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 interest rate swap agreements, whose non-current financial liabilities have been converted to fixed interest rates, and forward foreign exchange contracts. Derivative financial instruments are presented in Section 33 of the Notes. Derivatives are recorded in the balance sheet as accrued expenses and deferred income.

Hedges for net investments in foreign units are recorded in the same way as cash-flow hedges. A hedge on a foreign subsidiary's equity is recorded in shareholders' equity in the same way as the exchange rate difference in shareholders' equity.

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 semi-finished goods.

Impairment losses of continuing operations are recognized immediately in the income statement in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognized in other comprehensive income up to the amount of any previous revaluation.

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 liability expenses. 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 disposal 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 state promissory notes corresponding to the term of the pension liability. Pension costs are recorded in the income statement as an expense with costs periodisized 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 top management 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. The Program consists of three subprograms (one for each of the financial years 2007, 2008 and 2009) with the total duration of each of the subprograms being three years.

The Participants shall earn the reward under each of the subprograms if the financial performance targets as set by the Board of Directors for the subprogram have been met. The Board of Directors will decide on the targets related to the growth of the Exel Group's earnings per share (EPS) and return on capital employed (ROCE) for each subprogram separately before the beginning of the subprogram. The maximum amount of reward for each subprogram is decided by the Board of Directors and is denominated as cash. The participant has to use the reward to buy Exel shares and keep them for two years´ time. There is a vesting period of two years before the title of the shares is transferred. The cost of the subprogram will be accrued in the income statement.

Provisions

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

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

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

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

Dividends

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

Earnings per share

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

NOTE 6 SEGMENT INFORMATION

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

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

Operating segments

The Group has one operating segment, Exel Composites, since Exel Sports Brands businesses were disposed in 2008 and 2009. The disposal is presented in the discontinuing business.

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 a 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	2009	2008
Nordic countries	13,672	16,709
Other European countries	45,397	54,467
Other countries	10,937	13,745
TOTAL	**70,005**	**84,921**

Revenue from one customer amounted to EUR 11,919 thousand (2008: EUR 15,062 thousand).

TOTAL ASSETS ACCORDING TO GEOGRAPHIC LOCATION

EUR 1,000	2009	2008
Nordic countries	12,390	18,001
Other European countries	12,525	12,916
Other countries	15,665	14,347
TOTAL	**40,580**	**45,265**

CAPITAL EXPENDITURE ACCORDING TO GEOGRAPHIC LOCATION

EUR 1,000	2009	2008
Nordic countries	903	1,058
Other European countries	388	503
Other countries	149	204
TOTAL	**1,440**	**1,765**

NOTE 7 BUSINESS COMBINATIONS

The Group did no acquisitions in 2008 or 2009.

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 2009	Average rate 2008	Balance sheet rate 2009	Balance sheet rate 2008
Australia	AUD	1.77488	1.74160	1.60080	2.02740
United Kingdom	GBP	0.89105	0.79654	0.88810	0.95250
China	RMB	9.51736	10.22471	9.83500	9.49560
Sweden	SEK	10.61996	9.61688	10.25200	10.87000
USA	USD	1.39327	1.47059	1.44060	1.39170

NOTE 9 OTHER OPERATING INCOME

EUR 1,000	2009	2008
Rental income	72	6
Other operating income	1,022	250
Net gain on disposal of non-current assets	202	25
TOTAL	**1,296**	**281**

NOTE 10 OTHER OPERATING EXPENSES

EUR 1,000	2009	2008
Rental expenses	1,421	1,203
Other operating expenses	12,438	16,214
TOTAL	**13,859**	**17,417**

The fees paid in 2009 to the external auditor for auditing Exel Group companies totaled EUR 186 (188) thousand, while the fees paid for non-audit services totaled EUR 56 (166) thousand.

NOTE 11 EMPLOYEE BENEFIT EXPENSES

EUR 1,000	2009	2008
Wages and salaries	14,994	17,652
Pension costs – defined contribution schemes	1,618	1,824
Pension costs – defined benefit schemes	-72	41
Other employee benefits	1,454	1,114
TOTAL	**17,994**	**20,650**

Average number of personnel		
Continuing operations	434	493
Discontinued operations	2	33
TOTAL	**436**	**526**

NOTE 12 RESEARCH AND DEVELOPMENT EXPENDITURE

The income statement includes research and development costs entered as costs amounting to EUR 1,407 thousand in 2009 (EUR 1,361 thousand in 2008). 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	2009	2008
Intangible assets	500	496
Tangible assets		
Buildings	482	525
Machinery and equipment	2,039	2,665
TOTAL	**3,021**	**3,686**

Impairment and write-down of assets EUR 1,000	2009	2008
Intangible assets	0	0
Goodwill	0	0
Tangible assets		
Buildings	7	9
Machinery and equipment	0	273
TOTAL	**7**	**281**

NOTE 14 FINANCE INCOME

EUR 1,000	2009	2008
Interest income on loans and receivables	288	395
Dividend income	0	2
Foreign exchange gains	962	539
Change in fair value of financial assets recognized at fair value through profit or loss (from derivatives)	3	79
Other finance income	4	2
TOTAL FINANCE INCOME	**1,258**	**1,017**

NOTE 15 FINANCE EXPENSES

EUR 1,000	2009	2008
Interest expenses on debt and borrowings	734	1,420
Interest expenses under finance leases	44	0
Foreign exchange losses	190	2,579
Change in fair value of financial assets recognized at fair value through profit or loss (from derivatives)	304	0
Other finance expenses	5	21
TOTAL FINANCE EXPENSES	**1,277**	**4,020**

Exchange differences for sales (exchange rate loss EUR -36 thousand) and purchases (exchange rate profit EUR 6 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 2009 and 2008:

EUR 1,000	2009	2008
Income tax based on taxable income for the financial year	-2,102	-1,686
Income taxes from previous financial periods	-3	-111
Deferred taxes	80	243
TOTAL INCOME TAXES REPORTED IN THE INCOME STATEMENT	**-2,025**	**-1,554**

A reconciliation between tax expense and the product of accounting profit multiplied by Finland's domestic tax rate for the years ended 31 December 2009 and 2008 is as follows:

Income tax reconciliation	2009	2008
Accounting profit before tax from continuing operations	7,970	5,590
Accounting profit/loss before tax from discountinued operations	1,083	-9,325
Accounting profit before tax	9,053	-3,735
Tax calculated at domestic tax rate 26%	2,354	-971
Difference between the domestic and foreign tax rates	322	274
Expenses not deductible for tax purposes	154	81
Other	-384	-163
Tax charge	2,446	-779
Effective tax rate	27.0	20.9

