exel
COMPOSITES

Annual Report 2020

FOR FORWARD THINKERS

Moving forward for over 60 years

And thinking ahead to the next 60

exelcomposites.com

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INFORMATION TO SHAREHOLDERS

Financial reporting and Annual General Meeting 2021

Exel Composites publishes the following financial reports in 2021:

- Financial Statements Release 2020: 18 February 2021
- Business Review January-March: 30 April 2021
- Half-year Financial Report January-June: 20 July 2021
- Business Review January-September: 4 November 2021

The Annual Financial Report, Corporate Governance Statement and Remuneration Report for 2020 are available at the company's website www.exelcomposites.com.

The Annual General Meeting will be held on 23 March 2021 at 09:00 EET in Exel Composites' premises at Mäkituvantie 5, 01510 Vantaa, Finland. Shareholders of the company may participate in the meeting and exercise their shareholders' rights only through a proxy presentative designated by the company as well as by posing counterproposals and questions in advance. Proxy representatives must see to the voting in advance on behalf of shareholders.

After the Annual General Meeting, on 23 March 2020 at 10:30 EET, Exel Composites will hold an online event for shareholders, where the resolutions made at the General Meeting and the review by the President and CEO will be presented. Instructions to register to this event are presented in the notice to Exel Composites' Annual General Meeting under Section C item 5 and at the company's website www.exelcomposites.com.

Dividend proposal

The Board of Directors proposes that a dividend of EUR 0.20 (0.18) per share be paid for the financial year 2020.

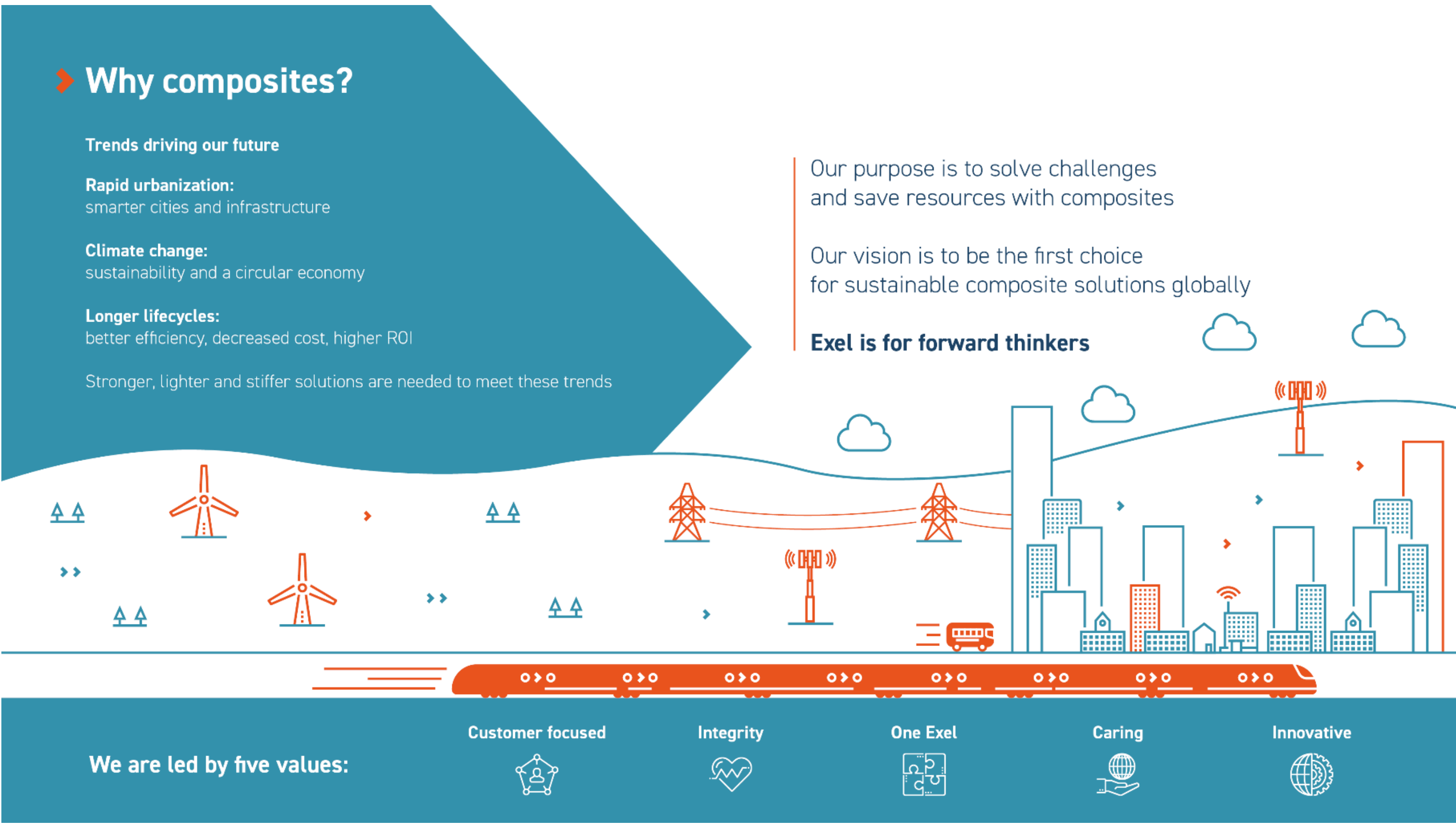
The dividends' record date is 25 March 2021 and payment date 1 April 2021.

EXEL COMPOSITES IN BRIEF

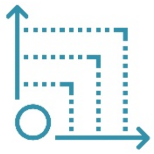
At Exel Composites, we use over 60 years' experience to solve challenges and help customers save resources. Our forward-thinking composite solutions made with continuous manufacturing technologies serve customers in a wide range of industries around the world. You can find our products used in applications from wind power and transportation to building and infrastructure.

Our collaborative approach and global footprint set us apart from our competition. We use our expertise to help customers reduce weight, improve performance and energy efficiency and decrease total lifetime costs. We want to be the first choice for sustainable composite solutions globally.

Headquartered in Finland, Exel Composites employs approximately 650 forward-thinking professionals around the world and is listed on Nasdaq Helsinki. To find out more about our offering and company please visit **exelcomposites.com**.



Reasons to invest in Exel Composites



Optimally positioned within a growing market

Technology leadership creates competitive advantage

Global operations enable global customers

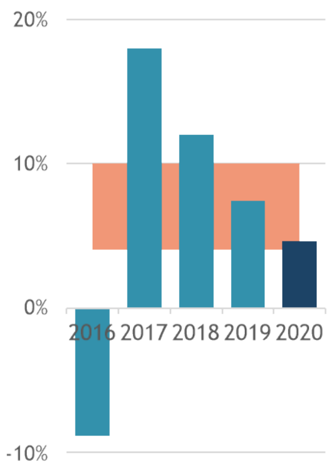
Diversified portfolio reduces risk

Learn more about Exel as an investment at our website **exelcomposites.com**

Long-term financial targets

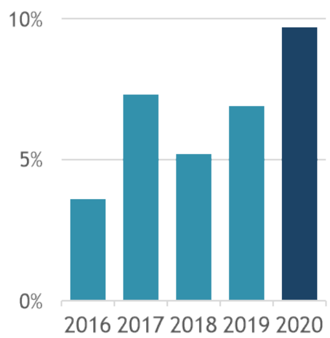
GROWTH

Revenue growth
2x market growth[1)]



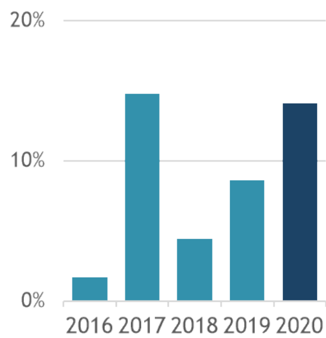
PROFITABILITY

Adjusted operating profit
margin >10%



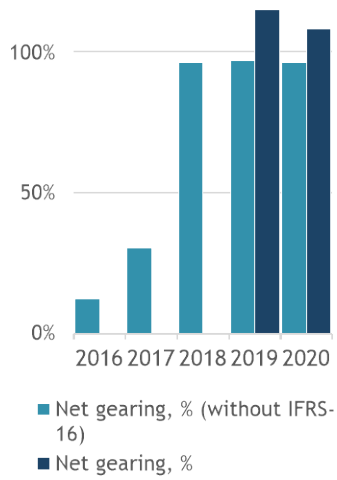
CAPITAL EFFICIENCY

Return on capital employed
> 20%



FINANCIAL POSITION

Net gearing
≤ 80%



[1)] The average annual growth rate estimated for the global composites market is, according to customer industry, region and source, between 2%-5% in volume in the coming years.

Financial targets are considered over a business cycle. Potential acquisitions may impact the long-term financial targets. According to the company's dividend policy, Exel Composites' ambition is to distribute a minimum of 40% of net income in dividends, when permitted by the financial structure and growth opportunities.

CEO REVIEW

The year 2020 ended strongly for Exel Composites. The adjusted operating profit as well as revenue increased compared to 2019. In addition, our order intake improved resulting in a strong order backlog driven by an improved underlying demand at the end of 2020. Operating cash flow in 2020 increased compared to the previous year.

Overall, Exel has so far mitigated the impacts of the Covid-19 pandemic well. The health and safety of our employees, customers and business partners is a priority for Exel Composites. For the most part, operations at our factories were close to normal throughout the year within the limits of the implemented safety measures. Many of our manufacturing units are located far from densely populated areas, which has reduced the impact of the pandemic on the company. Due to preventive and mitigating actions, we have not suffered from significant shortfalls in staffing or materials due to the pandemic. I am particularly happy to see that our strategy based on diversified customer industries and regions has supported us in these difficult times and reduced the impact of the sudden drop of demand that happened with some of our clients.

“Our strategy based on a diversified customer industries and regions has strongly supported us in these difficult times.”

In the full year 2020, the volume increase in Defense and Wind Power made a significant positive contribution to Group revenue. I am very satisfied with these results as they reflect the successful execution of our strategy. Wind Power is one of our strategic focus areas and continues to grow as our largest customer industry. Other strategic focus areas grew too: Camouflage net support poles in the Defense customer industry as well as conductor core applications in the Infrastructure industry are good examples of how extensive R&D over several years yields results. The conductor core application is the outcome of determined long-term product development and a technological break-through that can increase power transmission capacity. The camouflage net support poles, on the other hand, are an example of how we have been able to leverage our global footprint and cross-selling within the Group. These customer industries have remained more or less resilient during the Covid-19 pandemic. Transportation, on the other hand, has clearly been negatively impacted by the pandemic and revenue in the customer industry declined in 2020.

“Extensive R&D over several years has yielded results.”

Geographically, revenue in 2020 showed strong growth in the region Asia-Pacific, while revenue in Europe increased slightly. In the region North America, revenue declined across nearly all customer industries mainly due to the Covid-19 pandemic.

Despite the impacts of the pandemic on many fronts, adjusted operating profit increased by 36% in 2020 compared to 2019. The strong improvement reflects the impact from the cost savings program completed in 2019, an overall favorable sales mix and operational efficiency improvements implemented during the year across the Group. We were also able to leverage our position as a growing global buyer in a materials market weakened by the pandemic.

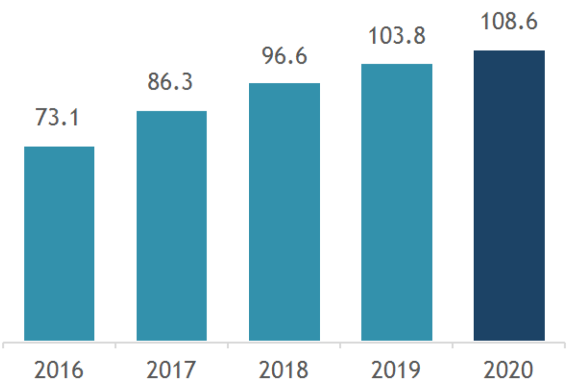
“In 2020 adjusted operating profit increased by 36% compared to the previous year.”

2020 will remain in history as an exceptional year in many ways. The pandemic continues to cast a shadow over the global business environment also in 2021 although vaccination programs are expected to relieve the situation. Despite the pandemic, we start 2021 in a good position supported by a high order backlog. I warmly thank our employees for a job well done, and our customers and other stakeholders for outstanding cooperation. Stay healthy and safe, and let’s make 2021 an even better year!

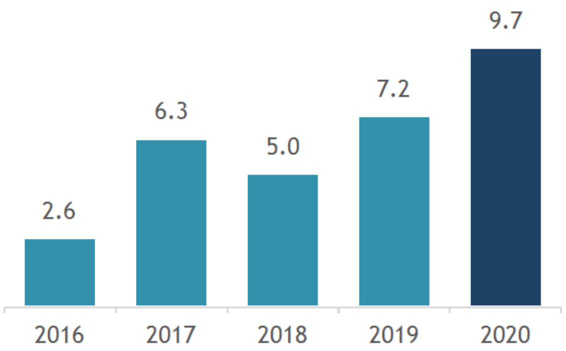
Riku Kytömäki
President and CEO

KEY FIGURES 2020

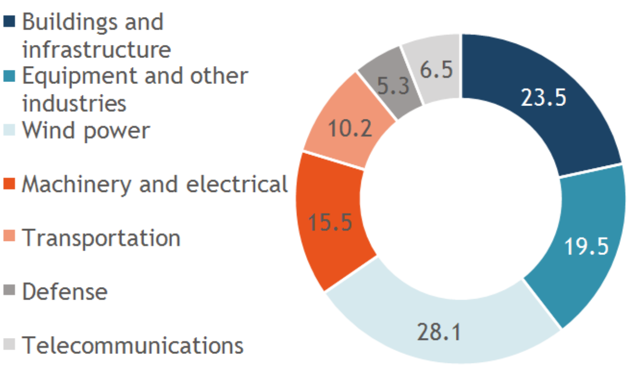
Revenue,
EUR million



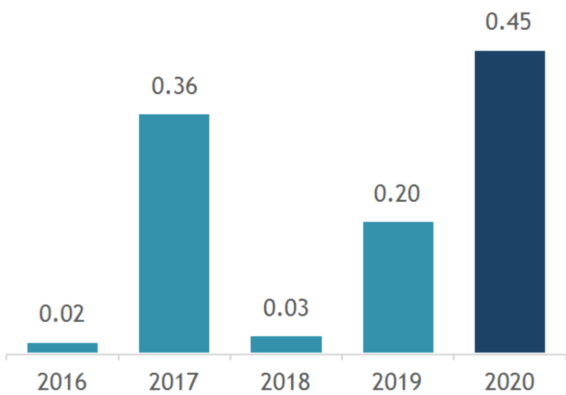
Adjusted operating profit,
EUR million



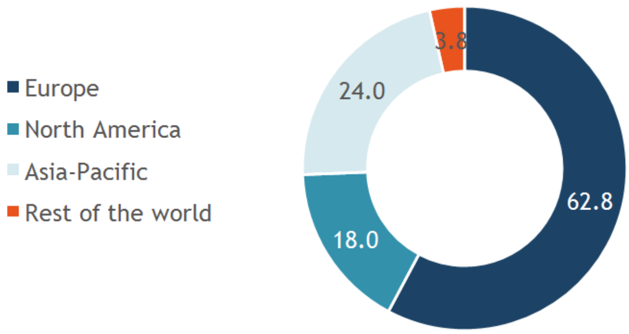
Revenue by customer industry,
EUR million



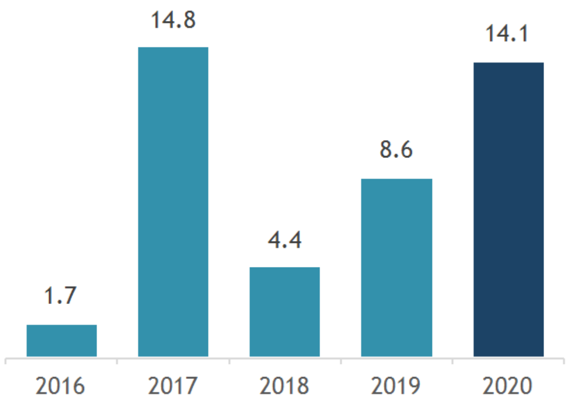
Earnings per share,
EUR



Revenue by region,
EUR million



Return on capital employed,
%



BOARD OF DIRECTORS' REPORT

Business model

Exel Composites provides forward-thinking composite solutions made with continuous manufacturing technologies to customers in a wide range of industries around the world. Our products are used in several industries from cleaning equipment to power generation and transmission.

Composites are materials composed by two or more component materials that do not mix. In Exel Composites' vocabulary, composites mean fiber reinforced plastics. We use predominantly glass and carbon fibers as reinforcements of a resin, which in more technical terms is called a matrix. Different types of plastics can be used as a matrix, and additives, such as colorants, UV-stabilizers or anti-bacterial additives, can be used for additional properties. Combining different types of reinforcements and matrix materials gives the desired chemical, physical or mechanical properties to the resulting composite.

Exel's manufacturing, R&D and sales network covers all main markets i.e. Europe, Asia and North America. We use our over 60 years of expertise to help customers reduce weight, improve performance and decrease the total lifetime costs of the end product. Exel wants to be the first choice for sustainable composite solutions globally.

Our customers are typically original equipment manufacturers, system integrators or distributors. There are seven main customer industries: Buildings and Infrastructure, Equipment and Other industries, Wind Power, Machinery and Electrical, Transportation, Defense and Telecommunications.

The products produced by Exel are most often components of the customer's end product. The product portfolio includes for example profiles, tubes and laminates, which are almost without exception customer tailored. Products are designed in close dialogue with the customer to solve one or more specific challenges, be it achieving a lighter, stronger or stiffer solution. This high level of tailoring increases customer commitment and is reflected in Exel's typically long-term customer relationships.

