



ANNUAL FINANCIAL REPORT 2016

Exel Composites in brief

Exel Composites is a leading composite technology company that designs, manufactures and markets composite products and solutions for demanding applications. Exel Composites provides superior customer experience through continuous innovation, world-class operations and long-term partnerships.

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



For more information, please visit us at www.exelcomposites.com.

Information to shareholders

Annual General Meeting 2017

The Annual General Meeting will be held on Tuesday 4 April 2017 at 10:00 EET at Scandic Marina Congress Center at the address of Katajanokanlaituri 6, Helsinki, Finland.

Dividend

The Board of Directors proposes that a dividend of EUR 0.10 per share be paid for the financial year 2016.

The dividends' record date is Thursday 6 April 2017 and payment date Thursday 13 April 2017.

Financial calendar 2017

Exel Composites publishes the following financial reports in 2017:

- Financial Statements Release 2016: 14 February 2017
- Business Review January - March: 4 May 2017
- Half Year Financial Report January - June: 20 July 2017
- Business Review January - September: 25 October 2017

The Annual Financial Report, Corporate Governance Statement and Remuneration Statement for 2016 are available in electronic format at the company's website www.exelcomposites.com.

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CEO REVIEW



2016 was a busy year for us at Exel Composites with a lot of actions. We have suffered from declining volumes and tough market conditions. At the same time, we have put a lot of focus and energy to new customer acquisition. The future is encouraging as we are in an industry with many megatrends favoring us, be it for example urbanization, lighter and more robust construction solutions or energy efficiency.

The market environment continued challenging throughout the year. Overall lower demand and toughened competition impacted some of our key markets such as telecommunications, where sales to Exel Composites' biggest customer dropped approximately by EUR 5 million. Additionally some end customer infrastructure projects were postponed. The new customer acquisition was not enough to compensate the declined volumes from some key customers, even though 'Other Applications'- customer industry grew by 6%. We have continued focused sales efforts specifically on customer industries where we see growth opportunities in the medium and longer term. New customers were developed, among other, in energy, transportation and construction industries, where we expect volume to grow during coming years. In general it is not found that Exel Composites' market shares in key customer industries would have changed compared to previous year.

In addition to better aligning our organization with the market demand and a focused approach to new business, we have continued to actively adapt our operations to the prevailing market conditions. This involves efficient capacity utilization and production optimization by pooling volumes when possible and making efficiency improvements when production runs are shorter and ramp up times need to be quicker. Additionally we have continued implementing the lean manufacturing principles further. However, these alone, were not enough and in the first quarter of the year we initiated additional cost savings measures mainly impacting personnel costs. Due to these actions, our fixed cost structure has been brought to a lower level. Thus, the adjusted operating profit in the second half of the year was at the same level as during the same period last year, despite the fact that revenue volume was lower and also our sales mix less favorable. To me this is a clear sign of success and demonstration of One-Exel team spirit. This will continue to be crucial also in the future as there is still room for improvements.

In 2016 we have systematically continued implementing our strategy, making clear progress on our path towards being an agile, innovative global composite company with world-class operations providing superior customer experience. This has involved work around all five strategic pillars – take good care of our stronghold customers, accelerate growth in China, penetrate new applications, create a true global footprint and grow in new technologies. A significant milestone was achieved in October 2016 when we announced in a separate stock exchange release the acquisition of a Chinese composites production company.

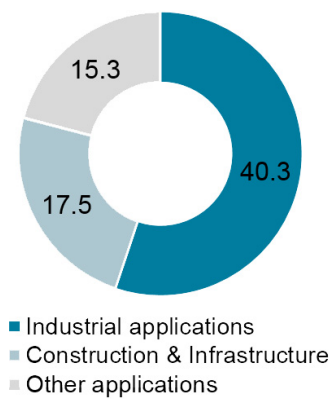
The acquisition is an important step in the implementation of our growth strategy and strengthens our position in China and in the APAC area. In China the megatrends are strongly driving growth and presenting new business opportunities. In addition to expanding manufacturing capacity, we are also expanding our local sales and product development network, our customer portfolio and the range of applications we offer to the local market. At the same, the acquisition gives us the opportunity to improve our profitability in the Asia Pacific (APAC) region by significantly down-sizing the underperforming Australian unit, reorganizing our operations in the region and improving efficiency through synergies among the two Chinese units. In connection with the acquisition we were also able to cancel the Nanjing expansion project. In addition, the project to expand operations in Austria that was initiated in 2015 is put on hold.