NOTE 17 DEFERRED INCOME TAXES

Deferred tax assets, EUR 1,000	1.1.2009	Recognized profit or loss	Recognized in equity	Exchange rate differences	31.12.2009
Intercompany profit in inventory	96	-75			21
Losses	855	-731			124
Other temporary differences	3,166	16			3,182
Offset with deferred tax liabilities	-910	-102			-1,012
NET DEFERRED TAX ASSETS	**3,207**	**-892**			**2,315**

Deferred tax liabilities, EUR 1,000	1.1.2009	Recognized in income statement	Recognized in shareholders' equity	Exchange rate differences	31.12.2009
Accumulated depreciation					
Other temporary differences	1,263	-3			1,260
Offset with deferred tax assets	-910	-102			-1,012
NET DEFERRED TAX LIABILITIES	**353**	**-105**			**248**

Deferred tax assets, EUR 1,000	**1.1.2008**	**Recognized in income statement**	**Recognized in shareholders' equity**	**Exchange rate differences**	**31.12.2008**
Intercompany profit in inventory	402	-306			96
Losses	1,007	-152			855
Other temporary differences	2,056	1,110			3,166
Offset with deferred tax liabilities	-944	34			-910
NET DEFERRED TAX ASSETS	**2,521**	**686**			**3,207**

Deferred tax liabilities, EUR 1,000	**1.1.2008**	**Recognized in income statement**	**Recognized in shareholders' equity**	**Exchange rate differences**	**31.12.2008**
Accumulated depreciation					
Other temporary differences	1,697	-434			1,263
Offset with deferred tax assets	-944	34			-910
NET DEFERRED TAX LIABILITIES	**753**	**400**			**353**

The Group had taxable net losses on 31 December 2009 of EUR 646 (EUR 4,702) thousand, of which the company has recorded deferred tax assets of EUR 124 (855) thousand that are available for offset against future taxable profits of the companies in which the losses arose.

NOTE 18 DISCONTINUED OPERATIONS

On 30 March 2009 the Group disposed the last part of its Sports business having disposed the Sports Outdoor business already on 1 June 2008. The results of the discontinued Sports business are presented below:

EUR 1,000	**2009**	**2008**
Discontinued operations		
Revenue	2,112	10,298
Expenses	-1,020	-19,275
Operating profit	1,092	-8,977
Finance costs	-9	-348
Profit/loss before tax from a discontinued operation	1,083	-9,325
Taxes	-421	2,333
Profit /loss for the year from a discontinued operation	662	-6,992

The net cash flows of the discontinued operations are as follows:

EUR 1,000	**2009**	**2008**
Discontinued operations		
CASH FLOWS		
Operating	-706	-1,345
Investing	1,221	33
Financing	-333	1,246
Net cash inflow/outflow(-)	182	-66

Exel Sports Oy was merged with the parent company Exel Composites Plc as per 31 December 2009.

NOTE 19 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 shares.

	2009	2008
Profit for the financial year (EUR 1,000) attributable to to ordinary equity holders of the parent company, continuing operations	5,945	4,036
Profit for the financial year (EUR 1,000) attributable to ordinary equity holders of the parent company, discontinued operations	662	-6,992
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) from continuing operations	0.50	0.34
Badic and dilutes earnings per share (EUR/share) from discontinued operations	0.06	-0.59
Basic and diluted earnings per share (EUR/share)	0.56	-0.25

NOTE 20 DIVIDENDS PER SHARE

The Annual General Meeting held on 16 April 2009 approved the Board's proposal not to distribute a dividend for the 2008 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 0.25 per share be distributed (not recognized as a liability as at 31 December).

NOTE 21 INTANGIBLE ASSETS

The Group has no internally created intangible assets.

Goodwill EUR 1,000	2009	2008
Acquisition cost at 1 Jan.	12,466	13,731
Additions	0	0
Exchange rate differences	1,606	-1,265
Acquisition cost at 31 Dec.	14,072	12,466
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.	8,362	9,627
Book value at 31 Dec.	9,968	8,362

Other intangible assets, EUR 1,000	2009	2008
Acquisition cost at 1 Jan.	4,106	4,617
Additions	3	10
Decreases	0	0
Transfer between asset groups	0	7
Exchange rate differences	666	-528
Acquisition cost at 31 Dec.	4,775	4,106
Accumulated amortization at 1 Jan.	-2,331	-2,174
Amortization for the period	-294	-323
Impairment charge and write-downs	0	0
Decreases	0	0
Exchange rate differences	-249	166
Accumulated amortization at 31 Dec.	-2,874	-2,331
Book value at 1 Jan.	1,775	2,443
Book value at 31 Dec.	1,900	1,775

All intangible assets are other than internally created.

Other long-term expenses, EUR 1,000	**2009**	**2008**
Acquisition cost at 1 Jan.	2,942	2,276
Additions	15	210
Decreases	0	0
Transfers between asset groups	13	456
Translation differences	0	0
Acquisition cost at 31 Dec.	2,970	2,942
Accumulated amortization at 1 Jan.	-2,202	-2,029
Amortization for the period	-206	-173
Decreases	0	0
Translation differences	0	0
Accumulated amortization at 31 Dec.	-2,408	-2,202
Book value at 1 Jan.	739	246
Book value at 31 Dec.	560	739

NOTE 22 PROPERTY, PLANT AND EQUIPMENT

Land and water areas, EUR 1,000	**2009**	**2008**
Acquisition cost at 1 Jan.	797	853
Additions	0	8
Decreases	-26	0
Transfers between asset groups	-5	0
Exchange rate differences	13	-63
Acquisition cost at 31 Dec.	779	797
Impairment charge and write-downs	-27	-20
Exchange rate differences	0	-1
Book value at 1 Jan.	776	842
Book value at 31 Dec.	752	776

Buildings and structures, EUR 1,000	**2009**	**2008**
Acquisition cost at 1 Jan.	6,045	6,175
Additions	8	0
Decreases	-310	-18
Transfers between asset groups	119	0
Exchange rate differences	79	-112
Acquisition cost at 31 Dec.	5,941	6,045
Accumulated amortization at 1 Jan.	-3,032	-2,695
Amortization for the period	-322	-365
Decreases	153	0
Exchange rate differences	-27	28
Accumulated amortization at 31 Dec.	-3,228	-3,032
Book value at 1 Jan.	3,014	3,481
Book value at 31 Dec.	2,714	3,014