Exel Composites' core expertise lies in chemistry, materials science as well as cost-efficient and repeatable manufacturing processes. The main manufacturing technology utilized by Exel is pultrusion, where resin-impregnated fibers are pulled through a mold and hardened with heat. The final products are cut to a specified length or wound on a roll at the end of the production line. Other key methods include pullwinding, which is a combination of pultrusion and filament winding, as well as continuous lamination. In all these technologies production is continuous and high in volume in proportion to used manhours. These manufacturing technologies are applicable to any shapes from poles and tubes to profiles with complex shapes and cavities. Exel also has further processing capabilities to supply complete composite solutions including machining and coating. Exel's strategy includes expanding into new and growing production technologies as well as into new and growing

Exel Composites in the value chain

SUPPLY CHAIN

- Raw material producers
- Suppliers of indirect materials
- Service providers

Example
A provider of fiberglass from which Exel buys reinforcement fibers necessary for the manufacturing process

MANUFACTURING

- Pultrusion
- Pullwinding
- Filament winding
- Continuous lamination

Further processing:

- Machining
- Painting
- Coating

CUSTOMER

- Original equipment manufacturers
- System integrators
- Distributors

Example
A machine builder that buys composite parts manufactured by Exel, installs them into a machine, which is then sold to a paper mill

END USER

- User of the final product

Example
A forestry company that produces paper or cardboard in its factory

applications where composite materials can be used and where their unique characteristics are beneficial.

Exel Composites’ global supply chain sources its raw materials from multiple sources from various countries and continents. The main raw material categories are fiber reinforcements and matrix systems. Fiber reinforcements typically are carbon fiber and fiberglass but also other fibers, such as polyester, aramid or natural fibers can be used. Matrix systems include for example polyester, epoxy and vinyl ester resins.

Climate-related risks and opportunities impact Exel Composites’ business model on various levels. Exel actively aims to reduce the negative impact of its own operations on climate and the environment. The composites we produce also help reduce the environmental impact of the end product. For Exel, this is an opportunity to contribute to the mitigation of climate change and global warming.

Market environment

The composites market is fragmented. Whereas Exel Composites is not a large company, it is nevertheless a leading company in the field of pultrusion and the only pultrusion company with significant presence on all major markets: Europe, Asia and North America. This global presence differentiates Exel from its competitors and enables head to head competition with global suppliers of traditional materials. According to industry associations, such as JEC and Lucintel, the 82 billion-dollar annual volume of composites is only 1% of the huge global materials market, which is dominated by steel, plastic and aluminum. Furthermore, pultruded composites market represents less than 5% of the total composites market. Exel Composites sees growth potential for composites as a material as well as for pultrusion as a production technology within the composites market. The average annual growth rate estimated for the global composites market is, according to customer industry, region and source, between approximately 2%-5% in volume in the coming years.

Exel’s business portfolio is diversified across a variety of customer industries and regions, which reduces the impact of sudden fluctuations within the portfolio. The factors and time span driving demand differ between customer industries as well as regions. This was demonstrated particularly during the Covid-19 pandemic, the impacts of which Exel has mitigated relatively well so far.

Exel Composites’ strategy is to focus on high growth industries, such as Wind Power, Transportation as well as Buildings and Infrastructure. The Transportation industry is a large user of composites, although hard hit in 2020 by the Covid-19 pandemic especially in Europe. Buildings and Infrastructure applications also present many opportunities for pultruded composites. On the other hand, the Wind Power industry shows the strongest growth and was less impacted by the pandemic in 2020 due to the longer-term nature of wind power investments.

Geographically, Asia and China are the largest and the fastest-growing markets globally. Although China alone continues to represent a major growth market, recent economic and political uncertainty connected with the country have slightly reduced the market’s growth rate expectations. The North American market is the second largest composites market globally in terms of value and growth. Growth is expected to be slower in the mature European market, which already today is behind Asia and North America in size.

In the short-term, the Covid-19 pandemic has caused uncertainty in the global business environment and cautiousness among customers. This impacted the demand and deliveries during 2020, although underlying demand across all customer industries improved towards the end of the year. Exel Composites estimates that during 2020, the company’s market position within the global pultrusion market has improved. Exel’s revenue increased particularly in the Wind Power customer industry.

In the long-term, interest towards composite materials is steadily growing, supported by global megatrends such as rapid urbanization, sustainability, and longer life cycles. The main benefits of composites include lightness, energy efficiency, durability and the need for less maintenance and replacement. For example, increased energy efficiency requirements within the transportation industry and the increased utilization of anti-corrosive materials in the construction industry drive increased use of composites. Exel’s ambition is to leverage on these trends and mitigate the negative impacts of climate change by offering its customers sustainable composite products that respond to this demand.

Order intake and order backlog

Order intake for the financial year 2020 was EUR 115.4 million (110.7), which is an increase of 4.2% compared to the previous year. The Group’s order backlog on 31 December 2020 increased to EUR 36.5 million (30.4).

Revenue

Group revenue for the financial year 2020 amounted to EUR 108.6 million (103.8) and increased by 4.6% compared to the previous year. Revenue was impacted by effects of delivery volumes by 3.7%, sales mix by 1.9% and exchange rates by -1.0%.

Defense and Wind Power made a significant positive contribution to the Group revenue increase. In the Transportation customer industry revenue declined mainly due to the pandemic. Geographically, revenue increased in the regions Asia-Pacific and Europe. In the region North America, revenue declined across nearly all customer industries mainly due to the Covid-19 pandemic.

Operating profit

Operating profit in the financial year 2020 increased to EUR 9.4 million (5.1), 8.7% (4.9) of revenue. Adjusted operating profit* was EUR 9.7 million (7.2), 8.9% (6.9) of revenue. The profit impact of the cost savings program completed in 2019, an overall favorable sales mix and operational efficiency improvements across the Group were the main factors behind the improvement.

Items affecting comparability amounted to a total of EUR 0.3 (2.1) million.

The Group's net financial expenses in 2020 were EUR -2.3 million (-1.2). Profit before taxes was EUR 7.1 million (3.9) and profit after taxes EUR 5.4 million (2.4).

Adjusted operating profit*

EUR thousand	2020	2019
Operating profit	**9,417**	**5,087**
Restructuring costs	0	1,259
Impairment losses and reversals	0	0
Costs related to planned or realized business acquisition and disposal	291	814
Sale of intangible and tangible assets	0	0
Expenses related to changes in legislation or legal proceedings	0	0
Adjusted operating profit	**9,708**	**7,160**

* Excluding material items affecting comparability, such as restructuring costs, impairment losses and reversals, and costs related to planned or realized business acquisitions or disposals.

Financial position

Net cash flow from operating activities for the financial year 2020 was EUR 14.0 million (9.0). The capital expenditure on fixed assets amounted to EUR 13.2 million (6.3). Net cash flow from investing activities amounted to EUR -12.8 million (-6.1) and net cash flow before financing activities amounted to EUR 1.2 million (2.9). EUR 7.5 million of the investments were related to the construction of the new manufacturing facility in Austria. At the end of the financial year, the Group's liquid assets stood at EUR 12.0 million (6.9). Total depreciation, amortization and impairment of non-current assets during the financial year amounted to EUR 5.9 million (5.6).

The Group's consolidated total assets at the end of the financial year 2020 were EUR 96.8 million (85.4). Interest-bearing liabilities, including lease liabilities, amounted to EUR 43.1 million (37.2). Net interest-bearing liabilities were EUR 31.2 million (30.2). Current interest-bearing liabilities totaled EUR 30.3 million. EUR 21.5 million of current interest-bearing liabilities were commercial papers. To secure the payment of commercial papers, the company had at the end of the financial year unused, non-current (over 12 months) revolving credit facilities for EUR 26.7 million.

Equity at the end of the financial year 2020 was EUR 28.9 million (26.3) and equity ratio 30.2% (30.9). Net gearing ratio was 107.9% (114.9). Fully diluted total earnings per share were EUR 0.45 (0.20). Return on capital employed was 14.1% (8.6). Return on equity was 19.5% (9.2).

Exel Composites acquired 70% of Nanjing Jianhui Composite Materials in October 2016 and the acquisition was completed in April 2017. The acquisition agreement included a call and put option under which Exel Composites was expected to acquire the remaining 30% earliest three years after the closing. In December 2020, Exel Composites was notified that the seller will exercise the put option effective 1 January 2021, leading to the payment of the remaining 30% stake during the first quarter of 2021. The estimated remaining purchase price, which includes a variable component depending, among other things, on the profit development of the business, is approximately EUR 3.6 million. The total acquisition price of the company thus amounts to EUR 8.8 million. The entire remaining purchase price is booked as a liability in the Group balance sheet and the payment will therefore have no impact on the Group income statement.

The Covid-19 pandemic has had limited impact on Group liquidity and cash situation. At the end of 2020, the Group had committed credit limits to secure financing of all foreseen investments, which provide for an adequate liquidity buffer also in 2021.

During the year, Exel Composites received Covid-19 related financial assistance under local governmental schemes in Great Britain, Austria, China and Australia. In 2020, these grants amounted to EUR 0.8 million.

Research and development

Research and development costs for 2020 totaled EUR 2.9 million (2.9), representing 2.7% (2.7) of revenue.

Business development and strategy implementation

In June 2020, the Board of Directors conducted its annual strategy review and reconfirmed Exel's strategy to 2022. The main strategic focus areas as well as the company's long-term financial targets and dividend policy remained unchanged. Exel Composites' long-term financial targets include revenue growth exceeding twice the market growth, adjusted operating profit margin exceeding 10%, return on capital employed exceeding 20%, and net gearing approximately at 80% or below.

Exel also updated its vision and purpose statements during the year. Our purpose is to solve challenges and help customers save resources. Our vision is to be the first choice for sustainable composite solutions globally.

Exel Composites' strategy is based on scalable applications, chosen growth initiatives, expanding our global footprint and technology offering and on improving operational efficiency.

The strategic priorities for 2020 included stabilizing the profitability of the business unit in the United States, consolidation of the organization in China, operational efficiency improvements in the European manufacturing units and focusing on growth initiatives. Sustainability was integrated even more closely into all Exel's business and operations. In 2020, we introduced the Circular Economy initiative, through which we commit to significantly improve the Group's environmental footprint within the next few years.

Exel Composites' growth initiatives focus on Wind power, Transportation, and Buildings and Infrastructure customer industries, which all continued in 2020. These industries are large markets where growth is driven by material replacement and technology change. Wind power has grown in the past couple of years into Exel's largest customer industry and in 2020 represented approximately a fourth of Group revenue. The offering for Buildings and Infrastructure, which is the second largest customer industry, was expanded in 2020 with new products introduced for the large conductor core market, among others.

Strengthening our existing key customers portfolio and multiplying successful applications present globally scalable opportunities. For example, revenue in the Defense customer industry grew significantly in 2020 due to the volume increase of camouflage net support poles.

The construction of the new manufacturing facility in Austria was completed according to plan and was move-in ready in the beginning of 2021. The total cost of the project amounted to EUR 8.5 million, including the plot acquired in 2019 (EUR 1.0 million). According to our growth strategy, the significant new capacity will respond in the long-term to increasing demand in Central Europe and strengthens Exel's position in this market area. It also enables leveraging the Austrian unit's strong R&D capabilities and university cooperation.

Exel Composites strategy

Vision

TO BE THE FIRST CHOICE FOR SUSTAINABLE COMPOSITE SOLUTIONS GLOBALLY

Protect and grow strong-hold customers
- Multiply existing applications to new customers
- Gain knowledge and improve efficiency in focus applications

FOCUSED GROWTH AREAS

Create true global footprint
- Establish sales coverage in new areas
- Grow supply and service to new market areas
- Utilize global footprint as value add

Build leadership in China
- Increase domestic and export sales
- Create value offering for mid-segment
- Expand R&D and manufacturing capacity

Penetrate growing/ new applications
- Solutions for wind power, transportation, buildings and infrastructure
- Penetrate mid-segment

Growth in new technologies
- Increase secondary processing and vertical integration offering
- Invest in new composite technologies

Foundation built on company values

CUSTOMER FOCUSED ◆ INTEGRITY ◆ ONE EXEL ◆ CARING ◆ INNOVATIVE

The actions to improve profitability in the business unit in the United States progressed as planned despite the short-term impacts of the Covid-19 pandemic. Operational efficiency improvements were initiated also in the business unit in Belgium in order to improve the unit's profitability and offset the negative impacts of the Covid-19 pandemic.

Impacts of the Covid-19 pandemic in 2020

Operations

Covid-19 pandemic impacted Exel Composites' operations during 2020. In the beginning of the year, the Chinese factories were shut down for four weeks (including the Chinese New Year celebration). The manufacturing facilities in the United States and Great Britain operated with reduced capacity during parts of the year due to governmental restrictions and low production volumes. In addition, all our factories have managed customer demand related challenges, including shutdowns of customer factories, which caused operational inefficiencies especially in the above-mentioned units. Towards the end of the year, our factories operated close to normal within the limits of the implemented safety measures.

Raw material supply and logistics operated normally during the year despite the pandemic. Minor challenges in specific raw material categories and personal protection equipment supplies in the first half of the year were solved through consolidated Group purchases and finding alternative suppliers or technical solutions. The increased need for personal protection equipment, additional cleaning and isolation measures also caused some extra costs.

Financial standing

Order intake during the year suffered from Covid-19 related uncertainty and cautiousness among our customers. A few customers requested to postpone deliveries of orders, which impacted timings of revenues and profits during the year. Underlying demand across all customer industries improved, however, towards the end of the year.

The Group's liquidity and cash situation during the year was good, and the Covid-19 pandemic has had limited impact on Group liquidity. The Group had existing committed credit limits to secure financing of all investments in 2020 and they provide for a comfortable liquidity buffer also in 2021.

Exel conducted the impairment testing according to the normal schedule in the fourth quarter of 2020. The testing did not result in a change of valuation in goodwill and intangible assets.

During the financial year 2020, Exel Composites received Covid-19 related financial assistance under local governmental schemes in Great Britain, Austria, China and Australia, which amounted to EUR 0.8 million.

Our response in relation to the Covid-19 pandemic

The health and safety of our employees, customers and business partners is a priority for Exel Composites. Across the Group, strict safety and hygiene instructions were implemented early in the year in accordance with the instructions of local health authorities. Online meetings and remote work were preferred, whenever possible. On site measures included keeping safety distances, use of facial masks, body temperature controls, and re-organization of shifts to ensure business continuity in case of infections or quarantines. International travelling, travelling between sites as well as customer visits required management permission and were limited to minimum. External visits to sites were also reduced to minimum. Continuous internal communication on Covid-19 related concerns was emphasized through a variety of channels. Situation updates, safety measures, and best practices were continuously monitored at top management level and between units.

Many of our manufacturing units are located far from densely populated areas, which has reduced the impact of the pandemic on the company. During the year, several employees within our organization have been in official or preventive quarantines, yet there were only a few confirmed Covid-19 cases in the Group.

Given the continued uncertainty related to the Covid-19 pandemic, close monitoring of the situation continues a priority for us. Close and continuous interaction is maintained with customers, suppliers and business partners in order to ensure timely reaction to new developments.

Major near-term risks and uncertainties

Exel Composites' most significant near-term business risk is related to customer concentration, where a notable portion of revenue comes from certain key customers. Specifically, the revenue generated from sales to the Group's largest client, operating in the wind power industry, has increased rapidly. This has significantly increased the dependency on this business and the related downside risk. Furthermore, a rapid increase of raw material prices could in the short term negatively impact the company's profitability, even if in the longer term it would improve the competitiveness of composite materials.

In the short-term, the Covid-19 pandemic has caused uncertainty in the global business environment and cautiousness among customers. This has impacted demand and deliveries during the year. Underlying demand across all customer industries has, however, improved towards the end of 2020. The situation remains dependent, among other things, on the development of the pandemic and the speed and impact of vaccinations across the world.

The company has made significant investments in the recent years, the latest one being the acquisition Diversified Structural Composites, DSC in the USA. The future estimates made at the time of these investments and acquisitions may not materialize as planned, which may trigger a need to adjust the values of the purchased assets in the company's balance sheet.

The risk management and risks related to the operation of Exel Composites are described in detail in the Corporate Governance Statement for 2020 and at the company's website www.exelcomposites.com.

Governance and AGM 2020

The Annual General Meeting, AGM, of Exel Composites Plc held on 20 March 2020 approved the Board of Directors' proposal to distribute a dividend of EUR 0.18 per share for the financial year 2019. The dividend was paid on 31 March 2020.

The AGM authorized the Board of Directors to repurchase the Company's own shares by using unrestricted equity. The maximum amount to be acquired is 600,000 shares. The authorization is valid until 30 June 2021.

The AGM elected Petri Helsky, Reima Kerttula, Helena Nordman-Knutson, Jouko Peussa and Kirsi Sormunen as members of the Board of Directors. The AGM re-elected Reima Kerttula as Chairman of the Board of Directors.

In 2020 the Nomination Board comprised persons nominated by the four largest shareholders as of 30 September 2020 as well as the Chairman of the Board of Directors acting as expert member: Malin Björkmo (Handelsbanken Fonder), Kalle Saariaho (OP Fund Management Company), Olli Viitikko (Sijoitusrahasto Taaleritehdas Mikro Markka), Caroline Sjösten (Swedbank Robur Fonder) and Reima Kerttula, Chairman of the Board of Directors, as expert member. The AGM of Exel Composites has elected a permanent Shareholders' Nomination Board, which purpose is to prepare proposals concerning the Board members and their remuneration for the General Meeting.

Ernst & Young, Authorized Public Accountants, with Johanna Winqvist-Ilkka, APA, as principal auditor, were elected to serve as company auditor in the AGM in 2020.

At the end of 2020, the Group Management Team of Exel Composites consisted of the following persons: President and CEO Riku Kytömäki, CFO Mikko Kettunen, SVP Operations Callum Gough, SVP Human Resources Tiina Bies, SVP Business Unit Manager, Belgium Kari Loukola, SVP Business Development Mikko Rummukainen, SVP R&D and Technology Kim Sjödahl and SVP Sales and Marketing Olli Tevä.