In 2017 we shall continue on our path, progressing the areas outlined by our strategy, generating new growth and leveraging our strengths fully. Our aim is to differentiate ourselves from our competitors by offering a superior customer experience based on a clear value proposition that brings competitiveness to a higher level. I am confident and excited about the opportunities ahead for Exel and for the composites materials, and I am especially happy to share this journey with all our employees and stakeholders. I would like to express my sincere thanks to all our employees for their commitment and hard work in 2016. Also I want to thank our customers, business partners and shareholders for your excellent collaboration and support during the tough times. I am very much looking forward to 2017!

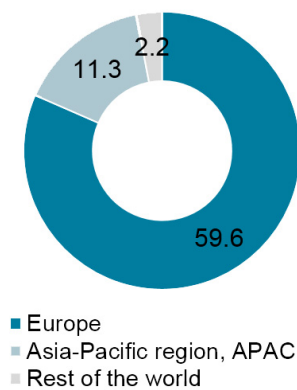
Riku Kytömäki
President and CEO

Key figures 2016

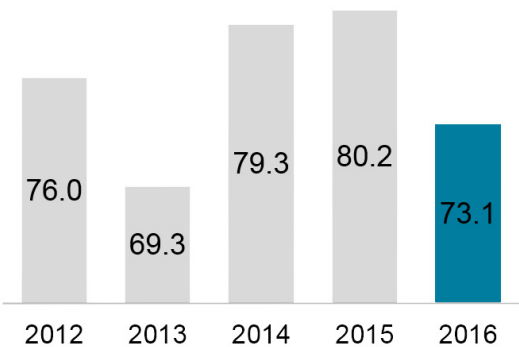
Revenue by customer industry, EUR million



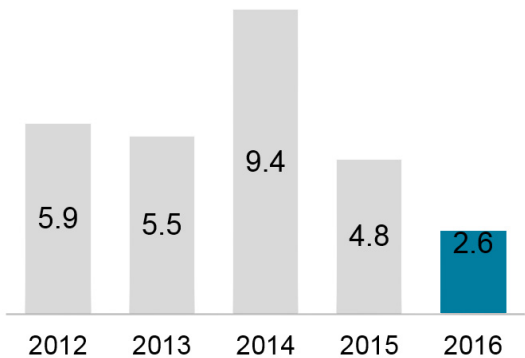
Revenue by region, EUR million



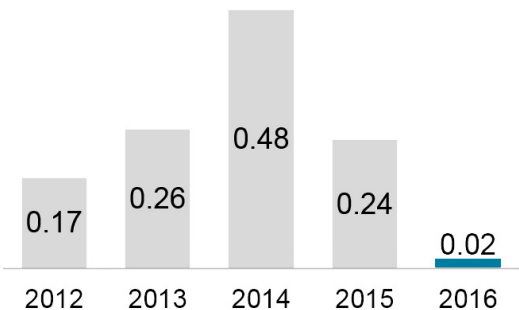
Revenue, EUR million



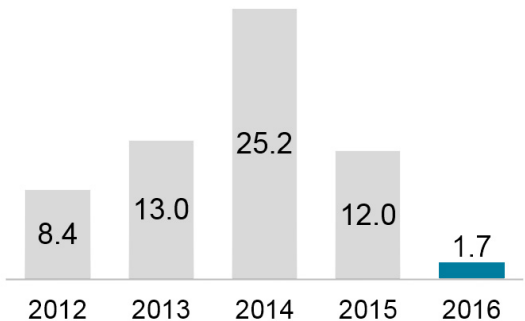
Adjusted operating profit, EUR million



Earnings per share, EUR



Return on capital employed, %



CONSOLIDATED FINANCIAL STATEMENTS 2016

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BOARD OF DIRECTORS' REPORT

Market environment

Exel Composites' customer industries are broad due to the extent of potential applications. The customer industries are divided into three groups: 1) 'Industrial Applications' as the largest represents approximately half of Exel's total revenue and comprises telecommunication, paper, electrical, machine and transportation industries, 2) 'Construction & Infrastructure', which in addition to building and construction industries and infrastructure includes energy industry, and 3) 'Other Applications' such as cleaning and maintenance, sports and leisure as well as other industries.