Machinery and equipment, EUR 1,000	**2009**	**2008**
Acquisition cost at 1 Jan.	30,377	29,912
Additions	863	901
Decreases	-109	-122
Transfers between asset groups	81	195
Exchange rate differences	548	-509
Acquisition cost at 31 Dec.	31,761	30,377
Accumulated amortization at 1 Jan.	-23,856	-21,333
Amortization for the period	-2,033	-2,632
Impairment charge and write-downs	0	-173
Decreases	104	3
Translation differences	-297	279
Accumulated amortization at 31 Dec.	-26,082	-23,856
Book value at 1 Jan.	6,519	8,577
Book value at 31 Dec.	5,677	6,519

Advance payments and construction in progress, EUR 1,000	**2009**	**2008**
Acquisition cost at 1 Jan.	636	725
Additions	501	671
Transfers between asset groups	-207	-718
Decreases	0	0
Exchange rate differences	0	-41
Acquisition cost at 31 Dec.	930	636
Book value at 1 Jan.	636	725
Book value at 31 Dec.	930	636

Finance lease arrangements, EUR 1,000	**2009**	**2008**
BUILDINGS		
Acquisition cost at 1 Jan.1.	1,677	1,677
Additions	0	0
Acquisition cost at 31 Dec.	1,677	1,677
Accumulated amortization at 1 Jan.	-799	-639
Amortization for the period	-160	-160
Accumulated amortization at 31 Dec.	-959	-799
Book value at 1 Jan.	878	1,038
Book value at 31 Dec.	719	878

Finance lease arrangements, EUR 1,000	**2009**	**2008**
MACHINERY AND EQUIPMENT		
Acquisition cost at 1 Jan.	1,760	1,760
Additions	50	0
Decreases	0	0
Exchange rate differences	0	0
Acquisition cost at 31 Dec.	1,810	1,760
Accumulated amortization at 1 Jan.	-1,760	-1,626
Amortization for the period	0	-33
Impairment charge and write-down	0	-101
Decreases	0	0
Exchange rate differences	0	0
Accumulated amortization at 31 Dec.	-1,766	-1,760
Book value at 1 Jan.	0	133
Book value at 31 Dec.	44	0

The Group had no assets for sale.

NOTE 23 OTHER NON-CURRENT ASSETS

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

EUR 1,000	2009	2008
Book value at 1 Jan.	68	76
Decreases	-8	0
Change in fair value	3	-8
Book value at 31 Dec.	64	68

NOTE 24 INVENTORIES

EUR 1,000	2009	2008
Raw materials	4,322	6,417
Work in progress	550	797
Finished products and goods	3,910	5,195
TOTAL INVENTORIES	8,782	12,408

During the 2009 financial year an expense of EUR 0.4 million was recognized to reduce the book value of inventories to their net realizable value (EUR 1.5 million in 2008).

NOTE 25 TRADE AND OTHER RECEIVABLES

EUR 1,000	2009	2008
Trade receivables	9,042	10,667
Deferred income	385	1,656
Other receivables	854	533
TOTAL RECEIVABLES	10,281	12,856

During the 2009 financial year credit losses of EUR 143 thousand were recorded (EUR 1,117 thousand in 2008), consisting of actual credit losses amounting to EUR 37 thousand (EUR 423 thousand in 2008) and change in the bad debt provision amounting to EUR 105 thousand (EUR 694 thousand in 2008) 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):

			Past due but not impaired					
	Total	Neither past due nor impaired	< 30 days	30–60 days	61–90 days	91–180 days	181–365 days	Over 1 year
2009	9,042	6,847	1,079	684	432	0	0	0
2008	10,667	8,021	1,835	689	123	0	0	0

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

NOTE 26 CASH AND CASH EQUIVALENTS

Cash assets and short-term deposits consist of cash-in-hand and bank accounts amounting to EUR 12,597 (8,035) thousand.

NOTE 27 TRADE AND OTHER NON-INTEREST-BEARING LIABILITIES

EUR 1,000	2009	2008
Trade payables	4,954	5,777
Accrued expenses	6,754	5,646
Advance payments	0	27
Other current interest-free liabilities	768	1,739
Non-current interest-free liabilities	330	348
TOTAL	12,806	13,537

NOTE 28 INTEREST-BEARING LOANS AND BORROWINGS

Non-current interest-bearing loans and borrowings, EUR 1,000	2009	2008
	Book values	Book values
Loans from financial institutions	15,057	20,074
Pension loans	150	469
Finance lease liabilities	1,139	1,515
TOTAL	16,346	22,057

Current interest-bearing loans and borrowings, EUR 1,000		
Short-term loans from financial institutions	103	1,496
Current portion of long-term debt (repayments)	1,800	4,752
Finance lease liabilities	420	401
TOTAL	2,324	6,648

Maturity of non-current interest-bearing liabilities, EUR 1,000		
2009		4,752
2010	1,800	4,314
2011	7,557	7,914
2012	714	714
2013	714	714
2014	714	0
later	5,357	6,418
TOTAL	16,857	24,826

Maturity of finance lease liabilities, EUR 1,000	2009	2008
Finance lease liabilities – total value of minimum lease payments		
Not later than 1 year	455	444
1–5 years	473	879
Later than 5 years		
Finance lease liabilities – present value of minimum lease payments		
Not later than 1 year	422	423
1–5 years	868	845
Later than 5 years	0	0
Future finance charges	62	101
TOTAL FINANCE LEASE LIABILITIES	1,559	1,916

Among interest-bearing loans EUR 10,000 thousand (EUR 3,667 thousand in 2008) has been converted to fixed interest rates through interest rate swap agreements.

NOTE 29 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	2009	2008
Finland	135	135
Germany	1,305	1,305
Belgium	209	209
Austria	688	688
Pacific Composites	7,632	6,026
TOTAL	**9,968**	**8,362**

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

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

- Gross 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% on the industry in the long term. The level of gross margins in these forecasts is expected to remain on average at the current level.

Discount rates are defined separately in order to reflect the effect of the different business risks on the expected return on equity. The cost of liabilities is defined according to the existing credit portfolio. The calculation of the average cost of capital takes into account the Group's targeted capital structure, as well as the effect of debt on the cost of Group equity. The discount rate before taxes used in the calculations varied between 7.8% and 10.0%.

With regard to the assessment of value in use the management believes that the turnover can drop with 15% before there would be the situation where the carrying value would not exceed the recoverable amount.

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 2009 no impairment losses were booked.