Incentive programs

Exel Composites' short-term incentive program covers all employees. Office employees receive a monthly salary and an annual bonus tied to the achievement of annually established goals emphasizing growth and profitability. Production employees are also eligible for incentive compensation. Their annual bonus is mainly based on factory profitability and production related performance indicators.

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

In February 2020, Exel Composites announced the continuation of a share-based long-term incentive program for the top management of the company. The 2020 performance-based plan is part of the share-based long-term incentive program published on 4 May 2017. Similarly to the previous programs within this plan, the performance targets applied to the plan that commenced at the beginning of 2020 are adjusted operating profit (EBIT) and the total shareholder return of the company's share (TSR).

More information on remuneration and Exel Composites' Remuneration Policy is available at www.exelcomposites.com.

Share and share performance

Exel Composites' share is listed on Nasdaq Helsinki Ltd in the Industrials sector.

On 31 December 2020, Exel Composites' share capital was EUR 2.1 million and the number of shares was 11,896,843. There were no changes in the share capital during the financial year.

During the financial year, Exel Composites held a total of 67,150 of its own shares which are part of the share-based long-term incentive program for the top management.

On 31 December 2020, the share price closed at EUR 7.38. During the review period, the average share price was EUR 5.55, the highest share price EUR 7.38 and the lowest share price EUR 3.40.

A total of 4,820,621 shares were traded at Nasdaq Helsinki Ltd., which represents 40.8% of the average number of shares. On 31 December 2020 Exel Composites' market capitalization was EUR 87.3 million (76.6). Total shareholder return (TSR) in 2020 was 19.1% (69.2).

Shareholders and disclosures

Exel Composites had a total of 6,349 (5,506) shareholders on 31 December 2020.

During the financial year Exel Composites received no flagging notifications in accordance with the Finnish Securities Market Act regarding changes in shareholdings.

According to the company's shareholder register held by Euroclear Finland Oy, at the end of 2020 Exel Composites' two largest shareholders were nominee registers managed by Skandinaviska Enskilda Banken AB (11.9%) and Nordea Bank Abp (9.0%).

On 31 December 2020, 0.99% (0.84) 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 of Directors.

Information on the company's shareholders is available on the corporate website at www.exelcomposites.com.

Significant related-party transactions

In 2020, no significant related-party transactions were conducted between the Group and its related parties.

Events after the reporting period

Exel Composites continues the long-term incentive program for top management

In February 2021, the Board of Directors of Exel Composites decided on the continuation of the share-based long-term incentive program for the top management of Exel Composites. The 2021 performance-based plan is part of the share-based long-term incentive program published on 4 May 2017. Similarly to the previous programs within this plan, the performance targets applied to the plan commencing at the beginning of 2021 are adjusted operating profit (EBIT) and the total shareholder return of the company's share (TSR).

Payment of the remaining purchase price related to the acquisition of Nanjing Jianhui

In December 2020, Exel Composites was notified that the seller will exercise their put option effective 1 January 2020, leading to the payment of the remaining 30% stake during the first quarter of 2021. The estimated remaining purchase price, which includes a variable component depending, among other things, on the profit development of the business, is approximately EUR 3.6 million. The total acquisition price of the company thus amounts to EUR 8.8 million. The entire remaining purchase price is booked as a liability in Group balance sheet and the payment will therefore have no impact on the Group income statement.

Guidance for the full year 2021

Exel Composites expects revenue and adjusted operating profit in 2021 to increase compared to 2020.

Board proposal for dividend distribution

According to Exel Composites' financial targets and dividend policy, the company's ambition is to distribute a minimum of 40% of net income in dividends, when permitted by the financial structure and growth opportunities.

At the end of the financial year 2020, Exel Composites Plc's distributable funds totaled EUR 12.9 million, of which profit for the financial year accounted for EUR 3.5 million.

The Board has decided to propose to the Annual General Meeting that a dividend of EUR 0.20 (0.18) per share be paid for the financial year 2020, which is 44.1% of net income.

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 Board of Directors has decided to propose the record date for dividends to be 25 March 2021. If the Annual General Meeting approves the Board's proposal, it is estimated that the dividend will be paid on 1 April 2021.

Sustainability and corporate responsibility

Statement on non-financial information

Exel is committed to responsible and sustainable operations through its corporate values: customer focused, integrity, One Exel, caring and innovative. Sustainability is an important part of Exel Composites' business, products and solutions.

Exel Composites' material sustainability topics are the following:

- **Environmental responsibility**: Responsible products, responsible operations
- **Social responsibility**: Responsible employer, health and safety, diversity and nondiscrimination, human rights in own operations and supply chain
- **Corporate Governance**: Corporate responsibility governance and compliance, anti-corruption and bribery

The company's currently valid material sustainability topics have been defined based on an internal materiality analysis and validated by the Group Management Team as well as the Board of Directors of the company. Exel's material sustainability topics are reviewed annually and revalidated as part of the regular process for reporting on financial and non-financial information.

Exel Composites uses the Nasdaq ESG (Environment, Social and Governance) Guide as reference for reporting non-financial information. In 2020, Nasdaq named Exel Composites as a 'Nasdaq ESG Transparency Partner'. The information is not assured by an external party but reviewed by the auditors of the company for consistency as part of the Board of Directors' Report and the audit of the financial statements.

Exel Composites is also committed to the Responsible care-program for the chemical industry. The main themes of the program are a sustainable use of natural resources, a sustainable and safe production and products, the work community's wellbeing, and an open interaction and cooperation. The results of the program are evaluated based on indicator data, which is collected annually.

Exel Composites' solutions serve customers in a wide range of industries around the world. Our products are used in several industries from cleaning equipment to power generation and transmission. Exel's main stakeholders include customers, employees, business partners and suppliers, shareholders, the financial market, authorities, industrial associations and general community. The company's business model is described in further detail on page 9.

The main risks related to the company, including risks related to sustainability, are evaluated by Exel's Board of Directors on a quarterly basis as part of its risk assessment process. A description of the company's risk management process and main risks is available at the company's website and as part of the Corporate Governance Statement 2020, which is also available at the company's website at www.exelcomposites.com.

Value creation and impact for Exel Composites' stakeholders in 2020

(EUR million, unless otherwise stated)

SOCIAL

Employees

30.8
Salaries and social costs

8.1
Number of accidents per million hours worked (LTI)

Community

1.8
Income taxes

ENVIRONMENTAL

Composites help save resources and reduce the environmental impact of the end product

Composites are used in sustainability enhancing technologies and solutions

Responsible use of chemicals

Operational focus on circular economy

40.4%
Reused waste

-11.8%
Change in amount of composite waste per ton produced

FINANCIAL

Customers

108.6
Revenue

2.9
Research and development

Shareholders

2.1
Dividends paid

0.45
Earnings per share, EUR

Business partners

61.9
Purchased materials and services and other operating expenses

Material sustainability topics and key activities in 2020

ENVIRONMENTAL RESPONSIBILITY

Topic	Key activities
Responsible products Safe and reliable products that help save resources	• Meeting or exceeding customers' safety and quality specifications, passed customer audits and participation in customer sustainability programs • Wind power as Exel's largest customer industry • Participation and cooperation with industry associations
Responsible operations Decreasing the environmental and climate impact of own operations	• Circular Economy initiative and actions to reduce the amount of composite waste and surplus material, recycling and reuse • Continued measurement and actions to reduce energy consumption and improving energy efficiency • Research and participation in projects for the reuse of composite waste

SOCIAL RESPONSIBILITY

Topic	Key activities
Responsible employer Talent management and Exel as an inspiring and fulfilling workplace	• Initiative to map out key competences in the organization • Performance Development Reviews (PDR) in the Group • Development of HR processes including PDR and on-boarding • Employee trainings • Cooperation with local communities, local universities and technology centers
Diversity and non-discrimination Fair and respectful treatment of all	• Zero tolerance policy on discrimination incidents • Continued enforcement of corporate values and Code of Conduct
Health and safety Safe environment to employees and neighbors	• Safety measures across the Group related to the Covid-19 pandemic • Reducing LTI, safety improvements in all units • Actions to reduce VOC (volatile organic compounds) emissions, continuous monitoring and actions to improve breathing air quality • Safety trainings and communication • Regular safety audits and inspections, active work by local Health & Safety Committees at all sites
Human rights in own operations and supply Support and respect for human rights	• Nine remote supplier audits conducted

CORPORATE GOVERNANCE

Topic	Key activities
Corporate responsibility governance and compliance High standards of integrity and ethical business principles	• Continued enforcement of corporate values, Code of Conduct and Supplier Code of Conduct
Anti-corruption and bribery Zero tolerance for bribery or corruption	• Continued enforcement of corporate values, Code of Conduct and Supplier Code of Conduct • "Report misconduct"-channel to report Code of Conduct violations or observations

Environmental responsibility

Exel Composites is committed to decreasing the impact of its own operations on the environment, as well as to making products that contribute to decreasing customers' environmental footprint. Sustainability and mitigating climate change are global megatrends that increase composites demand in the long-term.

Exel Composites' Quality, Environmental, Health and Safety (QEHS) Policy, Chemical Policy as well as the Group Code of Conduct and Supplier Code of Conduct guide the company's measures related to quality and environmental impact. The company's operations are governed by national environmental permits and complies with the requirements of the standards ISO 9001:2015 (quality management), ISO 14001:2015 (environmental management), ISO 45001:2017 (occupational health and safety) and ISO 26000 (social responsibility).

Exel Composites actively participates in the work of industry associations. This is an important way to ensure being up to date on the latest developments in environmental matters, activities to mitigate climate change, advances in environmental technology and new regulatory measures. Through its participation, Exel can also promote work related to standards for composites, building and structural design, such as the Eurocode. In addition to local composites associations, Exel is a member in EPTA, European Pultrusion Technology Association, EuCIA, European Composites Industry Association, and American Composites Manufacturers Association, ACMA.

Exel Composites' environmental as well as sustainability matters are assessed as part of an overall group-wide quality management system. It is the responsibility of the Group Management Team to continuously develop and implement the system. Environmental impact, energy consumption, the use of raw materials and the amount of waste are monitored monthly on a Group level. Environmental risks are also assessed on factory level during inspections and controls conducted by national authorities and certification audits. According to Exel Composites' risk assessment, fires, emissions, and chemical leakages into the water or ground present the biggest environmental risks. These risks are mitigated through pre-emptive safety measures, such as regular employee trainings, safety equipment and gear, sprinkler systems as well as safe storing of risky chemicals.

Responsible products

Safe and reliable products that help save resources through energy and material efficiencies, durability, as well as reduced maintenance requirements

Customers are at the center of all Exel Composites' business decisions and not meeting the agreed requirements could have negative impact on the company's business and its reputation. Customer satisfaction is regularly evaluated using for example the Net Promoter Score-method (NPS) and customer surveys. Ensuring the safety of all chemicals used in its products is a priority for Exel Composites. Many of our customers require us to comply with their Supplier Code of Conducts. Our customers also audit Exel against their sustainability, quality and safety requirements. In addition, Exel participates in sustainability programs invited by Exel's customers. The purpose of these programs is to ensure a common approach to sustainability topics.

Saving resources with composites

The biggest impact of Exel Composites' products on the environment and climate is after the manufacturing phase, during the use of the end-product. Because of their lightness, mechanical properties and durability, composites provide for longer life cycles and improved performance, thus lowering the overall environmental impact of the end-product. Composites are often lighter than alternative materials. They can result in lower installation and maintenance costs, easier handling and lower energy consumption over the lifecycle of the product. Furthermore, composites are non-corrosive with a long life span, which reduces the need for maintenance and replacement.

A reliable life cycle assessment for composites covering the whole lifecycle is challenging as they often are only one part of an end-product that consists of several components and materials. An EuCIA developed tool helps calculate objectively the environmental impact of a composite product for the manufacturing phase, i.e. 'cradle to gate'. It is being increasingly used by Exel.

Due to properties such as lightness and energy efficiency, composites are also used in sustainability enhancing technologies and solutions, such as wind power and electric cars, among other. In 2020, wind power continued to grow as Exel's largest customer industry. Demand in this customer industry is driven by regulations aiming to reduce the impact of climate change and favoring sustainable energy sources. In addition, the average size of new wind turbines is growing, yielding to requirements of longer and stiffer wind turbine blades. Exel's composite solutions to wind turbine manufacturers enable the design of lighter and bigger rotor blades as well as improved energy efficiency even with low winds. In 2020, Exel also joined a project led by the University of Aachen in Germany, where companies from different fields cooperate to investigate the impact of composites and other materials on the weight, performance and cost of the battery casing used in electric cars.

Responsible operations

Decreasing environmental and climate impact of own operations through waste management, energy efficiency and reduced emissions

Energy efficiency and emissions

Exel's greenhouse gas emissions from own operations are mostly carbon dioxide that is formed in the company's own use of fuels, transportation of materials and external power production as well as heating. Sourcing of raw materials is as local and close to the manufacturing unit as possible, which reduces emissions from transportation.

Exel Composites' long-term target is to reduce its total use of energy proportional to production. The primary energy source is electrical energy. In addition to production, heating has a major impact on the total energy usage as Exel's largest production sites are situated in northern locations. Energy use is actively measured. Consumption is reduced through measures such as continuous improvements in all units related to operational efficiency, the use of bio-fuel operated heating systems, heat recovering air exchange equipment, heat pumps, LED lighting and inverter-controlled drives, where applicable. In 2020, our unit in Great Britain joined the British Plastics Federation in a two-year scheme to reduce energy consumption. In the new manufacturing facility in Austria, energy efficiency, waste management as well as health and safety issues have been widely considered already throughout the design phase.

Production KPI's

	2020	2019	2018 [1)]
Energy usage, GWh	21.4	22.1	19.9
Energy usage, change from previous year, %	-2.8	11.0	6.3
Energy usage in proportion to production, change from previous year, %	-3.5	-17.0	-15.0
Energy usage is impacted mainly by the number of manufacturing units and their geographical location (i.e. heating need) as well as production load			
Composite waste per ton produced, change from previous year, %	-11.8	-5.3	26.6
The amount of composite waste is dependent on the product mix			
Reused waste, %	40.4	33.7	43.3
Possibilities to reuse composite waste vary from country to country.			

[1)] Figures include only those production sites that have been operational as part of Exel Composites Group during all of the financial year.

Waste management

The main operational efficiency goal for Exel Composites is to reduce operational or composite waste, which is inevitably generated as part of the regular production process. Exel has a waste management plan and continuously monitors and aims to reduce the amount of waste produced. The amount is dependent on the product mix and is therefore volatile. As products are mostly developed "on-demand" in close cooperation with customers, the use of raw materials is as efficient as possible. Factors such as product design and complexity, size of production batches and the quality of raw materials also contribute to the amount of surplus. Continuous dialogue with the customer in the early design stages is therefore critical from a quality and production point of view as well as from a waste management perspective.

Exel is committed to reusing and recycling surplus materials from own production to prevent landfilling, for example, by reusing surplus resin mixes whenever possible. Where logistically, technologically and economically possible, composite waste goes to recycling. This means, for example, grinding composite waste to be used as raw material in the production of cement, which is possible already today for example in Central Europe. In Finland, the volumes of surplus usable as raw material have been too low and distances too long for it to be economically viable. In 2020, Exel joined a project, coordinated by the Finnish Plastics Federation and starting in 2021, that aims to find a solution to this challenge. Our business unit in the United States partnered in 2020 with a local carbon fiber recycling company. The unit also invested in a new acetone reclaiming system, which reduces surplus acetone as well as the need for new acetone. In Austria, acetone is also recycled, and the unit's acetone usage and consumption were evaluated in 2020.

The composite waste that cannot be recycled is recycled through combustion where possible. In Central Europe, among others, incineration of waste is widely used, but not currently feasible in the northern location. Other than composite waste is recycled whenever possible.

In 2020, Exel Composites introduced a Group-wide Circular Economy initiative through which we commit to significantly improving the environmental footprint of our own operations. The initiative involves several focus areas, the first one of which targets to significantly reduce the amount of waste going to landfill. In addition, the aim is to recycle all recyclable waste and find innovative ways to reuse or repurpose production waste. The initiative also aims to instill a continuous waste reduction culture across the Group. Engaging employees and customers alike in the process, as well as researching current industry best practices, are also important aspects of the initiative.

Climate-related risks and opportunities

RISKS

POLICY AND LEGAL

- Regulation, which radically reduces consumption in general.
- Regulation changes impacting composite production specifically, e.g. regarding chemicals or their risk classification.
- Regulation hampering adaptation to composites or delays in the implementation of favorable standards.
- Regulatory differences in Europe, America and Asia.

TECHNOLOGICAL

- Favoring other materials and not considering the climate-impact on the full lifecycle of the end product.
- Potential new, climate friendlier production technologies e.g. solvent-free technologies.

MARKET AND REPUTATION

- Reputational risk due to the challenging recycling of pultruded composites.
- Reputational risk due to misunderstanding composites as merely “plastics”.

PHYSICAL

- Extreme weather conditions that cause interruptions in production or in the supply chain.

OPPORTUNITIES

PRODUCTS AND SERVICES

- Composites are non-toxic, durable and maintenance-free products, and therefore climate friendly. A composite product does not leak or emit anything into the air or the ground.
- Regulations mitigating climate change increase demand for composites.
- Climate friendly product design and use in customer acquisition.
- Leveraging and expanding collaboration with research centers and universities.

RESOURCE EFFICIENCY

- Increasing energy efficiency.
- Innovation in recycling and reuse of composites.
- Increasing the use of bio-based raw materials.
- Climate-friendly developments in production technology, e.g. closed bath impregnation of fibers.

MARKETS

- Increasing demand of products that mitigate climate change.
- Building awareness about the benefits of composites and production technologies used by Exel.
- Expanding into new applications and industries where possibilities of composites are yet unveiled.

Climate-related risks and opportunities both could potentially have a significant financial impact on Exel Composites’ business in terms of revenue gain or loss, unexpected expenditures or investments requirements. Climate-related risks could also impact the valuation of Exel’s assets or ability to obtain financing.