NOTE 30 FINANCIAL RISK MANAGEMENT

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

Foreign currency risk

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

The only invoicing currencies used are either the unit's operating currency or currencies generally in use. The currency flows of subsidiaries are protected on a per company basis against the basic currency of each company. The operating units are responsible for protecting 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 0.8 million on 31 December 2009.

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

Net investment, EUR 1,000	31 Dec. 2009	31 Dec. 2008
AUD	15,263	7,451
GBP	5,343	4,897
RMB	3,146	3,379
USD	-1,514	-1,844
SEK	-95	-115

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

31 December 2009	AUD	GBP	RMB	USD	SEK
Increase in currency rate vs EUR	5%	5%	5%	5%	5%
Effect on profit before tax in EUR 1,000				40	0
Effect on equity EUR 1,000	-763	-267	-157	76	0

31 December 2008	AUD	GBP	RMB	USD	SEK
Increase in currency rate vs EUR	5%	5%	5%	5%	5%
Effect on profit before tax in EUR 1,000				242	
Effect on equity EUR 1,000	-373	-245	-169	92	6

Interest rate risk

The Group's currency-denominated borrowings are in the domestic currencies of Group companies. The nominal values of interest-bearing liabilities on 31 December 2009 were divided to the currencies as follows:

Currency	Amount EUR 1,000	%
EUR	18,566	99.5
USD	103	0.5
TOTAL	**18,669**	**100.0**

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 2.40-2.452% 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 2009 was EUR 187 thousand (EUR 286 thousand in 2008).

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 2009 amounting to EUR 20 million of which EUR 6 million were committed.

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

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

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

Year ended 31 Dec. 2009	**On demand**	**Less than 3 months**	**3–12 months**	**1–5 years**	**> 5 years**	**Total**
Interest-bearing liabilities	103	0	1,800	9,699	5,357	16,960
Trade and other current payables		12,476				12,476

Year ended 31 Dec. 2008	**On demand**	**Less than 3 months**	**3–12 months**	**1–5 years**	**> 5 years**	**Total**
Interest-bearing liabilities	541	2,019	4,033	13,656	6,071	26,322
Trade and other current payables		13,162				13,162

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 2009 financial year, the Group's only counterparties were financial institutions.

The Group's maximum credit risk is the amount of the financial assets at the end of the financial year. The aging of the trade receivables is presented in Note 25.

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's target is to keep the net gearing ratio below 100%. The Group includes in net interest-bearing debt the loans and borrowings less cash and cash equivalents.

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

EUR 1,000	**2009**	**2008**
Interest-bearing liabilities	18,669	28,706
Cash and cash equivalents	12,597	8,035
Net interest-bearing liabilities	6,072	20,671
Shareholders´ equity	25,580	16,680
Net gearing %	23.7	123.9

NOTE 31 PENSION AND OTHER POST-EMPLOYMENT OBLIGATIONS

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

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

Amounts recognized in the income statement, EUR 1,000	**2009**	**2008**
Service cost for the financial year	1,618	1,842
Differences in benefit schemes	-72	41
TOTAL INCLUDED IN PERSONNEL EXPENSES	**1,546**	**1,883**

Amounts recognized in the balance sheet, EUR 1,000	**2009**	**2008**
At the beginning of financial period	468	428
Transferred to other liabilities	-247	0
Pension expenses in the balance sheet	-72	41
AT THE END OF FINANCIAL PERIOD	**150**	**468**

NOTE 32 PROVISIONS

The Group has released the restructuring provision for Exel Sports Brands business amounting to EUR 0.9 million which covered the estimated remaining costs in 2009 arising from the restructuring made in 2008.

NOTE 33 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	2009 Net fair value	2009 Nominal value	2008 Net fair value	2008 Nominal value
Trade and other receivables	10,281	10,281	12,856	12,856
Cash and cash equivalents	12,597	12,597	8,035	8,035
Interest rate swap agreements	-224	10,000	46	13,310
Forward contract	3	341	33	1,770
Bank loans	17,067	16,857	24,551	24,481
Finance leasing	868	927	1,268	1,323
Non-current loan facilities	103	103	1,496	1,496
Trade and other payables	12,476	12,476	13,189	13,189

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

NOTE 34 CONTINGENT LIABILITIES

EUR 1,000	2009	2008
COMMITMENTS ON OWN BEHALF		
Mortgages	2,783	2,783
Floating charges	12,500	12,500
OPERATING LEASES		
Not later than one year	516	492
1–5 years	1,328	1,756
Later than 5 years		
OTHER LIABILITIES	**235**	**92**

NOTE 35 SHARE CAPITAL

EUR 1,000	Number of shares (1,000)	Share capital	Share premium fund	Total
1 January 2008	11,897	2,141	8,492	10,633
Share issue				
31 December 2008	11,897	2,141	5	2,146
Share issue				
31 December 2009	11,897	2,141	37	2,179

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 16 April 2009 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.

On 16 April 2009 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 authorizations are valid until 16 April 2010. These authorizations have not been exercised during the year.

NOTE 36 SHARE-BASED PAYMENT PLANS

THE GROUP HAS a long-term incentive program for the top management 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. The Program consists of three subprograms (one for each of the financial years 2007, 2008 and 2009) with the total duration of each of the subprograms being three years.

The Participants shall earn the reward under each of the subprograms if the financial performance targets as set by the Board of Directors for the subprogram have been met. The Board of Directors will decide on the targets related to the growth of the Exel Group's earnings per share (EPS) and return on capital employed (ROCE) for each subprogram separately before the beginning of the subprogram. The maximum amount of reward for each subprogram 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. Based on the development of the performance criteria EPS and ROCE the reward paid for 2009 was EUR 0.5 million, which costs were thus recorded in the financial statements.

NOTE 37 DISTRIBUTABLE FUNDS, 31 DECEMBER 2009

The parent company's distributable funds on 31 December 2009 were EUR 18,043 thousand.

NOTE 38 CASH FLOW FROM BUSINESS OPERATIONS

Non-cash adjustments to the result for the financial year, EUR 1,000	2009	2008
Depreciation, impairment charges and write-offs	3,028	3,968
Gain on disposal of property	-217	0
Taxes	2,446	-779
Financial expenses	1,294	4,529
Financial income	-1,266	-1,178
Other adjustments	-456	-358
TOTAL	**4,829**	**6,182**

NOTE 39 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	2009	2008
President & CEO	495	276
Members of the Board of Directors	139	164
Pension costs in the income statement	0	0
TOTAL	**634**	**440**

Salaries and fees per person	EUR 1,000
Vesa Korpimies, President & CEO	495
Peter Hofvenstam, Chairman of the Board	46
Members of the Board	
Kari Haavisto (until 16 April 2009)	6
Göran Jönsson	23
Vesa Kainu	25
Reima Kerttula (from 16 April 2009)	18
Heikki Mairinoja	22

NOTE 40 EVENTS AFTER THE BALANCE SHEET DATE

EXEL SOLD ITS Floorball business to Cape Nordic in March 2009. The transaction included a long-term licensing agreement related to the use of the Exel brand together with other floorball brands. Exel terminated the license agreement with Cape Nordic in January 2010, and entered into a new license agreement with EF Team Sports Oy, who continued the Floorball business with the brands in question as from 30 January 2010. The transaction is not expected to have material impact on the financial accounts.