Social responsibility

Responsible employer
General HR management

Talent management and Exel as an inspiring and fulfilling workplace

Human resources at Exel Composites focuses on individual and team performance, employee development, increased personal engagement and retention, as well as improved attractiveness as an employer. Human resources are managed through the company's corporate values, Code of Conduct, the HR policy and the people strategy.

Talent management

The main components of Exel Composites' talent management include recruitment, on-boarding, performance management and appraisal, succession planning as well as exit processes.

The annual Performance Development Review (PDR) process enables employees together with their manager to identify areas of their professional development. The development of the PDR process continued in 2020, focusing especially on blue-collar employees. A pilot project was initiated in Finland in connection to this.

Technology leadership creates competitive advantage for Exel, and maintaining and developing employees' expertise is critical especially within R&D. In 2020, an initiative was kicked off to map out and secure key R&D competences required to achieve Exel's strategic targets. A similar analysis is planned also across other functions.

Professional development in Exel follows a 70-20-10 model where most of the learning is in-house on the job, 20% is through Professional development in Exel follows a 70-20-10 model where most of the learning is in-house on the job, 20% is through role exchange and mentoring, and 10% is learning through external training programs. In 2020, many of the training programs were organized online due to Covid-19 pandemic related travel restrictions. In this manner, Group-wide trainings such as the "My role in OneExel" program nevertheless took place as planned. This two-year program was introduced to deepen the collaboration between R&D and sales teams in their dialogue with the customer. In 2020, all managers in Finland also participated in a leadership training.

exchange and mentoring, and 10% is learning through external training programs. In 2020, many of the training programs were organized online due to Covid-19 pandemic related travel restrictions. In this manner, Group-wide trainings such as the "My role in OneExel"-program took nevertheless place as planned. This two-year program was introduced to deepen the collaboration between R&D and sales teams in their dialogue with the customer. In 2020, all managers in Finland also participated in a leadership training.

Employee development and good on-boarding processes to new employees play a key role in employee retention. The development of on-boarding processes across the Group continued in 2020 with special focus on blue collars. The work included the introduction of buddy programs and detailed process descriptions regarding safety topics. The ambition is to have unified on-boarding processes with common elements Group-wide.

Exel as an inspiring and fulfilling workplace

Exel Composites aims to be an inspiring and fulfilling workplace for its employees. In 2020, Exel Composites conducted an employee satisfaction survey in the business unit in Finland, which represents a third of all Group employees. The purpose was to understand employees' views concerning Exel as an employer, communication within the company and employee satisfaction in general. The implementation of the action points based on the results started in 2020 and continues in 2021 both in Finland and elsewhere in the Group. The employee satisfaction survey is planned to be conducted also in the remaining Group locations.

Exel Composites' has an important social role as a local employer and supporter of regional vitality as most of the Group's manufacturing units are located in small towns. Exel supports local communities for example through small donations to local associations and non-political activities. In 2020, the Joensuu unit in Finland donated old floorball sticks to a local school and collaborated with a local foundation for disabled persons. Through this collaboration a group of disabled persons in rehabilitation were given the assembly of some 60,000 Exel manufactured broom shafts. In return they received a monetary contribution to their recreational activities.

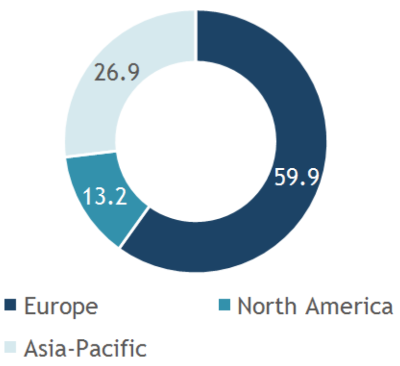
Exel also cooperates with local universities and chambers of commerce, among others, to increase awareness of Exel as a company and as an attractive employer as well as of the composites industry in general. The new manufacturing site in Kapfenberg, Austria, is an important investment and opportunity also for the local community. In 2020, Exel continued its cooperation with universities, research institutes and technology centers in Finland, Belgium, Italy, UK and Austria.

In 2020, Exel Composites updated its visual brand identity, which can be seen for example in the new corporate website. Along the entirely new facility in Austria, also other Group locations received facelifts and interior design elements were incorporated in the spirit of the Circular Economy initiative.

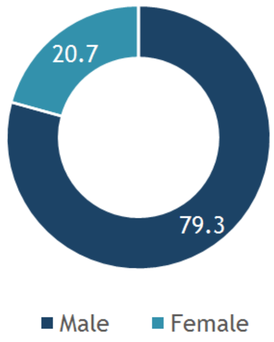
Employee-related KPIs

	2020	2019	2018
Number of employees, on average	665	660	647
Number of employees, end of period	674	648	675
Employees' age, average	43	43	44
Employees with permanent contract, %	97.5	98.8	97.1
Employees with temporary contract, %	2.5	1.2	2.9
Number of years at Exel, average	8.4	8.0	8.8
Employee turnover, %	18.9	25.6	20.4
Male/ female, %	79.3 / 20.7	80.0 / 20.0	78.0 / 22.0
Top management (Board of Directors, Group Management Team), male/female, %	76.9 / 23.1	76.9 / 23.1	83.3 / 16.7

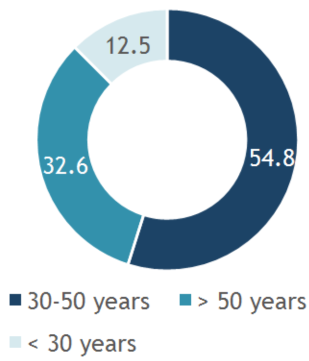
Employees per region, %



Gender diversity, %



Age distribution, %



Diversity and non-discrimination

Fair and respectful treatment of all

Exel Composites’ corporate values and Code of Conduct state that everybody shall be treated with fairness, respect and dignity in the workplace and beyond by management and fellow employees. Exel follows a zero tolerance policy for discrimination. All employees are expected to report any discriminant behavior or other Code of Conduct violations using for example the “Report misconduct” channel.

Diversity is encouraged and respected in the work place, all recruiting decisions as well as in the composition of the company’s Board of Directors. The shareholders’ Nomination Board follows the company’s principles of diversity in making their proposal to the Annual General Meeting regarding members to Exel Composites’ Board of Directors, paying attention to the members’ expertise, know-how and viewpoint as well as age and gender. The tasks of the Nomination Board include the annual revision and suggestion of changes, if necessary, to the principles of diversity of the Board of Director.

Health and safety

Safe environment through focus on preventive actions, training, air quality and chemical safety

The health and safety of our employees, customers and business partners is a priority for Exel Composites. The health and safety issues are an integral part of responsible management, and all the sites of the Group have a safety organization with defined responsibilities. It is important for Exel that health and safety issues are taken care of together with the employees, monitored and developed.

The management of health and safety issues is based on identified risks and guided through the global Quality, Environmental, Health and Safety (QEHS) Policy, the company's Chemical Policy, as well as the ISO 45001 and ISO 26000 standards.

Our response in relation to Covid-19 pandemic

The health and safety of our employees, customers and business partners is a priority for Exel Composites. Across the Group, strict safety and hygiene instructions were implemented early in the year in accordance with the instructions of local health authorities in order to stop the spreading of the Covid-19 pandemic. Online meetings and remote work were preferred, whenever possible. On site measures included keeping safety distances, use of facial masks, body temperature controls, and re-organization of shifts to ensure business continuity in case of infections or quarantines. International travelling, travelling between sites as well as customer visits required management permission and were limited to minimum. External visits to sites were also reduced to minimum. Continuous internal communication on Covid-19 related concerns was emphasized through a variety of channels. Situation updates, safety measures, and best practices were continuously monitored at top management level and between units.

Many of our manufacturing units are located far from densely populated areas, which has reduced the impact of the pandemic on the company. During the year, several employees within our organization have been in official or preventive quarantines, yet there were only a few confirmed Covid-19 cases in the Group.

Given the continued uncertainty related to the Covid-19 pandemic, close monitoring of the situation continues a priority for us.

Safety KPI's

	2020	2019	2018	2016	2015
Lost time injuries, LTI 1)	8.1	10.8	16.9	20.1	31.3
Reports on unsafe conditions	976.0	1,175.0	996.0	890.0	1,063.0

1) Number of accidents per million hours worked

Accident prevention and communication

The core of Exel Composites' health and safety efforts lies on preventive measures and regular safety trainings as well as reporting based on active risk assessments as well as internal and external evaluations.

Reducing lost time injuries (LTI) was in 2020, as in the past years, a focus area. LTI is one of the main key performance indicators used for monitoring health and safety issues. Every LTI is inspected and reported to the top management as well as other units to ensure the lessons learned are used to prevent accidents elsewhere. Near-miss and unsafe condition reporting is used for accident prevention in all factories. In potential accident situations, immediate corrective and protective actions are always done in cooperation with local authorities to minimize harm or danger to the environment or people. Internal LTI targets are always set to be challenging. In 2020, the accident rate continued to improve year on year, and we reached an all-time low. Our unit in the United States celebrated two years with no LTI and also in Belgium, Austria and in one of our Chinese units there were no accidents in 2020.

In 2020, monthly safety audits, daily safety patrols as well as regular internal and external safety inspections at the facilities were carried out across the Group's production units. In addition to Covid-19 related measures, continuous health and safety improvements were made during the year. These included for example investments in equipment, better cleanliness and order in production areas, improved lighting, more safety instructions, etc. In Finland, lifting methods and equipment were reviewed and replaced to ensure even safer operation. In Austria, new safety containers for safe chemical storing were taken into use with shorter and thus safer handling distances. All local Health & Safety Committees continued their active work with safety topics, preventive wellness and employee wellbeing.

Regular safety awareness, training for all employees and communication across all units continued during the year as part of normal operations. In addition to hygiene and safety instructions due to the Covid-19 pandemic, other regular training topics included fire drills, fire extinguishing, monitoring of breathing air quality, first aid, evacuation, working with dangerous chemicals and communication in accident situations. All new employees are trained on the first day as part of their on-boarding process. Due to the Covid-19 pandemic, the trainings were provided online or in a video format. In the business unit in the United States, a regular E-Safety training program was implemented for all existing and new team members, including safety information related to the pandemic. All employees and visitors alike are provided with safety instructions and appropriate safety gear whenever in factory premises.

Air quality and chemical safety

A variety of chemicals are used at Exel Composites in the production process, which are strictly controlled by a Group-wide Chemical Policy. More than half of the employees are in daily contact with dangerous or flammable chemicals in their work. The main occupational health and safety risks relate to the possibility of fire or health problems due to allergies or long-term exposure.

The chemical handling processes and personal protection equipment at Exel are designed and allowed for chemicals that are non-toxic, non-carcinogenic and non-mutagenic chemicals only. The Group is continuously vigilant about updates in listings of chemical Substances of Very High Concern, such as in the REACH and RoHS declarations, in order to ensure it stays ahead of regulations. In addition, the use of less hazardous substitutes is proactively researched. In Austria, for example, a suitability study was initiated in 2020 in order to substitute a used hydrogen peroxide by a less-hazardous material.

The manufacturing of composites with generally available raw materials also entails emitting volatile organic compounds (VOC). Exel regularly monitors and conducts tests on its VOC emissions, such as styrene, and invests in reducing them in order to always be within the permitted levels as required by local legislation and regulations. Monitoring air quality and VOC emissions as well as efficient ventilation in all sites is an important part of health and safety. In the new Austrian manufacturing facility, efficient styrene and dust extraction systems, among others, ensure improved performance and less emissions.

Employees use regularly inspected safety gear including safety shoes, a uniform with chemical resistant gloves, ear and eye protection, as well as respiratory protection as necessary. Employees' health is also monitored through regular medical checks. Styrene exposure is monitored through mandelic acid tests based on urine samples. Necessary measures are taken if any high or increased levels are found. Reviewing personal working methods and ensuring appropriate use of personal protective equipment is usually enough as a corrective measure. Also, other actions such as smaller resin baths have been seen to decrease styrene emissions.

Exel's suppliers too are required to commit to safety and to taking all necessary steps in their operations in order to avoid damage to people or the environment. Suppliers receive the Supplier Code of Conduct as part of their agreement with Exel.

Human rights in own operations and supply

Support and respect for human rights

Exel Composites' corporate values and Code of Conduct state that the company supports and respects the protection of human rights in all its operations, including its supply chain, and follows global human and labor rights conventions. No form of forced or child labor is tolerated in the Group, nor from any of its business partners or third parties associated with the Group.

New employees get familiarized with Exel's Code of Conduct already during the recruitment process and agree to it as part of their employment contract. Employees are encouraged to report any human rights or other Code of Conduct violations using for example the "Report misconduct" channel.

The majority of Exel's own manufacturing units are located in countries where the risk for human rights violations is generally considered low. The possible risks in relation to these are mitigated through dedicated local supply chain organizations as well as through regular group management members' visits and reviews.

The Group sources components and materials for its manufacturing processes from multiple sources and multiple countries. Most of the company's supply chain is composed of large, international manufacturers or their distributors that often have established processes and high sustainability standards and therefore are considered low risk in relation to human rights violations. These suppliers and manufacturers are systematically audited also by several other customers than Exel, as well as other stakeholders. All suppliers are chosen with care and based on objective factors such as quality, reliability, delivery and price, in addition to ethical standards and sustainability.

Exel Composites has a Supplier Code of Conduct which has the purpose of confirming that suppliers comply with Exel's requirements regarding human rights and other Code of Conduct topics, appropriate legislation and regulations, including chemical safety.

Exel Composites conducts supplier audits primarily through factory visits where an initial self-assessment is verified. The audit topics include human rights, employee health and safety, monitoring of dangerous particles, among others. Audited suppliers are selected based on purchase volume, the criticality of the supplier as well as its location. In case of violations action is taken either to allow time for corrective action or to terminate the relationship. In 2020, a total of nine key suppliers were audited on a global level resulting in some minor feedback items to be followed up. Due to the travel restrictions in connection with the Covid-19 pandemic, the audits were conducted mostly online and using verification methods not requiring travel.

There were no reported human rights violations in Exel's own operations or within the company's supply chain in 2020.

Corporate Governance

Corporate responsibility governance and compliance

High standards of integrity and ethical business principles

Exel Composites is committed to exercising high standards of integrity and following ethical business principles through its corporate values, Anti-Corruption Policy and Code of Conduct. The Board of Directors is Exel Composites' highest governance body in relation to sustainability issues and is responsible for the management of the company and governs risk management through a risk management policy. In 2020, all Board members were confirmed independent of the company and its major shareholders.

The Board of Directors makes quarterly risk assessments as part of the review and approval process of each set of business reviews, half year financial reports and annual financial statements. Risk factors are also considered in connection with any future guidance disclosed by the company. The material sustainability topics are validated by the Board of Directors and the related reporting of Exel Composites is annually reviewed alongside the publication of the company's Annual Financial Report and signed by the Board of Directors.

Discussion and internal trainings about the company values, the Code of Conduct, and what it means to act in accordance with them, is an important element of good governance and the "OneExel" culture. New employees get to view the Code of Conduct already as part of their recruitment process and it is part of their employment contract. An anonymous and confidential "Report misconduct" channel is available at the company's website.

Anti-corruption and bribery

Zero tolerance

Exel Composites does not tolerate bribery or corruption in any form as stated in its Code of Conduct, Supplier Code of Conduct and Anti-Corruption Policy. Any violations could constitute serious damage to Exel's business and reputational loss, and the company follows a zero tolerance policy concerning corruption in all countries of operation. Employees are expected to report any Code of Conduct violations or observations using for example the "Report misconduct" channel.

In 2020, the company was not informed of any incidents of corruption. There were no pending legal cases regarding corruption brought against the company or its employees. The company received two Code of Conduct notifications through the "Report misconduct" channel, which were duly investigated.

Corporate Governance Statement

Exel Composites issues a Corporate Governance Statement for the financial year 2020, prepared in accordance with the Finnish Corporate Governance Code issued by the Securities Market Association, effective as of 1 January 2020. The Corporate Governance Statement is issued separately from the Board of Directors' Report. Further information concerning corporate governance matters is available at Exel Composites' website at www.exelcomposites.com.

KEY INDICATORS 2016-2020

Key indicators illustrating financial trends

	2020 IFRS 2)	2019 IFRS 2)	2018 IFRS 2)	2017 IFRS 2)	2016 IFRS 2)
Revenue	108,595	103,784	96,608	86,255	73,079
Operating profit	9,417	5,087	2,217	6,081	649
% of revenue	8.7	4.9	2.3	7.1	0.9
Adjusted operating profit	9,708	7,160	5,018	6,319	2,621
% of revenue	8.9	6.9	5.2	7.3	3.6
Profit before provisions and income taxes	7,124	3,885	1,705	5,335	678
% of revenue	6.6	3.7	1.8	6.2	0.9
Total assets	96,800	85,352	74,558	64,380	53,075
Return on equity %	19.5	9.2	1.4	15.1	0.7
Return on capital employed, %	14.1	8.6	4.4	14.8	1.7
Equity ratio, %	30.2	30.9	34.7	44.8	51.3
Net gearing, %	107.9	114.9	96.3	30.3	12.2
Capital expenditure	13,220	6,262	9,598	9,974	3,129
% of revenue	12.2	6.0	9.9	11.6	4.3
Research and development costs	2,884	2,859	2,835	1,876	1,747
% of revenue	2.7	2.7	2.9	2.2	2.4
Average personnel	665	660	647	532	479
Personnel at year end	674	648	675	568	455

Share data

	2020 IFRS 2)	2019 IFRS 2)	2018 IFRS 2)	2017 IFRS 2)	2016 IFRS 2)
Earnings per share (EPS), EUR	0.45	0.20	0.03	0.36	0.02
Adjusted earnings per share (EPS), EUR 1)	0.45	0.20	0.03	0.36	0.02
Equity per share, EUR	2.44	2.23	2.18	2.43	2.27
Dividend per share, EUR 3)	0.20	0.18	0.18	0.30	0.10
Payout ratio, %	44.07	88.8	550.6	84.5	600.3
Effective yield of shares, %	2.71	2.78	4.50	4.57	1.99
Price/earnings (P/E)	16.26	32.00	122.40	18.40	301.35
Price to book ratio, (P/B)	3.02	2.91	1.83	2.69	2.21

1) Adjusted for the dilution of option rights
2) From continuing operations
3) Board proposal for AGM 2021

COMPUTATION FORMULAE

Return on equity, %

$$\frac{\text{net income + provisions}}{\text{equity + minority interest + voluntary provisions}} \times 100$$

Return on capital employed, %

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

Equity ratio, %

$$\frac{\text{equity + minority interest + voluntary provisions}}{\text{total assets less advances received}} \times 100$$

Net gearing, %

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

Earnings per share (EPS), EUR

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

Equity per share, EUR

$$\frac{\text{equity + voluntary provisions}}{\text{adjusted number of shares on closing date}}$$

Dividend per share, EUR

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

Payout ratio, %

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

Effective yield of shares, %

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

Price/earnings (P/E), %

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

Price to book ratio, (P/B)

$$\frac{\text{total number of shares on closing date excluding treasury shares x share price at year end}}{\text{equity without non-controlling interests}}$$

Adjusted operating profit

Operating profit - material items affecting comparability (restructuring costs, impairment losses and reversals, costs related to planned or realized business acquisitions or disposals, etc.)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CONSOLIDATED COMPREHENSIVE INCOME STATEMENTS

For the financial year starting on 1 January and ending on 31 December

EUR thousands	Notes	2020	2019
Revenue	**5**	**108,595**	**103,784**
Other operating income	7	320	387
Increase (+) / Decrease (-) in inventories of finished goods and work in progress		-892	1,139
Materials and services		-41,883	-42,537
Employee benefit expenses	9	-30,807	-31,110
Depreciation	11	-5,845	-5,608
Impairment	11	-9	-8
Other operating expenses	8, 10	-20,062	-20,960
Operating profit		**9,417**	**5,087**
Financial income	17	1,383	589
Financial expenses	16	-3,676	-1,792
Profit before tax		**7,124**	**3,884**
Income taxes	15	-1,755	-1,488
Profit/loss for the period		**5,368**	**2,397**
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translating foreign operations	15	-665	529
Other comprehensive income to be reclassified to profit or loss in subsequent periods, net of tax:		**-665**	**529**
Items that will not be reclassified to profit or loss:			
Defined benefit plan actuarial gains (+) / losses (-), net of tax	15	-34	-40
Total comprehensive income		**4,669**	**2,886**
Profit/loss attributable to:			
Equity holders of the parent company		5,368	2,397
Comprehensive income attributable to:			
Equity holders of the parent company		4,669	2,886
Total earnings per share, basic and diluted, EUR	13	**0.45**	**0.20**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at the end of the financial year

EUR thousands	Notes	2020	2019
ASSETS			
Non-current assets			
Goodwill	18	12,597	12,972
Other intangible assets	18	3,948	4,313
Tangible assets	19	26,193	18,107
Right-of-use assets	19	3,234	4,693
Other non-current assets	20	48	104
Deferred tax assets	14	1,737	1,379
Total non-current assets		**47,758**	**41,567**
Current assets			
Inventories	21	16,182	16,878
Trade and other receivables	22	20,887	19,978
Cash at bank and in hand	23	11,974	6,930
Total current assets		**49,043**	**43,785**
Total assets		**96,800**	**85,352**
EQUITY AND LIABILITIES	31		
Share capital		2,141	2,141
Other reserves		129	129
Invested unrestricted equity fund		2,539	2,539
Translation differences		1,851	2,516
Retained earnings		16,851	16,580
Profit for the period		5,368	2,397
Equity attributable to the equity holders of parent company		**28,880**	**26,302**
Total equity		**28,880**	**26,302**
Non-current liabilities			
Interest-bearing liabilities	24, 29	10,551	11,255
Non-current lease liabilities		2,332	3,549
Non-current interest-free liabilities	25	573	553
Deferred tax liabilities	14	361	287
Total non-current liabilities		**13,817**	**15,643**
Current liabilities			
Interest-bearing liabilities	24	29,169	21,098
Current lease liabilities		1,089	1,262
Trade and other current liabilities	25	23,185	20,678
Income tax payable	25	661	369
Total current liabilities		**54,104**	**43,407**
Total equity and liabilities		**96,800**	**85,352**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year starting on 1 January and ending on 31 December

EUR thousands	Notes	2020	2019
Cash flow from operating activities			
Profit for the period		5,368	2,397
Non-cash adjustments to reconcile profit to net cash flow	34	10,131	8,411
Change in working capital		1,659	1,902
Cash flow generated by operations		**17,158**	**12,711**
Interest paid		-625	-737
Interest received		108	4
Other financial items		-1,368	-586
Income taxes paid		-1,266	-2,362
Net cash flow from operating activities		**14,006**	**9,030**
Cash flow from investing activities			
Purchase of non-current assets		-13,081	-6,147
Proceeds from sale of non-current assets		232	60
Net cash flow from investing activities		**-12,849**	**-6,087**
Cash flow before financing activities		**1,157**	**2,943**
Cash flow from financing activities			
Proceeds from long-term borrowings		7,000	1,000
Change in short-term loans		706	1,511
Instalments of lease liabilities		-1,275	-1,196
Dividends paid		-2,129	-2,216
Net cash flow from financing activities		**4,302**	**-901**
Change in liquid funds		**5,459**	**2,042**
Liquid funds at the beginning of period		6,930	4,801
Exchange rate fluctuations on liquid funds		-415	87
Liquid funds at the end of period		11,974	6,930

Total cash outflow for leases was EUR 1,367 (1,306) thousand.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

As at the end of the financial year

EUR thousands	Share capital	Invested unrestricted equity fund	Translation differences	Retained earnings	Total
2019					
Balance at the beginning of the period	**2,141**	**2,668**	**1,987**	**18,986**	**25,782**
Comprehensive result			529	2,397	**2,926**
Defined benefit plan actuarial gains (+) / loss (-), net of tax				-40	**-40**
Dividend				-2,131	**-2,131**
Share-based payments reserve				66	**66**
Correction to previously issued financial statements 1)				-301	**-301**
Balance at the end of the period	**2,141**	**2,668**	**2,516**	**18,977**	**26,302**
2020					
Balance at the beginning of the period	**2,141**	**2,668**	**2,516**	**18,977**	**26,302**
Comprehensive result			-665	5,368	**4,703**
Defined benefit plan actuarial gains (+) / loss (-), net of tax				-34	**-34**
Other items				16	**16**
Dividend				-2,133	**-2,133**
Treasury shares				67	**67**
Share-based payments reserve				-42	**-42**
Balance at the end of the period	**2,141**	**2,668**	**1,851**	**22,220**	**28,880**

1) Corrections related to taxations and inventory valuations of previous years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All figures in the notes are in EUR thousands unless otherwise stated. Significant accounting principles are described in connection to the relevant note.

The consolidated financial statements of Exel Composites Plc for the year ended 31 December were authorized for issue in accordance with a resolution of the Board of Directors on 17 February 2021. Final decision to adopt, change or reject the financial statements is made by shareholders in Annual General Meeting on 23 March 2021.

Exel Composites' official consolidated financial statements have been published in accordance with the ESEF-directive in XHTML format including XBRL tags on the primary statements. The audit firm Ernst & Young Oy has issued an independent auditor's reasonable assurance report on Exel Composites' ESEF Financial Statements. In addition, a pdf version on the consolidated financial statements is available at the company's website at www.exelcomposites.com.

NOTE 1 CORPORATE INFORMATION

Exel Composites provides forward-thinking composite solutions made with continuous manufacturing technologies to customers in a wide range of industries around the world. The company's products are used in several industries from cleaning equipment to power generation and transmission.

The company uses its over 60 year's expertise to help customers reduce weight, improve performance and decrease the total lifetime costs of the end product. Exel wants to be the first choice for sustainable composite solutions globally. The company's manufacturing, R&D and sales network covers all main markets i.e. Europe, Asia and North America.

The Group's factories are located in Austria, Belgium, China, Finland, the United Kingdom and USA. Exel Composites' share is listed in the Small Cap segment of the Nasdaq Helsinki Ltd. in the Industrials sector.

Name of reporting entity or other means of identification from end of preceding reporting period	Exel Composites Plc
Explanation of change in name of reporting entity or other means of identification	Exel Composites Plc
Domicile of entity	Mäntyharju, Finland
Legal form of entity	Public Limited Company
Country of incorporation	Finland
Address of registered office of entity	Uutelantie 24 B, 52700 Mäntyharju, Finland
Principal place of business	Europe, Asia and North America
Description of nature of entity's operations and principal activities	Exel Composites provides forward-thinking composite solutions made with continuous manufacturing technologies to customers in a wide range of industries around the world.
Name of parent entity	Exel Composites Plc
Name of ultimate parent of group	Exel Composites Plc

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 Plc have been prepared in compliance with International Financial Reporting Standards (IFRS), applying IAS and IFRS standards, as well as SIC and IFRIC interpretations, as adopted by the European Union, valid on 31 December 2020. 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% of the voting rights or in which it is in a position to govern the financial and operating policies of the entity. The Group has control over an entity when it has a participation in the entity and is exposed to or has right to its variable revenues and can influence the revenues by using its control over the entity. Subsidiaries are fully consolidated from the date that Exel Composites acquired control and are no longer consolidated from the date that control ceases. Where necessary, the accounting principles of subsidiaries have been changed to ensure consistency with the accounting principles of the Group. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

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

The excess acquisition cost over the fair value of net assets acquired is recognized as goodwill.

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

If the Group loses control over a subsidiary, it:

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

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

Non-controlling interest is deducted from shareholders' equity and presented as a separate item in the balance sheet. Similarly, it is presented as a separate item in the consolidated financial statements. The share of losses attributable to the holders of non-controlling interest was debited to non-controlling interest in the consolidated balance sheet up to the full value of the non-controlling interest prior to 1 January 2010. The Group had no non-controlling interests in 2020 and 2019.

NOTE 3 CHANGES IN ACCOUNTING POLICIES ANS DISCLOSURES

Standards and standard amendments issued during 2020 financial period

- IFRS 3 Definition of a Business
- Amendments to references to the conceptual framework
- IAS 1 ja IAS 8 Definition of Material
- IFRS 9, IAS 39 ja IFRS 7 Interest rate benchmark reform
- IFRS 16 Covid-19 related rent concessions

had no impact on Group's financial statements.

The standards and standard amendments that are issued, but not effective, up to the date of issuance of the Group's financial statements are listed below. The Group intends to adopt these standards and amendments, if applicable, when they become effective. Based on preliminary analysis, the standards are not expected to materially impact on the Group's financial statements.

New standards

- IFRS 17 Insurance Contracts

Amendments to standards

- IFRS 9, IAS 39 ja IFRS 7 Interest rate benchmark reform, phase 2.
- IFRS 3 amendments updating a reference
- IAS 37 amendments regarding onerous contracts
- 2018-2020 annual improvements cycle
- IAS 16 amendments regarding proceeds before intended use
- IFRS 17 amendments to address concerns and implementation challenges
- IAS 1 Classification of Liabilities as Current or Non-current

NOTE 4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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 calculations of impairment of non-financial assets 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 26.

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 14.

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 SEGMENT INFORMATION

ACCOUNTING PRINCIPLE: 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 in accordance with IFRS 15 when the performance obligation is satisfied. The performance obligation is satisfied when the goods have been delivered to the customer according to the agreed delivery terms. In most cases this happens when the goods leave the factory. In case according to agreed delivery terms risks and rewards as well as control over the goods are transferred to the customer only when the goods have been delivered to the customer, then revenue is recognized only when the customer has received the goods.

Revenue comprises 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.

Operating segments

The Group has one operating segment, Exel Composites.

Geographical information

The Group's geographical information is given for Europe, North America, Asia-Pacific (APAC) and Rest of World. Revenue of geographical distribution is presented according to the customer's location, while assets are presented according to the location of the assets.

Revenue outside the Group according to location of customers

	2020	2019
Europe	62,757	62,076
North America	18,022	22,407
Asia-Pacific	24,022	17,600
Rest of world	3,795	1,701
Total	**108,595**	**103,784**

Revenue from the biggest customer amounted to EUR 21,240 (19,694) thousand in 2020. The revenue of the biggest customer was reported under the Wind power customer industry.

Total assets according to geographic location

	2020	2019
Europe	50,834	40,939
North America	12,185	12,612
Asia-Pacific	33,782	31,801
Rest of world	0	0
Total	**96,800**	**85,352**

Capital expenditure according to geographic location

	2020	2019
Europe	11,962	5,283
North America	504	435
Asia-Pacific	754	544
Rest of world	0	0
Total	**13,220**	**6,262**

NOTE 6 EXCHANGE RATES

ACCOUNTING PRINCIPLE: 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 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. 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.

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.

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.

Country	Currency	2020 Average rate	2019 Average rate	2020 Closing rate	2019 Closing rate
Australia	AUD	1.65539	1.61059	1.58960	1.59950
UK	GBP	0.88921	0.87731	0.89903	0.85080
China	RMB	7.87084	7.73388	8.02250	7.82050
USA	USD	1.14128	1.11958	1.22710	1.12340
Hong Kong	HKD	8.85168	8.77243	9.51420	8.74730

NOTE 7 OTHER OPERATING INCOME

ACCOUNTING PRINCIPLE: 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. When 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.

During 2020, the Group received 787 thousand euros of Covid-19 related grants. 129 thousand euros is included in Other operating income and 658 thousand euros is deducted directly from the corresponding operating costs.

	2020	2019
Insurance compensations	36	19
Grants	172	152
Rental income	15	18
Exel Sports lisencing	0	105
Other operating incomes	97	94
Total	**320**	**387**

NOTE 8 OTHER OPERATING EXPENSES

In 2020, the Group received Covid-19 related grants for a total of EUR 787 thousand, of which EUR 129 thousand are included in Other operating income. EUR 658 thousand have been deducted from the expenses eligible for the grants.

	2020	2019
Audit fees	235	201
Tax consultation provided by the Audit company	41	12
Other services provided by the Audit company	14	63
Rents on leases with short lease period	214	268
Rents on leases for assets with low value	4	11
Other rental expenses	29	84
Impairment on non-current assets and losses on asset sales	219	158
Other variable operating expenses	10,742	11,057
Other operating expenses	8,564	9,107
Total	**20,062**	**20,960**

NOTE 9 EMPLOYEE BENEFIT EXPENSES

	2020	2019
Wages and salaries	25,587	25,320
Pension costs – defined contribution schemes	2,119	2,369
Pension costs – defined benefit schemes	15	22
Other employee benefits	3,087	3,398
Total	**30,807**	**31,110**

	2020	2019
Average number of personnel	665	659

NOTE 10 RESEARCH AND DEVELOPMENT EXPENDITURE

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

There were no capitalized development costs during 2020 and 2019.

The income statement includes research and development costs entered as costs amounting to EUR 2,884 (2,851) thousand in 2020. These costs are included in the income statement under Employee Benefit Expenses and Other Operating Expenses.

NOTE 11 DEPRECIATION, AMORTIZATION AND IMPAIRMENT

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

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

Depreciation and amortization of assets

	2020	2019
Intangible assets	867	863
Tangible assets		
Buildings	231	224
Buildings, right-of-use assets	1,233	1,170
Machinery and equipment	3,396	3,207
Machinery and equipment, right-of-use assets	119	145
Total	**5,845**	**5,608**

Impairment and write-down of assets

	2020	2019
Intangible assets	1	0
Tangible assets		
Land	8	8
Total	**9**	**8**

NOTE 12 DIVIDENDS PER SHARE

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

The Annual General Meeting held on 20 March 2020 approved the Board's proposal to distribute a dividend of EUR 0.18 per share for the financial year 2019.

The Annual General Meeting held on 21 March 2019 approved the Board's proposal to distribute a dividend of EUR 0.18 per share for the financial year 2018.

Following the balance sheet date, the Board of Directors has proposed for approval at the Annual General Meeting that a dividend of EUR 0.20 per share be paid for the financial year 2020.

NOTE 13 EARNINGS PER SHARE

ACCOUNTING PRINCIPLE: 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 includes the diluting effect of outstanding stock options during the period. The result for the financial year is not adjusted since the subscription of dilutive shares does not involve any compensation to be recognized in the income statement.

	2020	2019
Profit for the financial year attributable to ordinary equity holders of the parent company, EUR thousands	5,368	2,397
Weighted average number of outstanding shares during the financial year, 1,000 shares	11,828	11,820
Basic and diluted earnings per share, EUR/share	0.45	0.20

NOTE 14 DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

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

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

Deferred tax assets in 2020

	1 January	Recognized in income statement	Recognized in shareholders' equity	Exchange rate differences	31 December
Intercompany profit in inventory	36	-4		0	33
Intercompany profit in fixed assets	150	-20		-2	128
Losses	1,163	376		-73	1,465
Other temporary differences	535	-106	0	-7	421
Offset with deferred tax liabilities	-506	153			-353
IFRS16	0	43			43
Net deferred tax assets	**1,379**	**442**	**0**	**-83**	**1,737**

Deferred tax liabilities in 2020

	1 January	Recognized in income statement	Recognized in shareholders' equity	Exchange rate differences	31 December
Accumulated depreciation	83	40			123
Other temporary differences	709	-97		-22	591
Offset with deferred tax assets	-506	153			-353
IFRS16	0	0			0
Net deferred tax liabilities	**287**	**96**	**0**	**-22**	**361**

Deferred tax assets in 2019

	1 January	Recognized in income statement	Recognized in shareholders' equity	Exchange rate differences	31 December
Intercompany profit in inventory	5	31		0	36
Intercompany profit in fixed assets	93	55		2	150
Losses	619	543		1	1,163
Other temporary differences	514	1	13	6	535
Offset with deferred tax liabilities	-484	-22			-506
Net deferred tax assets	**747**	**609**	**13**	**10**	**1,379**

Deferred tax liabilities in 2019

	1 January	Recognized in income statement	Recognized in shareholders' equity	Exchange rate differences	31 December
Accumulated depreciation	66	17			83
Other temporary differences	581	113		15	709
Offset with deferred tax assets	-484	-22			-506
Net deferred tax liabilities	**163**	**108**	**0**	**15**	**287**

Some deferred tax items related to the earlier accounting periods have been recorded directly to the equity. The Group had taxable net losses on 31 December 2020 of EUR 15,766 (15,094) thousand, of which the Company has recorded deferred tax assets of EUR 1,465 (1,163) thousand that are available for offset against future taxable profits of the companies in which the losses arose.