PARENT COMPANY INCOME STATEMENT, EUR 1,000

	Notes	1.1.–31.12.2009	1.1.–31.12.2008
NET SALES	1	**37,393**	**46,143**
Increase(+)/Decrease(-) in inventories of finished goods and work in progress		-358	-1,254
Other operating income		1,150	242
Materials and services		-13,456	-20,501
External services		-316	-700
Personnel expenses	2	-9,182	-10,347
Depreciation and write-down			
Planned depreciation	3	-3,282	-1,434
Other operating expenses	4	-7,142	-11,167
OPERATING PROFIT		**4,716**	**983**
Financial income and expenses	5		
Interest paid and other financial expenses		497	-2,273
PROFIT BEFORE EXTRAORDINARY ITEMS		**5,213**	**-1,290**
Group subsidy	6	0	-3,500
PROFIT BEFORE APPROPRIATIONS AND TAXES		**5,213**	**-4,790**
Direct taxes	7	-1,796	-158
PROFIT FOR THE PERIOD		**3,417**	**-4,948**

PARENT COMPANY BALANCE SHEET, EUR 1,000

	Notes	31.12.2009	31.12.2008
ASSETS			
NON-CURRENT ASSETS	8		
Intangible assets			
Intangible rights		435	92
Other capitalized expenditure		582	755
		1,017	847
TANGIBLE ASSETS			
Land and water		90	116
Buildings		1,245	1,511
Machinery and equipment		1,454	1,744
Construction in progress		923	630
		3,712	4,001
INVESTMENTS	9		
Holdings in Group companies		25,419	21,031
Other shares and holdings		53	61
TOTAL NON-CURRENT ASSETS		**30,201**	**25,940**
CURRENT ASSETS			
Inventories			
Raw-materials and consumables		2,567	3,359
Work in progress		528	678
Finished products		853	1,061
		3,948	5,098
Current receivables	10		
Trade receivables		4,319	3,827
Receivables from Group companies		162	8,662
Other receivables		535	223
Prepaid expenses and accrued income		699	1,912
		5,715	14,223
Cash in hand and at bank		5,778	3,496
TOTAL CURRENT ASSETS		**15,441**	**23,216**
TOTAL ASSETS		**45,642**	**49,157**
LIABILITIES AND SHAREHOLDERS' EQUITY			
EQUITY	11		
Share capital		2,141	2,141
Invested unrestricted equity fund		8,488	8,488
Retained earnings		6,138	11,086
Profit for the financial period		3,417	-4,948
TOTAL EQUITY		**20,184**	**16,767**
LIABILITIES			
NON-CURRENT LIABILITIES	12		
Loans from financial institutions		15,057	19,729
CURRENT LIABILITIES	13		
Loans from financial institutions		1,800	4,752
Accounts payable		10	10
Trade payables		1,925	1,989
Liabilities to Group companies		1,502	1,473
Other liabilities		1,131	1,143
Accrued liabilities and deferred income		4,032	3,296
TOTAL LIABILITIES		**25,458**	**32,390**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**45,642**	**49,157**

PARENT COMPANY CASH FLOW STATEMENT, EUR 1,000

	2009	2008
CASH FLOW FROM BUSINESS OPERATIONS		
Profit for the year	3,417	-4,948
Profit for the year adjustments	3,487	12,286
Change in net working capital	7,874	8,405
Interest paid and other financial expenses	-927	-2,472
Dividends received	57	
Interest received	3,552	920
Income taxes paid	1,063	-746
CASH FLOW FROM BUSINESS OPERATIONS	**18,523**	**13,445**
NET CASH FLOW FROM INVESTMENTS		
Disposal of business	0	25
Capital expenditure	-906	-1,004
Instalments in subsidiaries' shares	-8,303	-5,663
Proceeds from sale of fixed assets	410	30
NET CASH FLOW FROM INVESTMENTS	**-8,799**	**-6,612**
CASH FLOW BEFORE FINANCING	**9,724**	**6,833**
CASH FLOW		
Withdrawals of non-current loans	0	10,000
Repayments of non-current loans	-7,623	-8,673
Net withdrawals of/repayment of current loans	500	-2,850
Group subsidies	-500	-3,000
Dividend paid	0	-2,379
CASH FLOW FROM FINANCING	**-7,623**	**-6,902**
CHANGE IN LIQUID FUNDS	**2,101**	**-69**
Liquid funds on January 1	3,496	3,564
Liquid assets from merger	180	
LIQUID FUNDS ON DECEMBER 31	**5,778**	**3,496**

NOTE 1 NET SALES, EUR 1,000

	Parent Company 2009	Parent Company 2008
BY MARKET AREA		
Nordic Countries	13,678	17,952
Other European Countries	20,273	24,842
Other Countries	3,442	3,349
TOTAL	**37,393**	**46,143**

NOTE 2 PERSONNEL EXPENSES

Management salaries and remunerations, EUR 1,000 Paid in 2009	Parent Company 2009	Parent Company 2008
President	284	226
Members of the Board	140	164
TOTAL	**424**	**390**
AVERAGE PERSONNEL EMPLOYED BY THE GROUP AND THE PARENT COMPANY		
Salaried employees	69	77
Non-salaried employees	124	131
TOTAL	**193**	**208**

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

Goodwill from the parent company's acquisitions and the purchase of Fiberspar Inc. Performance Products are depreciated over 10 years, which is the estimated income expectation period. Goodwill has been written down by EUR 496 thousand (2007).