IAS 12 Income Tax, cumulated tax losses

Group's subsidiary in USA has cumulated tax losses in 2018, 2019 and 2020. The Group has estimated the long-term profitability of the subsidiary in USA and concluded that future profits will cover the deferred tax assets booked on the 2019 and 2020 taxable losses of the subsidiary. The Group has booked EUR 589 thousand of deferred tax receivables on the losses of the business unit in the USA. Tax losses can be carried forward indefinitely.

The old China subsidiary has cumulated tax losses from 2016 to 2020. The Group's decision to reorganize the operations of the two manufacturing units in China gives certainty to utilize the accumulated tax losses in the coming years. The Group has booked EUR 876 thousand of deferred tax receivables on the losses of the old China unit. Losses for an accounting period can be carried forward for the next 10 years.

The Group has significant tax losses also in its subsidiaries in Australia and Germany. Both subsidiaries are now profitable but the profits are rather small. Group has reviewed the possibility to utilize the tax losses and decided that it will not book deferred tax assets on these tax losses at this point. In both countries tax losses can be carried forward indefinitely.

NOTE 15 INCOME TAXES

ACCOUNTING PRINCIPLE: 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.

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 are stated with the amount of sales tax included.

	2020	2019
Income tax based on taxable income for the financial year	2,234	1,944
Income taxes from previous financial periods	-133	142
Deferred taxes	-346	-598
Total income taxes reported in the income statement	**1,755**	**1,488**

Income tax recognized in other comprehensive income 2020

	Before tax	Tax effect	After tax
Exchange differences on translating foreign operations	-665	0	-665
Defined benefit plan actuarial gains (+) / losses (-)	-46	11	-34
Total	**-711**	**11**	**-699**

Income tax recognized in other comprehensive income 2019

	Before tax	Tax effect	After tax
Exchange differences on translating foreign operations	529	0	529
Defined benefit plan actuarial gains (+) / losses (-)	-54	13	-40
Total	**475**	**13**	**489**

Income tax reconciliation

	2020	2019
Profit before taxes	7,124	3,885
Consolidated income taxes at Group's domestic tax rate (20%)	1,425	777
Impact of different tax rates of foreign subsidiaries	341	49
Tax-exempt income and non-deductible expenses	108	63
Tax at source booked as cost	0	129
Income taxes for prior years	-133	142
Effect of deferred tax assets not recognized	-162	420
Other items	177	-93
Income tax recognized in consolidated income statement	1,755	1,488
Effective tax rate	24.6	38.3

NOTE 16 FINANCIAL EXPENSES

ACCOUNTING PRINCIPLE: Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity occurs in connection with the borrowing of funds.

For the years ending 31 December 2020 and 2019, the Group had no assets where the borrowing costs would have been capitalized.

	2020	2019
Interest expenses on debts and borrowings	675	604
Interest expenses on lease liabilities	92	110
Foreign exchange losses	2,538	649
Change in fair value of financial assets recognized at fair value through profit or loss (from derivatives)	0	0
Other finance expenses	372	428
Total finance expenses	**3,676**	**1,792**

Exchange differences for sales (exchange rate loss EUR -108 thousand) and purchases (exchange rate loss EUR -1 thousand) are entered in the income statement in the appropriate sales and purchase accounts.

NOTE 17 FINANCIAL INCOME

	2020	2019
Interest income on loans and receivables	138	8
Dividend income	2	2
Foreign exchange gains	1,239	564
Change in fair value of financial assets recognized at fair value through profit or loss	0	15
Other finance income	4	0
Total finance income	**1,383**	**589**

NOTE 18 INTANGIBLE ASSETS

ACCOUNTING PRINCIPLE: 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.

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. Capitalized 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.

The Group has no internally created intangible assets.

Goodwill

	2020	2019
Acquisition cost at 1 January	19,093	18,866
Additions	0	0
Exchange rate differences	-370	227
Acquisition cost at 31 December	**18,724**	**19,093**
Accumulated amortization and impairment at 1 January	-6,122	-6,110
Impairment charge	0	0
Exchange rate differences	-5	-12
Accumulated amortization and impairment at 31 December	**-6,127**	**-6,122**
Book value at 1 January	12,972	12,756
Book value at 31 December	**12,597**	**12,972**

Other intangible assets

	2020	2019
Acquisition cost at 1 January	5,547	6,124
Additions	220	18
Disposals	-13	-649
Transfers between asset groups	0	0
Exchange rate differences	-16	54
Acquisition cost at 31 December	**5,737**	**5,547**
Accumulated amortization at 1 January	-4,664	-5,129
Amortization for the period	-135	-129
Impairment charge and write-downs	-1	0
Disposals	13	638
Exchange rate differences	-7	-45
Accumulated amortization at 31 December	**-4,793**	**-4,664**
Book value at 1 January	883	996
Book value at 31 December	**944**	**883**

Other long-term expenses

	2020	2019
Acquisition cost at 1 January	7,225	7,277
Additions	3	67
Disposals	0	-1,005
Transfers between asset groups	402	852
Exchange rate differences	-155	35
Acquisition cost at 31 December	**7,475**	**7,225**
Accumulated amortization at 1 January	-3,795	-4,063
Amortization for the period	-732	-734
Disposals	0	1,005
Exchange rate differences	58	-3
Accumulated amortization at 31 December	**-4,469**	**-3,795**
Book value at 1 January	3,430	3,213
Book value at 31 December	**3,004**	**3,430**

NOTE 19 PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

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

Exel Composites (Group) has applied the IFRS16 Leases –standard since 1 January 2019. Lease liabilities arising from lease and rental agreements along with corresponding right-of-use assets are stated in the balance sheet accordingly. The Group has used the recognition exemption where lease contracts are not stated in the balance sheet, if the value of the underlying asset is less than approx. 5,000 euros and/or if the lease period is 12 months or less. For lease contracts with no set end date and with termination or extension options, the Group has determined the lease term by making an assessment using best available information.

A significant part of the Group's lease liability stated in the balance sheet according to IFRS16 comes from lease contracts on factory buildings in Europe, China and USA. In addition to these, the Group's balance sheet has lease contracts on small production and office equipment and vehicles.

The discount rate used is the average rate on the Group's external loans, which was 2.271% at the time of initial adoption and 1.070% from 1 January 2020, or if stated in the lease contract the internal rate of the contract.

The Group had no assets held for sale.

Land and water areas

	2020	**2019**
Acquisition cost at 1 January	1,834	857
Additions	0	956
Disposals	0	0
Transfer between asset groups	0	0
Exchange rate differences	-31	21
Acquisition cost at 31 December	**1,803**	**1,834**
Accumulated amortization at 1 January	-270	-253
Impairment charge and write-downs	-8	-8
Exchange rate differences	11	-8
Accumulated amortization at 31 December	**-266**	**-270**
Book value at 1 January	1,564	603
Book value at 31 December	**1,537**	**1,564**

Buildings and structures

	2020	2019
Acquisition cost at 1 January	7,568	8,277
Additions	6,719	40
Disposals	0	-806
Transfer between asset group	206	0
Exchange rate differences	-77	57
Acquisition cost at 31 December	**14,416**	**7,568**
Accumulated amortization at 1 January	-5,297	-5,845
Amortization for the period	-231	-224
Impairment charge and write-downs	0	0
Disposals	0	806
Exchange rate differences	40	-34
Accumulated amortization at 31 December	**-5,488**	**-5,297**
Book value at 1 January	2,271	2,432
Book value at 31 December	**8,927**	**2,271**

Buildings and structures, right-of-use assets

	2020	2019
Acquisition cost at 1 January	5,588	4,397
Additions	275	1,141
Disposals	-603	0
Transfer between asset group	0	0
Exchange rate differences	-234	50
Acquisition cost at 31 December	**5,026**	**5,588**
Accumulated amortization at 1 January	-1,167	0
Amortization for the period	-1,233	-1,170
Impairment charge and write-downs	0	0
Disposals	383	0
Exchange rate differences	74	3
Accumulated amortization at 31 December	**-1,942**	**-1,167**
Book value at 1 January	4,421	0
Book value at 31 December	**3,084**	**4,421**

Machinery and equipment

	2020	2019
Acquisition cost at 1 January	55,434	55,917
Additions	3,226	1,968
Disposals	-2,942	-5,337
Transfers between asset groups	2,630	2,591
Exchange rate differences	-694	295
Acquisition cost at 31 December	**57,654**	**55,434**
Accumulated amortization at 1 January	-42,442	-43,895
Amortization for the period	-3,396	-3,207
Impairment charge and write-downs	0	0
Disposals	2,643	4,830
Exchange rate differences	359	-170
Accumulated amortization at 31 December	**-42,836**	**-42,442**
Book value at 1 January	12,992	12,021
Book value at 31 December	**14,818**	**12,992**

Machinery and equipment, right-of-use assets

	2020	2019
Acquisition cost at 1 January	417	330
Additions	1	86
Disposals	-76	0
Transfers between asset groups	0	0
Exchange rate differences	-6	1
Acquisition cost at 31 December	**336**	**417**
Accumulated amortization at 1 January	-145	0
Amortization for the period	-119	-145
Impairment charge and write-downs	0	0
Disposals	76	0
Exchange rate differences	3	0
Accumulated amortization at 31 December	**-186**	**-145**
Book value at 1 January	272	0
Book value at 31 December	**150**	**272**

Advance payments and construction in progress

	2020	2019
Acquisition cost at 1 January	1,280	1,574
Additions	3,053	3,213
Transfers between asset groups	-3,377	-3,503
Disposals	-44	-9
Exchange rate differences	-2	6
Acquisition cost at 31 December	**911**	**1,280**
Book value at 1 January	1,280	1,574
Book value at 31 December	**911**	**1,280**

NOTE 20 OTHER NON-CURRENT ASSETS

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

	2020	2019
Book value at 1 January	104	89
Decreases	-55	0
Change in fair value	0	15
Book value at 31 December	**48**	**104**

NOTE 21 INVENTORIES

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

	2020	2019
Raw materials	7,643	7,583
Work in progress	2,869	3,564
Finished products and goods	5,670	5,731
Total inventories	**16,182**	**16,878**

During 2020 an expense of EUR 30 (137) thousand was recognized to reduce the book value of inventories to their net realizable value.

NOTE 22 TRADE AND OTHER RECEIVABLES

ACCOUNTING PRINCIPLE: Financial assets
Financial assets are classified within the scope of IFRS 9 as financial assets at amortized cost, at fair value through profit or loss, at fair value through other comprehensive income 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.

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

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 2020 and 2019.

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.

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

An impairment of trade receivables is recognized in accordance with IFRS 9. The Group applies the simplified approach allowed by IFRS 9 as the accounts receivable does not contain significant financing component. To measure the lifetime expected credit losses trade receivables have been grouped based on credit risk characteristics and aging category. Expected credit losses have been measured based on historical loss rates adjusted by forward looking estimates and individual assessment.

	2020	2019
Trade receivables	17,895	17,519
Deferred income	617	692
Other receivables	2,136	997
Tax receivables	238	770
Total receivables	**20,887**	**19,978**

During the 2020 financial year credit losses of EUR -55 (-186) thousand were recorded, consisting of actual credit losses amounting to EUR -133 (61) thousand and change in the bad debt provision amounting to EUR 78 (-247) thousand covering all overdue trade receivables which are over 90 days overdue.

Ageing analysis of trade receivables as at 31 December

	Total	Neither past due nor impaired	Past due but not impaired <30 days	30-60 days	61-90 days
2020	17,895	9,483	6,551	1,025	836
2019	17,519	10,083	6,532	515	389

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

NOTE 23 CASH AND CASH EQUIVALENTS

ACCOUNTING PRINCIPLE: 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.

Cash assets and short-term deposits consist of cash-in-hand and bank accounts, which amounted to EUR 11,974 (6,930) thousand.

NOTE 24 INTEREST-BEARING LOANS AND BORROWINGS

ACCOUNTING PRINCIPLE: Financial liabilities
Financial liabilities within the scope of IFRS 9 are classified as financial liabilities at amortized cost, at fair value through profit or loss, at fair value through other comprehensive income or as derivatives designated as hedging instruments in an effective hedge. The Group determines the classification of its financial liabilities at initial recognition. The Group’s financial liabilities include trade and other payables, bank overdrafts, loans and borrowings and derivative financial instruments.

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

Non-current interest-bearing loans and borrowings

	2020	2019
Loans from financial institutions	9,800	10,564
Lease liabilities	2,332	3,549
Pension loans	751	690
Total	**12,883**	**14,803**

Current interest-bearing loans and borrowings

	2020	2019
Loans from financial institutions	28,886	20,833
Lease liabilities	1,089	1,262
Cheque account with overdraft facility	284	264
Total	**30,258**	**22,360**

EUR 21.5 million of current interest-bearing liabilities were commercial papers. To secure the payment of commercial papers, the company had at the end of the financial year unused, non-current (over 12 months) revolving credit facilities for EUR 26.7 million.

Maturity of non-current interest-bearing liabilities (other than lease liabilities)

	2020	2019
2021	0	0
2022	700	7,064
2023	700	0
2024	4,200	0
2025	4,200	3,500
Later	751	690
Total	**10,551**	**11,255**

Among interest-bearing loans EUR 2,852 (6,231) thousand has been converted to fixed interest rates through interest rate swap agreements in 2020.

Maturity of non-current lease liabilities

	2020	2019
2021	0	0
2022	966	1,243
2023	763	974
2024	481	762
2025	43	463
Later	79	107
Total	**2,332**	**3,549**

NOTE 25 TRADE AND OTHER NON-INTEREST-BEARING LIABILITIES

ACCOUNTING PRINCIPLE: 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 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.

	2020	2019
Trade payables	10,124	10,619
Accrued expenses	9,816	8,624
Advance payments	1,072	267
Other current interest-free liabilities	2,172	1,536
Non-current interest-free liabilities	573	553
Total	**23,758**	**21,600**

NOTE 26 IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLES WITH INDEFINITE LIVES

Goodwill acquired through business combinations has been arisen from the following cash generating units (CGU):

Distribution of goodwill

	2020	2019
Finland	135	135
Belgium	209	209
Austria	688	688
China	3,956	4,302
USA	763	833
Exel Composites Group	6,847	6,805
Total	**12,597**	**12,972**

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

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

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

The Group makes a so-called two-step Goodwill impairment where CGU level goodwill is tested first and thereafter Group level goodwill. The Group has allocated goodwill to group and smaller cash-generating units. The impairment of cash-generating units is tested by comparing the recoverable amounts to the carrying amounts. The recoverable amount of cash-generating units is determined based on calculations of value in use, which are based on discounted future cash flows. Future cash flows are based on the continual use of the item and forecasts made by management for the coming years. Forecasts for periods further ahead in the future have been calculated on the assumption of annual growth of 1% on the industry in the long term. Sales margin levels used in the forecasts are expected to remain on average at the current level.

Discount rate is defined 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 after taxes used in the calculations was on average 7.8% (6.7).

On the basis of the impairment test, the recoverable amount of all cash-generating units exceeded the corresponding balance sheet values. In the USA, Great Britain and Belgium business units as well as in the old China factory, the recoverable amounts are most sensitive to future growth rate, sales margin and discount rate assumptions.

The sensitivity analysis of goodwill impairment tests indicates that if the group revenue declines more than 4% (6) there would be a situation where the recoverable value would not exceed the carrying amount. Alternatively, the revenue margin must decline over 1% (2) or average discount rate to increase to over 10.0% (9.1).

Testing assumptions used for the USA, Great Britain and Belgium business units as well as for the old China factory included 1% growth rate for the future years and discount rate varied depending on the business unit between 7.6% and 11.2%. Sales margin is forecasted to improve in all above-mentioned business units as a result of implemented structural savings as well as due the reduced negative impact of Covid-19 pandemic. Depending on the business unit a decrease by 0.2 – 0.8 percentage points from the current level in annual growth rate or by 0.3 – 0.9 percentage points in sales margin or alternatively an increase by 0.7 – 1.7 percentage points in discount rate would result in goodwill or other asset write-down need.

NOTE 27 FINANCIAL RISK MANAGEMENT

ACCOUNTING PRINCIPLE: 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 IFRS 9. As a result, all value changes are recognized in profit or loss. The Group has entered into interest rate swap agreements to convert non-current floating rate financial liabilities to fixed interest rates. Derivative financial instruments are presented in Note 28. Derivatives are recorded in the balance sheet as accrued expenses and deferred income.

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

The Group did not hedge its net foreign investments exposure during 2020 or 2019.

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), the Chinese renminbi (RMB) and the Hong Kong dollar (HKD).

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

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

Currency positions are assessed at their net amount in each currency generally for the following 12-month period. Currency flows are protected as needed by forward agreements and currency options.

The Group's translation exposure in main currencies at the end of the financial year was as follows:

Net investment

	2020	2019
AUD	3,404	3,101
GBP	6,717	7,216
RMB	13,596	6,736
HKD	2,018	5,274
USD	-5,589	-4,496

The Group's sensitivity to main currencies when all other variables are constant is the following (as at the end of the financial year):

2020	AUD	GBP	RMB	HKD	USD
Increase in currency rate vs. EUR, %	5%	5%	5%	5%	5%
Effect on equity, EUR	170	336	680	101	-279

2019	AUD	GBP	RMB	HKD	USD
Increase in currency rate vs. EUR, %	5%	5%	5%	5%	5%
Effect on equity, EUR	155	361	337	264	-225

Interest rate risk

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

Currency	Amount, EUR thousands	%
EUR	36,868	93%
USD	2,852	7%

Non-current loans have adjustable rates of interest, but they are partially protected against interest rate risks by converting them to fixed interest rates through interest rate swaps. At the balance sheet date, the Group had interest swap contracts with notional value of EUR 2,852 thousand, where the Group pays 3.018% 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 was EUR 397 (324) thousand.

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. The excess cash is held in liquid instruments. In addition to cash reserves and interest rate investments, the Group had unused, committed credit limits on 31 December 2020 amounting to EUR 26.7 million. Committed credit limits secure the repayment of short-term liabilities, such as commercial papers.

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, credit limits and commercial papers.

The table below summarizes the maturity profile of the Group's financial liabilities at the end of the financial year based on contractual undiscounted payments.

2020	On demand	Less than 3 months	3-12 months	1-5 years	> 5 years	Total
Interest-bearing liabilities		18,783	11,475	12,053	830	43,140
Trade and other current payables		23,846				23,846

2019	On demand	Less than 3 months	3-12 months	1-5 years	> 5 years	Total
Interest-bearing liabilities		18,279	4,081	14,006	798	37,163
Trade and other current payables		21,046				21,046

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. Approximately half of 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 2020, the Group's only counterparties were financial institutions.

The Group's maximum credit risk is the amount of the financial assets in the end of the financial year. The aging of the trade receivables is presented in Note 22.

Capital management

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

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

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

	2020	2019
Interest-bearing liabilities	43,140	37,163
Cash and cash equivalents	11,974	6,930
Net interest-bearing liabilities	31,167	30,234
Shareholders’ equity	28,880	26,302
Net gearing, %	107.9	114.9

NOTE 28 CONTINGENT LIABILITIES

	2020	2019
Operating leases		
Not later than one year	22	32
Other liabilities	253	6

NOTE 29 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

ACCOUNTING PRINCIPLE: Valuation and impairment of financial assets and derivative financial instruments
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.

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.

Net fair values and nominal values of financial assets and liabilities

	2020 Net fair value	2020 Nominal value	2019 Net fair value	2019 Nominal value
Trade and other receivables	20,887	20,887	19,978	19,978
Cash and cash equivalents	11,974	11,974	6,930	6,930
Interest rate swap agreements	-40	2,852	-117	6,231
Bank loans	38,340	38,686	31,483	31,398
Current credit facilities	284	284	264	264
Trade and other payables	23,846	23,846	21,046	21,046

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

NOTE 30 PENSION AND OTHER POST-EMPLOYMENT OBLIGATIONS

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

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

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

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

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

Amounts recognized in the income statement

	2020	2019
Pension cost for the financial year	2,119	2,352
Differences in benefit schemes	15	22
Total included in personnel expenses	**2,133**	**2,374**

Amounts recognized in the balance sheet

	2020	2019
At the beginning of financial period	690	613
Pension expenses in the income statement	15	22
Defined benefit plan actuarial gains (+) / losses (-)	46	54
At the end of financial period	**751**	**690**

NOTE 31 SHARE CAPITAL

ACCOUNTING PRINCIPLE: Share capital
Ordinary shares are included in shareholders' equity. Expenses incurred directly from new share issues are recorded in shareholders' equity as a reduction of received payments.

	Number of shares (1,000)	Share capital	Invested unrestricted equity fund	Total
1.1. 2019	11,897	2,141	2,539	4,681
31.12 2019	11,897	2,141	2,539	4,681
31.12 2020	11,897	2,141	2,539	4,681

Authorizations by the AGM

Repurchase and/or the acceptance as pledge of the company's own shares
On 20 March 2020 the Annual General Meeting authorized the Board of Directors to repurchase and/or accept as pledge of the company's own shares as follows:

The amount of own shares to be repurchased and/or accepted as pledge on the basis of the authorization shall not exceed 600,000 shares in total, which corresponds to approximately 5.0 per cent of all the shares in the company. Only the unrestricted equity of the company can be used to repurchase own shares based on the authorization.

Own shares can be repurchased at a price formed in public trading on the date of the repurchase or otherwise at a price formed on the market.

The Board of Directors decides on how own shares will be repurchased and/or accepted as pledge. Shares can be repurchased using, inter alia, derivatives. Own shares can be repurchased otherwise than in proportion to the shareholdings of the existing shareholders (directed repurchase). The Board of Directors shall decide on other terms of the share repurchase and/or acceptance as pledge.

Shares may be repurchased to be used as consideration in possible acquisitions or in other arrangements that are part of the company's business, to finance investments, as part of the company's incentive program or to be retained, otherwise conveyed or cancelled by the company.

The authorization cancels the authorization given to the Board of Directors by the General Meeting 2019 to decide on the repurchase and/or acceptance as pledge of the company's own shares.

The authorization is effective until the end of the next Annual General Meeting, however no longer than until 30 June 2021.

Exel Composites held 67,150 own shares at the end of 2020, which have been repurchased to be used as part of the company's incentive program.

Issuance of shares and special rights entitling to shares
On 21 March 2019 the Annual General Meeting authorized the Board of Directors to decide on the issuance of shares and special rights entitling to shares referred to in Chapter 10, Section 1 of the Companies Act as follows:

The amount of shares to be issued on the basis of the authorization may be a maximum of 1,189,684 new shares, which corresponds to approximately 10.0 per cent of all shares in the company, and/or a maximum of 600,000 Company's own shares.

The Board of Directors decides on all the conditions of the issuance of shares and of special rights entitling to shares. The issuance of shares and of special rights entitling to shares may be carried out in deviation from the shareholders' pre-emptive rights (directed issue).

The shares to be issued based on the authorization can be used as consideration in possible mergers and acquisitions and other business arrangements, to finance investments or as a part of the Company's incentive program for personnel.

The authorization cancels the authorization given to the Board of Directors by the General Meeting on 17 March 2016 to decide on the issuance of shares as well as special rights entitling to shares.

The authorization is effective until 30 June 2022.

These authorizations were not exercised in 2020.

NOTE 32 LONG-TERM COMPENSATION

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

The cost of the programs will be accounted for as operating expenses during the duration of the programs.

On 31 December 2020 the Group had three share-based long-term incentive programs:

The 2018 plan is part of a share-based long-term incentive program for the earning period 2018-2020 and is targeted at approximately 15 executives. The President and CEO and the members of the Group Management Team are included in the target group of the 2018 incentive program. 75% of the potential share-based performance reward is based on cumulative adjusted operating profit (EBIT) and 25% on total shareholder return of the company's share (TSR). The potential share reward is payable in 2021. The maximum number of shares to be paid under this individual plan is 122,000 shares, of which President and CEO's share is 33,973 shares. Estimated payout (to be confirmed in March 2021) is 6,832 shares.

The 2019 plan is part of a share-based long-term incentive program for the earning period 2019-2021 and is targeted at approximately 20 executives. The President and CEO and the members of the Group Management Team are included in the target group of the 2019 incentive program. 75% of the potential share-based performance reward is based on cumulative adjusted operating profit (EBIT) and 25% on total shareholder return of the company's share (TSR). The potential share reward is payable in 2022. The maximum number of shares to be paid under this individual plan is 196,000 shares, of which President and CEO's share is 50,000 shares.

The 2020 plan is part of a share-based long-term incentive program for the earning period 2020-2022 and is targeted at approximately 20 executives. The President and CEO and the members of the Group Management Team are included in the target group of the 2020 incentive program. 75% of the potential share-based performance reward is based on cumulative adjusted operating profit (EBIT) and 25% on total shareholder return of the company's share (TSR). The potential share reward is payable in 2023. The maximum number of shares to be paid under this individual plan is 125,000 shares, of which President and CEO's share is 32,000 shares.

The 2017 program, the earning period of which ended in 2019, was based on a long-term monetary incentive program and was targeted at 16 executives for the earning period 2017-2019. The President and CEO and the members of the Group Management Team were included in the target group of the 2017 incentive program. 75% of the potential share-based performance reward was based on cumulative operating profit (EBIT) and 25% on total shareholder return of the company's share (TSR). The maximum number of shares to be paid under this individual plan in 2020 was 153,700 shares, of which President and CEO's share was 42,800 shares. In 2020, a total reward of 21,331 shares (9,850 in shares and 11,481 in cash) was paid out under the 2017 plan to 16 executives. The President and CEO's share of the reward was 6,079 (3,039 in shares and 3,040 in cash). The shares were acquired at an average price of EUR 3.77 per share on 17 March 2020.

The profit and loss of 2020 includes EUR 88 thousand of costs related to these incentive programs.

The administration of the share-based incentive plan and the acquisition of shares are conducted through an arrangement made with Evli Awards Management Oy (EAM) as per the decision of the Board of Directors on 12 June 2017 and according to the stipulations of the Companies Act for financing the purchase of own shares (the Finnish Companies Act, Chapter 13,Section 10, Subsection 2) relating to incentive plans. As a part of this arrangement EAM founded EAM EXL1V Holding Oy (Holding company) which acquires the shares with Exel's funding and according to the agreement. These shares will be delivered to the employees according to the Exel's share plan terms and conditions. The Holding company is owned by the EAM in legal terms, but according to the agreement Exel has control over the company and acts as the principal, whereas EAM is an agent through the Holding company. This control arising from contractual terms means, that the Holding company is consolidated into the group's IFRS financial statements as a structured entity.

No reward will be paid to an executive based on the 2018, 2019 and 2020 programs described above, if his or her employment or service with the Company ends before the reward payment unless the executive is leaving the Company due to retirement or unless the Board decides otherwise. The programs also include a one-year lock-up period, and the restriction on leaving the Company is extended to the end of the lock-up.

NOTE 33 DISTRIBUTABLE FUNDS

The parent company's distributable funds on 31 December 2020 were EUR 12,906 thousand.

NOTE 34 CASH FLOW FROM BUSINESS OPERATIONS

Non-cash adjustments to the result for the financial year

	2020	2019
Depreciation, impairment charges and write-offs	6,021	5,740
Taxes	1,755	1,488
Financial expenses	3,584	1,681
Interest expenses on lease liabilities	92	110
Financial income	-1,390	-589
Other adjustments	68	-19
Total	**10,131**	**8,411**

NOTE 35 RELATED-PARTY TRANSACTIONS

Exel Composites' related parties include the controlling parent company, all companies belonging the Exel Composites Group as well as Exel Composites' Board of Directors, President and CEO, Group Management Team and executives of the parent company and subsidiaries. The company evaluates and monitors transactions concluded between the company and its related parties to ensure that any conflicts of interest are appropriately taken into account in the decision-making process.

In 2020, no significant related-party transactions were conducted between the Group and its related parties.

The Group's parent company and subsidiary relationships

Name of subsidiary	Domicile	Group share of holding	Group control
EAM EXL1V Holding	Finland	0	100
Exel GmbH	Germany	100	100
Exel Composites N.V.	Belgium	100	100
Exel Composites GmbH	Austria	100	100
Exel Composites (Nanjing) Co. Ltd.	China	100	100
Exel Composites (Australia) Pty. Ltd.	Australia	100	100
Pacific Composites Ltd.	Australia	100	100
Pacific Composites (Europe) Ltd.	UK	100	100
Fibreforce Composites Ltd.	UK	100	100
Pacific Composites Ltd.	New Zealand	100	100
Exel Composites Store Ltd.	Finland	100	100
Exel Composites (HK) Holding Limited	Hong Kong	100	100
Nanjing Jingheng Composite Material Co. Ltd.	China	100	100
Jianhui FRP Trading Co. Limited	Hong Kong	100	100
Exel Composites USA Holdings Inc.	USA	100	100
Diversified Structural Composites Inc.	USA	100	100

The ultimate parent company is Exel Composites Plc.

Management remuneration

Senior management accrued salaries, fees and bonuses

	2020	2019
President and CEO	376	324
Members of the Board of Directors	173	175
Total	**549**	**499**

Salaries and fees per person

President and CEO and Board of Directors	2020	2019
Riku Kytömäki President and CEO	376	324
Reima Kerttula Chairman (as of 17 March 2016, member until 17 March 2016)	57	62
Petri Helsky Member (as of 17 March 2016)	29	29
Helena Nordman-Knutson Member (as of 4 April 2017)	29	29
Jouko Peussa Member (as of 17 March 2016)	29	28
Kirsi Sormunen Member (as of 20 March 2020)	28	0
Maija Strandberg Member (until 20 March 2020)	1	27
Total	**549**	**499**

The accrued pension costs of President and CEO amounted to EUR 82 (81) thousand. The President and CEO's pension plan is pursuant to the employment pension legislation.

The holdings of the senior management on 31 December 2020

Number of shares and votes	2020	2019
Riku Kytömäki President and CEO	71,588	64,610
Reima Kerttula Chairman (as of 17 March 2016, member until 17 March 2016)	21,561	16,900
Petri Helsky Member (as of 17 March 2016)	7,911	5,743
Helena Nordman-Knutson Member (as of 4 April 2017)	6,769	4,601
Jouko Peussa Member (as of 17 March 2016)	7,911	5,743
Kirsi Sormunen Member (as of 20 March 2020)	2,168	1,876
Maija Strandberg Member (until 20 March 2020)	0	2,725
Total	**117,908**	**102,198**

NOTE 36 EVENTS AFTER THE REPORTING PERIOD

Exel Composites continues the long-term incentive program for top management

In February 2021, the Board of Directors of Exel Composites decided on the continuation of the share-based long-term incentive program for the top management of Exel Composites. The 2021 performance-based plan is part of the share-based long-term incentive program published on 4 May 2017. Similarly to the previous programs within this plan, the performance targets applied to the plan commencing at the beginning of 2021 are adjusted operating profit (EBIT) and the total shareholder return of the company's share (TSR).

Payment of the remaining purchase price related to the acquisition of Nanjing Jianhui

In December 2020, Exel Composites was notified that the seller will exercise their put option effective 1 January 2020, leading to the payment of the remaining 30% stake during the first quarter of 2021. The estimated remaining purchase price, which includes a variable component depending, among other things, on the profit development of the business, is approximately EUR 3.6 million. The total acquisition price of the company thus amounts to EUR 8.8 million. The entire remaining purchase price is booked as a liability in Group balance sheet and the payment will therefore have no impact on the Group income statement.

PARENT COMPANY INCOME STATEMENT

For the financial year starting on 1 January and ending on 31 December

EUR	Notes	2020	2019
Revenue	**37**	**39,273,004.88**	**33,617,576.33**
Variation in inventories of finished goods and work in progress		115,402.29	403,106.37
Other operating income	**38**	3,242,894.14	3,242,326.25
Materials and services	**39**	-18,546,639.74	-15,458,617.87
Personnel expenses	**40**	-13,688,365.14	-13,092,118.92
Depreciation, amortization and reduction in value	**41**	-2,229,572.23	-1,919,057.25
Other operating expenses	**42**	-5,036,042.08	-4,812,564.94
Operating profit / loss		**3,130,682.12**	**1,980,649.97**
Financial income	**44**	2,470,869.65	1,676,341.29
Financial expenses	**44**	-2,129,006.74	-908,624.46
Profit/ loss before appropriations and taxes		**3,472,545.03**	**2,748,366.80**
Appropriations	**45**	417,117.69	-85,851.61
Income taxes	**46**	-435,278.19	-365,291.46
Other direct taxes		-114.74	0.00
Profit/ loss for the period		**3,454,269.79**	**2,297,223.73**

PARENT COMPANY BALANCE SHEET

As at the end of the financial year

EUR	Notes	2020	2019
ASSETS			
Non-current assets			
Intangible assets	47	2,200,770.50	2,156,593.25
Tangible assets	48	7,511,078.84	6,761,279.88
Investments	49	22,106,301.47	20,895,813.67
Total non-current assets		**31,818,150.81**	**29,813,686.80**
Current assets			
Inventories	51	7,080,407.51	7,070,276.43
Current receivables	52	31,127,708.87	22,314,801.45
Cash at bank and in hand		19,294.48	371,662.41
Total current assets		**38,227,410.86**	**29,756,740.29**
TOTAL ASSETS		**70,045,561.67**	**59,570,427.09**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	53	2,141,431.74	2,141,431.74
Other reserves	53	2,539,278.34	2,539,278.34
Retained earnings/loss	53	6,912,472.85	6,744,593.86
Profit/loss for the period	53	3,454,269.79	2,297,223.73
Total equity		**15,047,452.72**	**13,722,527.67**
Appropriations	54	0.00	417,117.69
Liabilities			
Non-current liabilities	55	9,800,000.00	10,564,417.55
Current liabilities	56	45,198,108.95	34,866,364.18
Total liabilities		**54,998,108.95**	**45,430,781.73**
TOTAL EQUITY AND LIABILITIES		**70,045,561.67**	**59,570,427.09**

PARENT COMPANY CASH FLOW STATEMENT

For the financial year starting on 1 January and ending on 31 December

EUR thousands	2020	2019
Cash flows from operating activities		
Profit/loss for the period	3,454	2,297
Adjustments to profit/loss for the period	1,968	1,571
Cash flow before working capital changes	5,422	3,869
Working capital changes	825	-1,109
Operating cash flow before financial items and taxes	6,247	2,760
Interest and other financial expenses paid relating to operating activities	-758	-698
Dividends received	949	931
Interests received	249	35
Income taxes paid	162	-703
Net cash flow from operating activities (A)	**6,849**	**2,325**
Cash flows from investing activities		
Purchase of tangible and intangible assets	-3,024	-2,643
Proceeds from sale of tangible and intangible assets	2	0
Purchased subsidiary shares	-1,215	0
Proceeds from sale of investments	54	0
Net cash flow from investing activities (B)	**-4,183**	**-2,643**
Cash flow from financing activities		
Proceeds from short-term borrowings	8,181	13,836
Repayment of short-term borrowings	-16,070	-12,333
Proceeds from long-term borrowings	7,000	1,000
Dividends and other distribution of profit paid	-2,129	-2,128
Net cash flow from financing activities (C)	**-3,018**	**375**
Net increase (+) / decrease (-) in cash and cash equivalents (A + B + C)	**-352**	**56**
Cash and cash equivalents at beginning of period	372	315
Cash and cash equivalents at end of period	19	372

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

(All figures in EUR thousands unless otherwise stated)

NOTE 37 REVENUE BY MARKET AREA

	2020	2019
Europe	31,097	28,021
North America	6,445	3,935
Asia-Pacific	1,471	1,549
Rest of world	260	113
Total	**39,273**	**33,618**

NOTE 38 OTHER OPERATING INCOME

	2020	2019
Service invoicing from Group companies	3,195	3,175
Other operating income	48	67
Total	**3,243**	**3,242**

Service invoicing from Group companies was previously presented as an adjustment to Other Operating Expenses. Now presented in Other Operating Income. Comparative figures adjusted accordingly by EUR 3 175 thousand.