Planned depreciation, amortization and impairment, EUR 1,000	Parent Company 2009	Parent Company 2008
Intangible rights	25	44
Other capitalized expenditure	201	147
Buildings	236	243
Machinery and equipment	741	1,000
Write-downs of non-current assets	2,080	0
TOTAL	**3,282**	**1,434**

NOTE 4 OTHER OPERATING EXPENSES, EUR 1,000

	Parent Company 2009	Parent Company 2008
Rents	643	664
Marketing expenses	186	312
Other expenses	6,314	12,899
TOTAL	**7,142**	**13,875**

	Parent Company 2009	Parent Company 2008
Auditor's fee	46	37
Tax counseling	1	3
Other fees	6	51
TOTAL	53	91

NOTE 5 FINANCIAL INCOME AND EXPENSES, EUR 1,000

	Parent Company 2009	Parent Company 2008
OTHER INTEREST AND FINANCIAL INCOME		
From Group companies	105	1,075
From others	1,229	318
TOTAL	**1,335**	**1,394**
INTEREST AND OTHER FINANCIAL EXPENSES		
To Group companies	-27	-8
To others	-811	-3,666
TOTAL	**-838**	**-3,674**
TOTAL FINANCIAL INCOME AND EXPENSES	**497**	**-2,273**

NOTE 6 EXTRAORDINARY ITEMS, EUR 1,000

	Parent Company 2009	Parent Company 2008
Group subsidy	0	3,500

NOTE 7 DIRECT TAXES, EUR 1,000

	Parent Company 2009	Parent Company 2008
Income tax on actual operations	-1,796	158

NOTE 8 INTANGIBLE AND TANGIBLE RIGHTS, EUR 1,000

	Parent Company 2009	Parent Company 2009
INTANGIBLE RIGHTS		
Acquisition cost Jan. 1	643	637
Increase 1.1.–31.12.	367	0
Decrease 1.1.–31.12.	0	-1
Reclassification between items	0	7
Acquisition cost Dec. 31	1,010	643
Accumulated planned depreciation Jan. 1	-550	-506
Planned depreciation 1.1.–31.12.	-25	-44
Planned depreciation of decrease 1.1.–31.12.	0	1
Accumulated planned depreciation 31 Dec.	-575	-549
Book value Dec. 31	435	92
CAPITALIZED EXPENDITURE	**2009**	**2009**
Acquisition cost Jan. 1	2,836	2,171
Increase 1.1.–31.12.	28	672
Decrease 1.1.–31.12.	0	0
Reclassification between items	0	-7
Acquisition cost Dec. 31	2,864	2,836

Accumulated planned depreciation Jan.1	-2,081	-1,934
Planned depreciation 1.1.–31.12.	-201	-147
Planned depreciation of decrease 1.1.–31.12.	0	0
Accumulated planned depreciation Dec. 31	-2,282	-2,081
Book value Dec. 31	582	755

LAND AND WATER	2009	2008
Acquisition cost Jan. 1	116	116
Decrease 1.1.–31.12.	-26	0
Acquisition cost Dec. 31	90	116
Book value Dec. 31	90	116

BUILDINGS	2009	2008
Acquisition cost Jan. 1	4,284	4,284
Increase 1.1.–31.12.	127	0
Decrease 1.1.–31.12.	-310	0
Acquisition cost Dec. 31	4,101	4,284
Accumulated planned depreciation Jan. 1	-2,773	-2,530
Planned depreciation 1.1.–31.12.	-236	-243
Planned depreciation of decrease 1.1.–31.12.	153	0
Accumulated planned depreciation Dec. 31	-2,856	-2,773
Book value Dec. 31	1,245	1,511

MACHINERY AND EQUIPMENT	2009	2008
Acquisition cost Jan. 1	17,783	17,952
Increase 1.1.–31.12.	453	384
Decrease 1.1.–31.12.	-77	-553
Acquisition cost Dec. 31	18,159	17,783
Accumulated planned depreciation Jan. 1	-16,040	-15,415
Planned depreciation 1.1.–31.12.	-741	-1,000
Planned depreciation of decrease 1.1.–31.12.	75	375
Accumulated planned depreciation Dec. 31	-16,706	-16,040
Book value Dec. 31	1,454	1,744
Undepreciated acquisition cost of production machinery and equipment	1,414	1,703

SHARES	2009	2008
Group companies		
Acquisition cost Jan. 1	21,031	15,833
Increase Dec .31	8,303	5,663
Decrease Dec.31	-3,916	-465
Acquisition cost Dec. 31	25,419	21,031

OTHER SHARES AND HOLDINGS	2009	2008
Acquisition cost Jan. 1	61	61
Decrease Dec. 31	-8	
Acquisition cost Dec. 31	53	61

NOTE 9 COMPANIES OWNED BY PARENT COMPANY

Shares in subsidiaries **Name of company**	**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 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, 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 2009**	**Parent Company 2008**
RECEIVABLES FROM GROUP COMPANIES		
Trade receivables	63	7
Loan receivables	100	5,820
Prepaid expenses and accrued income	0	2,834
TOTAL	**162**	**8,662**
RECEIVABLES FROM OTHERS		
Trade receivables	4,319	3,827
Other receivables	535	223
Prepaid expenses and accrued income	699	1,912
TOTAL	**5,553**	**5,962**
TOTAL CURRENT RECEIVABLES	**5,715**	**14,623**

Deferred tax assets amounting to EUR 222 (371) thousand have not been booked from cumulative depreciation exceeding the maximum tax depreciations by EUR 0.9 (1.3) million.

NOTE 11 EQUITY, EUR 1,000

	Parent Company 2009	**Parent Company 2008**
Share capital Jan. 1	2,141	2,141
SHARE CAPITAL DEC. 31	**2,141**	**2,141**
Premium fund Jan. 1	0	8,488
Transfer to non-restricted equity fund	0	-8,488
SHARE PREMIUM RESERVE DEC. 31	**0**	**0**
Non-restricted equity fund	8,488	0
Transfer from non-restricted equity fund	0	8,488
NON-RESTRICTED EQUITY FUND DEC. 31	**8,488**	**8,488**
Retained earnings	6,138	13,465
Dividend paid	0	-2,379
Retained earnings	6,138	11,086
Operating profit for the financial year	3,417	-4,948
TOTAL EQUITY	**20,184**	**16,767**

CALCULATION OF FUNDS DISTRIBUTABLE AS PROFIT DEC. 31	2009	2008
Non-restricted equity fund	8,488	8,488
Retained earnings	6,138	11,086
Operating loss for the financial year	3,417	-4 948
TOTAL NON-CURRENT LIABILITIES	**18,043**	**14,626**

NOTE 12 NON-CURRENT LIABILITIES, EUR 1,000

	Parent Company 2009	Parent Company 2008
Liabilities to others		
Loans from financial institutions	15,057	19,729
Total non-current liabilities	15,057	19,729
Liabilities falling due in a period longer than five years	5,357	6,071