NOTE 39 MATERIALS AND SERVICES

	2020	2019
Purchases during financial period	-17,780	-15,454
Change in inventories	-103	242
External services	-664	-247
Total	**-18,547**	**-15,459**

NOTE 40 PERSONNEL

Average number of personnel during the financial year

	2020	2019
Office employees	86	86
Production employees	142	141
Total	**228**	**227**

Personnel expenses

	2020	2019
Wages and salaries	-11,524	-10,960
Pension expenses	-1,713	-1,733
Other social security expenses	-452	-400
Total	**-13,688**	**-13,092**

Wages, salaries and other remuneration of directors and management

	2020	2019
President and CEO	-376	-324
Members of the Board of Directors	-173	-175
Total	**-549**	**-499**

The accrued pension costs of President and CEO amounted to EUR 82 (81) thousand. The President and CEO's pension plan is pursuant to the employment pension legislation.

NOTE 41 DEPRECIATION, AMORTIZATION AND REDUCTION IN VALUE

Tangible and intangible assets are recognized in the balance sheet at cost less depreciation according to plan. Cost includes variable expenditure relating to the acquisition and production of the assets. Grants received are deducted from the cost. Depreciation according to plan is calculated using the straight-line method based on the useful life of the assets. Depreciation is started at the moment when the asset is taken into use.

Planned depreciation periods

- Buildings and structures 5-20 years
- Machinery and equipment 5-8 years
- Other capitalized expenditure 5-8 years
- Goodwill 10 years
- Other intangible assets 5 years

Planned depreciation, amortization and reduction in value

	2020	2019
Depreciation according to plan	-2,230	-1,919
Total	**-2,230**	**-1,919**

NOTE 42 OTHER OPERATING EXPENSES

	2020	2019
Real estate, machinery and equipment expenses	-1,441	-1,257
External services, insurances and IT expenses	-2,401	-1,810
Other operating expenses	-1,194	-1,746
Total	**-5,036**	**-4,813**

Service invoicing from Group companies was previously presented as an adjustment to Other Operating Expenses. Now presented in Other Operating Income. Comparative figures adjusted accordingly by EUR 3 175 thousand.

NOTE 43 AUDITOR’S FEES

Authorized Public Accountants, Ernst & Young	2020	2019
Audit of financial statements	-89	-65
Engagements referred to in the Auditing Act, 1.1,2§	-5	-4
Other fees	-8	-35
Total	**-102**	**-103**

NOTE 44 FINANCIAL INCOME AND EXPENSES

	2020	2019
Income from Group companies	1,347	929
Income from other investments held as non-current assets		
From others	56	2
	1,403	931
Other interest income and other financial income		
From Group companies	403	539
From others	665	206
	1,068	745
Total financial income	**2,471**	**1,676**
Interest and other financial expenses		
To Group companies	-76	-85
To others	-2,053	-824
	-2,129	-909
Total financial expenses	**-2,129**	**-909**
Total financial income and expenses	**342**	**768**

NOTE 45 APPROPRIATIONS

	2020	2019
Change in cumulative accelerated depreciation	417	-86
Total	**417**	**-86**

NOTE 46 INCOME TAXES

	2020	2019
Income taxes from ordinary activities	-430	-388
Income tax relating to previous financial years	-5	23
Total	**-435**	**-365**

NOTE 47 INTANGIBLE ASSETS

	Intangible assets	Other long-term expenses	Advance payments	Total
Acquisition cost at 1 January	731	4,356	0	5,087
Additions	15	0	0	15
Transfer between items	199	402	0	601
Acquisition cost at 31 December	**946**	**4,758**	**0**	**5,703**
Accumulated amortization and impairment at 1 January	-704	-2,225	0	-2,929
Amortization for the period	-15	-558	0	-572
Accumulated amortization and impairment at 31 December	**-720**	**-2,783**	**0**	**-3,502**
Book value at 1 January	26	2,131	0	2,157
Book value at 31 December	**226**	**1,975**	**0**	**2,201**

NOTE 48 TANGIBLE ASSETS

	Land and waters	Buildings	Machinery and equipment	Advance payments and construction in progress	Total
Acquisition cost at 1 January	90	3,505	16,064	1,228	20,887
Additions	0	0	41	3,025	3,066
Disposals	0	0	-35	-44	-78
Transfer between items	0	206	2,526	-3,333	-601
Acquisition cost at 31 December	**90**	**3,711**	**18,596**	**876**	**23,273**
Accumulated depreciation and impairment at 1 January	0	-2,386	-11,740	0	-14,127
Accumulated depreciation of disposals and transfers	0	0	20	0	20
Depreciation for the period	0	-159	-1,498	0	-1,657
Accumulated depreciation and impairment at 31 December	**0**	**-2,546**	**-13,217**	**0**	**-15,763**
Book value at 1 January	90	1,119	4,325	1,228	6,761
Book value at 31 December	**90**	**1,165**	**5,379**	**876**	**7,511**

NOTE 49 INVESTMENTS

	Group companies	Other shares and holdings	Total
Acquisition cost at 1 January	20,843	53	20,896
Additions	1,215	0	1,215
Disposals	0	-5	-5
Acquisition cost at 31 December	**22,058**	**48**	**22,106**
Book value at 1 January	20,843	53	20,896
Book value at 31 December	**22,058**	**48**	**22,106**

NOTE 50 COMPANIES OWNED BY PARENT COMPANY

Shares in subsidiaries

Name of company	Registration country	Owned by the parent company	Parent company control
EAM EXL1V Holding	Finland	0	100
Exel GmbH	Germany	100	100
Exel Composites N.V.	Belgium	100	100
Exel Composites GmbH	Austria	100	100
Exel Composites (Nanjing) Co. Ltd.	China	100	100
Exel Composites (Australia) Pty. Ltd.	Australia	100	100
Pacific Composites (Europe) Ltd.	UK	100	100
Exel Composites Store Oy	Finland	100	100
Exel Composites (HK) Holding Limited	Hong Kong	100	100
Jianhui FRP Trading Co. Limited	Hong Kong	100	100
Exel Composites USA Holdings Inc.	USA	100	100

All Group companies are consolidated in the parent company's consolidated financial statements.

NOTE 51 INVENTORIES

	2020	2019
Raw materials and consumables	3,421	3,524
Work in progress	2,118	2,213
Finished products/ goods	816	775
Other inventories	725	558
Total	**7,080**	**7,070**

NOTE 52 CURRENT RECEIVABLES

Receivables from Group companies

	2020	2019
Trade receivables	5,069	4,213
Loan receivables	19,479	13,233
Other receivables	400	0
Total	**24,948**	**17,446**

Receivables from others

	2020	2019
Trade receivables	4,920	3,638
Other receivables	1,209	609
Prepayments and accrued income	51	622
Total	**6,179**	**4,869**
Total current receivables	**31,128**	**22,315**

Deferred tax assets amounting to EUR 33 (125) thousand have not been booked from cumulative depreciation exceeding the maximum tax depreciations by EUR 164 (627) thousand.

Material items included in prepayments and accrued income

	2020	2019
Tax receivables	20	618
Other receivables	31	4
Total	**51**	**622**

NOTE 53 EQUITY

	2020	2019
Restricted equity		
Share capital 1 January	2,141	2,141
Share capital 31 December	**2,141**	**2,141**
Total restricted equity	**2,141**	**2,141**
Unrestricted equity		
Reserve for invested unrestricted equity fund 1 January	2,539	2,539
Reserve for invested unrestricted equity fund 31 December	**2,539**	**2,539**
Retained earnings 1 January	9,042	8,883
Distribution of dividends	-2,129	-2,128
Correction of a previous financial year error	0	-11
Retained earnings 31 December	**6,912**	**6,745**
Profit/loss for the financial year	**3,454**	**2,297**
Total unrestricted equity	**12,906**	**11,581**
Total equity	**15,047**	**13,723**

Calculation of distributable unrestricted equity 31 December

	2020	2019
Profit from previous financial years	6,912	6,745
Profit /loss for the financial year	3,454	2,297
Reserve for invested unrestricted equity fund	2,539	2,539
Total	**12,906**	**11,581**

NOTE 54 APPROPRIATIONS

	2020	2019
Cumulative accelerated depreciation	0	417
Total	**0**	**417**

NOTE 55 NON-CURRENT LIABILITIES

Liabilities to others

	2020	2019
Loans from financial institutions	9,800	10,564
Total	**9,800**	**10,564**
Total non-current liabilities	**9,800**	**10,564**

NOTE 56 CURRENT LIABILITIES

Liabilities to Group companies

	2020	2019
Loan from Group companies	3,391	4,799
Trade payables	1,235	669
Total	**4,626**	**5,467**

Liabilities to others

	2020	2019
Loans from financial institutions	29,169	21,098
Advances received	1,056	267
Trade payables	2,947	2,372
Other liabilities	591	598
Accruals and deferred income	6,809	5,065
Total	**40,572**	**29,399**
Current liabilities total	**45,198**	**34,866**

Material items included in accruals and deferred income

	2020	2019
Accrued personnel expenses	2,865	2,342
Other accruals and deferred income	3,944	2,723
Total	**6,809**	**5,065**

NOTE 57 FINANCIAL INSTRUMENTS

Derivative financial instruments
Interest rate risk

The Company’s long-term loans are exposed to interest rate risk, which is why the Company has tied part of its loans to fixed interest rates with interest rate swaps, which expire in 2014 – 2021.

	2020 Fair value	2020 Nominal value	2019 Fair value	2019 Nominal value
Interest rate swaps	-40	2,852	-117	6,231

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

NOTE 58 COMMITMENTS AND CONTINGENT LIABILITIES

Credit facilities

	2020	2019
Total amount of credit granted	32,300	32,300
In use	3,537	521

Pension liabilities

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

Leasing liabilities

	2020	2019
Payable during the following financial year	10	11
Total	**10**	**11**

Commitments on behalf of Group companies

	2020	2019
Other guarantees	978	0
Guaranteed debt	0	0

NOTE 59 SHARE OWNERSHIP

Distribution of share ownership on 31 December 2020

	%
Private companies	12.8
Financial and insurance institutions	45.0
Public sector entities	4.0
Non-profit organizations	0.5
Households	37.0
Foreign	0.7
Of which, nominee registration	21.1

Distribution of share ownership on 31 December 2020

Number of shares	Number of shareholders	Percentage of shareholders	Total number of shares	Percentage of total number of shares
1 - 1,000	5,517	86.90	1,464,379	12.31
1,001 – 10,000	745	11.73	2,009,069	16.89
10,001 – 50,000	64	1.01	1,171,583	9.85
over 50,000	23	0.36	7,251,812	60.96

NOTE 60 SHAREHOLDERS

Information on shareholders on 31 December 2020

Shareholder	Number of shares	Percentage of shares and votes
Skandinaviska Enskilda Banken AB (Nominee Registered)	1,410,179	11.9
Nordea Bank ABP (Nominee Registered)	1,074,741	9.0
Sijoitusrahasto Taaleritehdas Mikro Markka	800,000	6.7
OP-Finland Small Firms Fund	598,259	5.0
Danske Invest Finnish Equity Fund	546,650	4.6
OP-Suomi Mikroyhtiöt - Erikoissijoitusrahasto	438,119	3.7
Phoebus Fund	311,348	2.6
Sijoitusrahasto Säästöpankki Pienyhtiöt	288,710	2.4
Nelimarkka Heikki Antero	242,836	2.0
Ilmarinen Mutual Pension Insurance Company	242,733	2.0
Other Nominee Registered	29,599	0.2
Others	5,913,669	49.7
Total	**11,896,843**	**100.0**

NOTE 61 SHARE PRICE AND TRADING

Share price

EUR	2020	2019	2018	2017	2016
Average price	5.55	4.54	5.40	6.00	5.05
Lowest price	3.40	3.92	3.98	4.84	4.71
Highest price	7.38	6.76	7.28	7.85	6.85
Share price at the end of financial year	7.38	6.48	4.00	6.57	5.02
Market capitalization, EUR million	87.3	76.6	47.3	77.7	59.7

Share trading

	2020	2019	2018	2017	2016
Number of shares traded	4,820,621	6,048,492	2,513,383	4,244,520	3,080,024
% of the average number of shares	40.8	50.8	21.1	35.8	25.9

Number of shares

	2020	2019	2018	2017	2016
Average number	11,827,648	11,819,843	11,819,843	11,862,199	11,896,843
Number at end of financial year	11,829,693	11,819,843	11,819,843	11,819,843	11,896,843

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

PROPOSAL FOR DISTRIBUTION OF PROFIT

Exel Composites Plc's distributable funds amount to EUR 12,906,020.98, of which the profit for the financial year is EUR 3,454,269.79.

The Board of Directors proposes to the General Meeting that the distributable funds are allocated as follows:

- Dividend EUR 0.20 per share	2,379,368.60
- To be retained in equity, EUR	10,526,652.38
	12,906,020.98

Signatures of the Financial Statements and the Report of the Board of Directors

Vantaa, 17 February 2021

Reima Kerttula
Chairman of the Board of Directors

Helena Nordman-Knutson
Member of the Board of Directors

Petri Helsky
Member of the Board of Directors

Kirsi Sormunen
Member of the Board of Directors

Jouko Peussa
Member of the Board of Directors

Riku Kytömäki
President and CEO

Auditors' note

An auditor's report based on the audit performed has been issued today.

Vantaa, 17 February 2021

Ernst & Young
Authorized Public Accountants

Johanna Winqvist-Ilkka
Authorized Public Accountant

AUDITOR'S REPORT

(Translation of the Finnish original)
To the Annual General Meeting of Exel Composites Plc

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Exel Composites Plc (business identity code 1067292-7) for the year ended 31 December, 2020. The financial statements comprise the statement of comprehensive income, consolidated balance sheet, statement of cash flows, statement of changes in equity and notes, including a summary of significant accounting policies, as well as the parent company's income statement, balance sheet, statement of cash flows and notes.

In our opinion
- the consolidated financial statements give a true and fair view of the group's financial position as well as its financial performance and its cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Board of Directors.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the *Auditor's Responsibilities for the Audit of Financial Statements* section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 8 to the consolidated financial statements.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Valuation of Goodwill We refer to notes 4, 18 and 26.	
Goodwill amounted to 12,6 million euros as of 31 December 2020 comprising 13,0 % of total assets and 43,6 % of equity (2019: 13,0 million euros, 15,2 % of total assets and 49,3 % of equity). Valuation of goodwill was a key audit matter because • the assessment process related to the annual impairment test is complex and judgmental; • the process contains significant estimates and assumptions relating to market or economic conditions extending to the future; and • because of the significance of the goodwill to the financial statements. There are a number of assumptions used to determine the value-in-use, including revenue growth, operating margin before depreciation and amortization and discount rate applied on cash-flows. Estimated values-in-use may vary significantly when the underlying assumptions are changed and the changes in above-mentioned individual assumptions may result in an impairment of goodwill.	Our audit procedures in connection with the valuation of goodwill included involving valuation specialists to assist us in evaluating the assumptions and methodologies by the management. Audit procedures included comparing the management's assumptions to externally derived data and to our own expectations. In particular those relating to the weighted average cost of capital used to discount the cash-flows. In addition, we tested the accuracy of the impairment calculations prepared by the management, compared the historical forecasting of the group with actual outcome and compared projections to the latest budgets approved by the board. We also compared the sum of discounted cash flows to the market capitalization of Exel Composites and evaluated the adequacy of the disclosures in note 26 such as information given with regards to the sensitivity analysis as well as whether a reasonably probable change in key assumptions could result in an impairment.
Revenue Recognition We refer to note 5.	
Revenue is recognized when the control of the underlying products has been transferred to the customer. Revenue is a key performance measure which could create an incentive for revenue to be recognized before the risks and rewards as well as control over the goods have been transferred. Revenue recognition was determined to be a key audit matter and a significant risk of material misstatement referred to in EU Regulation No 537/2014, point (c) of Article 10(2).	Our audit procedures to address the risk of material misstatement relating to timing of revenue recognition included among others: • Analysis of the accounting principles applied as well as comparing them to the IFRS standards; • Testing of internal controls addressing the timing of the revenue recognition, including general IT controls over the most significant IT applications; • Substantive analytical procedures and test of details, and • Evaluation of the disclosures provided on revenues.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Information on our audit engagement
We were first appointed as auditors by the Annual General Meeting on April 6, 2007 and our appointment represents a total period of uninterrupted engagement of 14 years.

Other information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions based on assignment of the Board of Directors

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

Helsinki 17 February 2021

Ernst & Young Oy
Authorized Public Accountant Firm

Johanna Winqvist-Ilkka
Authorized Public Accounta

Exel Composites in brief

At Exel Composites, we use over 60 years' experience to solve challenges and help customers save resources. Our forward-thinking composite solutions made with continuous manufacturing technologies serve customers in a wide range of industries around the world. You can find our products used in applications from wind power and transportation to building and infrastructure.

Our collaborative approach and global footprint set us apart from our competition. We use our expertise to help customers reduce weight, improve performance and energy efficiency and decrease total lifetime costs. We want to be the first choice for sustainable composite solutions globally.

Headquartered in Finland, Exel Composites employs approximately 650 forward-thinking professionals around the world and is listed on Nasdaq Helsinki. To find out more about our offering and company please visit www.exelcomposites.com.