NOTE 13 CURRENT LIABILITIES, EUR 1,000

	Parent Company 2009	Parent Company 2008
LIABILITIES TO GROUP COMPANIES		
Trade payables	152	120
Accrued liabilities and deferred income	1,350	1,353
TOTAL	**1,502**	**1,473**
LIABILITIES TO OTHERS		
Loans from financial institutions	1,800	4,752
Advance payments	10	10
Trade payables	1,925	1,989
Other liabilities	1,131	1,143
Accrued liabilities and deferred income	4,032	3,296
TOTAL	**8,898**	**11,190**
TOTAL CURRENT LIABILITIES	**10,400**	**12,661**
BREAKDOWN OF ACCRUED LIABILITIES AND DEFERRED INCOME		
Salaries, wages and holiday pay, including social security expenses	2,312	2,144
Other accrued liabilities and deferred income	1,720	1,152
TOTAL	**4,032**	**3,296**

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	-224
Foreign exchange forward contracts	341	3
Liabilities for which a corporate mortgage and real estate mortgages have been provided as collateral		
Financial institution loans	16,857	24,480
Mortgages given on land and buildings	2,783	2,783
Corporate mortgage given	12,500	12,500
Collateral for Group companies		
Credit limit guarantee	103	196

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 2009	**Parent Company 2008**
LEASING LIABILITIES		
Falling due in 2010	431	352
Falling due later	562	867
Rental liabilities		
Falling due in 2010	195	195
Falling due later	373	568
Other liabilities	38	11

NOTE 16 SHARE OWNERSHIP

Distribution of share ownership on 31 December 2009	%
Private companies	20.8
Financial and insurance institutions	24.1
Public sector entities	7.2
Non-profit organizations	2.6
Households	15.1
Foreign	29.5
Of which, nominee registration	0.7

Distribution of share ownership on 31 December 2009

Shares	Number of shareholders	Percentage of shareholders	Total number of shares	Percentage of total number of shares
1–1,000	1,475	82.63	468,311	3.94
1,001–10,000	246	13.78	752,403	6.32
10,001–50,000	34	1.91	775,808	6.52
over 50,000	30	1.68	9,900,321	83.22

NOTE 17 SHAREHOLDERS

Information on shareholders on 31 December 2009

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
Veikko Laine Oy	618,896	5.2
Ulkomarkkinat Oy	504,427	4.2
Fondita Nordic Small Cap Investment Fund	450,000	3.8
Berling Capital Oy	365,963	3.1
OP-Suomi Small Cap Investment Fund	351,085	3.0
Carnegie Osake Investment Fund	347,494	2.9
Alfred Berg Finland Investment Fund	323,724	2.7
Danske Invest Suomi Kasvuosake Investment Fund	299,213	2.5
Nominee registration	86,525	0.7
Other	4,363,610	36.7
TOTAL	**11,896,843**	**100.0**

NOTE 18 MANAGEMENT INTERESTS

The aggregate holding of the members of the Board of Directors and the President was 73,300 shares on 31 December 2009. This accounts for 0.61% of corporate shares and 0.61% 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 16 April 2009 the Annual General Meeting authorized the Board to decide on a share issue by 16 April 2010. A maximum of 2,400,000 new shares may be issued and a maximum of 600,000 own shares may be conveyed in virtue of the authorization. The authorization was not used during the year.

NOTE 20 SHARE PRICE AND TRADING

Share price (EUR)	**2005**	**2006**	**2007**	**2008**	**2009**
Average price	12.73	12.86	14.14	5.92	4.08
Lowest price	11.35	10.50	10.55	2.41	2.37
Highest price	14.80	15.13	17.45	12.20	6.20
Share price at end of financial year	13.05	13.60	11.90	2.72	5.39
Market capitalization, EUR million	150.0	161.8	141.6	32.4	64.1
Share trading					
Number of shares traded	4,114,242	5,172,938	4,907,765	1,653,992	3,522,974
% OF TOTAL	**35.7**	**43.5**	**41.3**	**13.9**	**29.6**
Number of shares adjusted for share issues					
Average number	11,549,554	11,846,725	11,896,843	11,896,843	11,896,843
Number at end of financial year	11,498,900	11,896,843	11,896,843	11,896,843	11,896,843

Exel Oyj's share was quoted on Helsinki Stock Exchange I List from 19 October 1998 to 1 May 2000. As from 2 May 2000, Exel Oyj's share has been quoted on Helsinki Stock Exchange Main List. Exel Oyj's share was split on 21 April 2005.

NOTE 21 KEY INDICATORS

Key indicators illustrating financial trends.

Figures given in EUR 1,000 (unless otherwise stated)	**2005 IFRS**	**2006 IFRS**	**2007 IFRS**	**2008 IFRS****	**2009 IFRS****
Net sales	91,288	112,395	113,489	94,925	70,005
Operating profit	12,388	386	4780	8,593	7,990
% of net sales	13.6	0.3	4.2	10.1	11.4
Profit before extraordinary items	12,046	-681	2,420	5,590	7,970
% of net sales	13.2	-0.6	2.1	6.6	11.4
Profit before provisions and income taxes	12,046	-681	2,420	5,590	7,970
% of net sales	13.2	-0.6	2.0	6.6	11.4
Total assets	54,621	81,924	75,192	59,275	57,303
Return on equity, %	37.3	-2.9	8.4	-14.7	31.3
Return on investment, %	34.0	1.2	7.3	0.0	20.9
Solvency ratio, %	50.0	29.9	31.3	28.2	44.6
Net gearing, %	30.2	112.8	118.4	123.9	23.7
Gross investment in fixed assets	4,119	19,863	2,469	1,765	1,440
% of net sales	4.5	17.7	2.2	2.1	2.1
R&D expenses	2,323	2,169	2,824	1,361	1,407
% of net sales	2.5	1.9	2.5	1.6	2.0
Average personnel	467	600	568	527	436
Personnel at year end	466	555	579	470	419
Share data					
Earnings per share (EPS), EUR	0.78	-0.06	0.17	0.34	0.50
Adjusted earnings per share (EPS), EUR*	0.76	-0.06	0.17	0.34	0.50
Equity per share, EUR	2.34	2.05	1.98	1.40	2.15
Dividend per share, EUR	0.40	0.20	0.20	0.00	0.25
Payout ratio, %	53.0	-322.70	118.40	0.00	50.00
Effective yield of shares, %	3.07	1.47	1.68	0.00	4.64
Price/earnings (P/E), %	16.65	-219.41	70.44	8.00	10.79

* 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

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

Divident 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 18,042,890.89, of which profit for the financial period accounts for EUR 3,417,241.82.

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

• a dividend of EUR 0.25 per share	EUR 2,974,210.75
• carried over as equity	EUR 15,068,680.14
	EUR 18,042,890.89

Vantaa, 18 February 2010

Peter Hofvenstam
Chairman

Göran Jönsson

Vesa Kainu

Reima Kerttula

Heikki Mairinoja

Vesa Korpimies
President and CEO

Our auditors´ report has been issued today.

Vantaa, 18 February 2010

Ernst & Young
Authorized Public Accountants

Eija Niemi-Nikkola
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 year ended on 31 December 2009. The financial statements comprise the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, cash flow statement 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.

The responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the financial statements and the report of the Board of Directors and for the fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the fair presentation of the financial statements and the report of the Board of Directors in accordance with 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 perform an audit in accordance with good auditing practice in Finland, and to express an opinion on the parent company's financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. Good auditing practice requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 have complied with the Limited Liability Companies Act.

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 of the financial statements or of the report of the Board of Directors, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements and the report of the Board of Directors in order to design audit procedures that are appropriate in the circumstances. 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.

The audit was performed in accordance with good auditing practice in Finland. 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.

Vantaa, 18 February 2010

Ernst & Young Oy
Authorized Public Accountant Firm

Eija Niemi-Nikkola
Authorized Public Accountant

Antenna profile
The framework structure for antennas of wireless data networks, inside which the actual antenna will be placed. The profile protects the antenna from the weather, acts as the framework for the antenna and allows free radio wave propagation.

Composite
A general term for all combinations of two or several materials in which they act together without dissolving or blending with each other. Plastic composites are one of the key subgroups of composites. Composites consisting of strong fibers and plastic substances are called (glass fiber) reinforced plastic, which is an extremely lightweight and particularly strong material. Composite is used in structures requiring high strength and lightness, typical examples including aircraft and boat structures. Composites are highly durable in sunlight, ultraviolet radiation and temperature variations, and they are very impact resistant and tolerate mechanical wear well. In addition, composite is recyclable.

Composite profile
A composite product structure produced with the pultrusion method, custom-made for each customer.

Doctor blade
Product used in the control of paper web and maintenance of paper machine rolls.

EuCIA (European Composites Industry Association)
EuCIA is the European umbrella of the composites industry. Its main objective is representation of the European National Composite Associations as well as industry specific sector groups, such as those targeting end-segments like automotive or those promoting particular product groups or processes.

Fabric guiding pole
A pole used upon changing and placing the fabric of a paper machine.

Filament winding
Filament winding consists of winding resin impregnated fibers or rovings of glass aramid, or carbon on a rotating mandrel in predetermined patters. The method provides the greatest control over fiber placement and uniformity of structure. After the layers are wound, the component is cured and removed from the mandrel.

Glide Path Tower
Part of the Instrument Landing System with which aircrafts can be guided for landing during poor visibility.

Hand lay-up
Hand lay-up is the simplest and oldest open molding method of the composite fabrication processes. It is a low volume, labor intensive method suited especially for large components. Glass or other reinforcing mat or woven fabric or roving is positioned manually in the open mold, and resin is poured, brushed, or sprayed over and into the glass plies. Curing is initiated by a catalyst in the resin system, which hardens the fiber reinforced resincomposite without external heat. For a high quality part surface, a pigmented gel coat is first applied.

Lattice mast
A composite product patented by Exel used mostly as support structure for airport approach lighting masts.

Pull-Winding
A continuously working production method developed by Exel, combining the pultrusion and continuous winding methods.

Pultruder
A company manufacturing products with pultrusion technology.

Pultrusion
The pultrusion process is a proven continuous manufacturing method for obtaining high quality composite profiles with consistently repeatable mechanical properties. Pultruded products are essentially composed of high performance fibers (glass, carbon, or aramid) individually or in combination, embedded in a polymer matrix (polyester, vinylester, epoxy or phenolic).

The pultrusion process starts by pulling/drawing continuous reinforcements through a resin impregnation system. The coated fibers are passed through preforming guides to align reinforcement and preform the part to the desired shape before entering the heated die. The fully cured section can be cut to length downstream of the pulling mechanism by a circular saw or, if size and shape permit, be wound onto a drum as a continuous length. The only limitations on length for cut sections are storage and transportation.

Responsible Care
The chemical industry’s self-initiated worldwide environmental and safety program.

Select niche market
A narrow market segment; specialization in carefully selected narrow special areas where the aim is to become market leader.

Spray-up
Spray up is an open mold process involving simultaneous deposition of chopped fiber and resin in a cavity mold or mandrel to build an intimately mixed layer of the two. •

Annual general meeting

The Annual General Meeting of Exel Composites Plc will be held at 10.30 a.m. on Wednesday 31 March 2010 at Kansallissali, Aleksanterinkatu 44, 00100 Helsinki, Finland. The Annual General Meeting will be conducted in Finnish.

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 19 March 2010.

Registration

Registration of notices to attend begins on 5 March 2010 and ends at 4 p.m. Finnish time on 24 March 2010.

A notice of participation may be submitted either:

- online at www.exelcomposites.com/agm
- by email to investor@exelcomposites.com
- by letter to Exel Composites Plc, PO Box 24, 52701 Mäntyharju, Finland
- by fax to +358 20 7541 202 or by telephoning +358 20 7541 221 between 9 a.m. and 4 p.m. Monday to Friday.

In connection with the notification, a shareholder should notify his/her name, personal identification number or company identification number, address, telephone number and the name of a possible assistant, authorized representative or statutory representative. The personal data given is used only in connection with the Annual General Meeting and with the processing of related registrations. Notices of participation must be received by the abovementioned deadline. Any powers of attorney are also to be sent to the above addresses during the same registration period.

Payment of dividends

The Board of Directors has decided to propose to the Annual General Meeting that a dividend of EUR 0.25 per share be paid for 2009. Shareholders registered on the list of shareholders maintained by the Finnish Central Securities Depository on the record date of 7 April 2010 are entitled to a dividend, which will be paid on 14 April 2010.

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 reports in 2010

The publication dates for Exel Composites' financial reports during 2010 are given below:

- Annual Report 2009: week 10 in March 2010
- Interim report Q1/2010: Friday 6 May 2010
- Interim report Q2/2010: Friday 23 July 2010
- Interim report Q3/2010: Friday 29 October 2010

Exel's 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 and 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. •

Standing up


to challenges

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