In 2016 the market environment was challenging. Overall lower demand and toughened competition impacted some of our key markets such as telecommunications, which is part of the 'Industrial Applications'- customer industry. Also within the 'Construction & Infrastructure'- customer segment some end customer infrastructure projects were postponed. The 'Other Applications'- customer industry grew as a consequence mainly of active new customer acquisition. Here especially the sports industry and other general industries grew in 2016. In the medium and long term we expect volume growth to come mainly in the energy, transportation and construction industries.

Exel Composites' operations are world-wide, Europe being the company's largest market area. In general growth in Europe is held back by economic and political uncertainty, which delays investments. In 2016 lower demand to some of Exel's key customers impacted volumes in Europe and also in Asia, particularly in Australia and China. In Asia and China the overall long-term growth outlook continues to be promising. At the end of the year Exel strengthened its position here by acquiring a Chinese composites production company. In addition to expanding manufacturing capacity and strengthening the local sales and product development network, the acquisition also expands Exel's local customer portfolio and its offering in different applications. In the region Rest of the World new customer acquisition and penetrating new applications particularly in the Middle East drove growth.

In general it is not found that Exel Composites' market shares in key customer industries would have changed compared to previous year. Interest towards composite materials is steadily growing along with growing quality and environmental awareness. Global megatrends such as urbanization, demographic change, sustainability and total life cycle cost management bring new business opportunities in the long-term in all Exel's customer industries and market areas.

Order intake and order backlog

Order intake for the full year 2016 was EUR 74.8 (83.4) million, which is a decrease by 10.3% compared to previous year. The Group's order backlog on 31 December 2016 increased to EUR 16.7 (15.3) million.

Revenue

Group revenue for the financial year amounted to EUR 73.1 (80.2) million, which is a decrease by 8.9% compared to previous year. Revenue was impacted mainly by effects of the sales mix by -6.1%, declined delivery volumes by -1.2% and exchange rates by -1.6%.

Revenue from the customer industry 'Industrial Applications' decreased compared to last year and was EUR 40.3 (47.4) million. The decrease was mainly due to overall lower demand and toughened competition which impacted some of our key customers and key markets such as telecommunications, where sales to Exel Composites' biggest customer dropped approximately by EUR 5 million. Revenue for 'Construction & Infrastructure' was EUR 17.5 (18.4) million. New customer acquisition was not enough to compensate the declined volumes in these two customer industries even though 'Other Applications' grew by 6.1% in comparison to previous year and was EUR 15.3 (14.4) million.

In our main market Europe revenue decreased by 6.7% and in region the Asia-Pacific (APAC) region by 17.8%, mainly due to lower order volumes of some key customers as well as lower market demand in Asia, particularly in Australia and China. Revenue for region Rest of the World decreased during the period under review to EUR 2.2 (2.6) million.

Revenue by Customer Industry

EUR thousand	1.1.-31.12.2016	1.1.-31.12.2015	Change, %
Industrial Applications	40,297	47,386	-15.0
Construction & Infrastructure	17,456	18,364	-4.9
Other Applications	15,326	14,446	6.1
Total	73,079	80,196	-8.9

Revenue by Region

EUR thousand	1.1.-31.12.2016	1.1.-31.12.2015	Change, %
Europe	59,636	63,896	-6.7
APAC	11,274	13,712	-17.8
Rest of world	2,170	2,588	-16.2
Total	73,079	80,196	-8.9

Operating profit

In 2016 and compared to previous year, operating profit decreased to EUR 0.6 (4.4) million, 0.9% (5.5) of revenue. Adjusted operating profit (excluding material items affecting comparability, such as restructuring costs, impairment losses and reversals, and costs related to planned or realized business acquisitions or disposals) was EUR 2.6 (4.8) million, 3.6% (5.9) of revenue. The impact on profitability of lower order volumes from some key customers and a less favorable sales mix was reduced through cost saving measures that were initiated early in 2016 and implemented throughout the year.

The downsizing of the underperforming Australian unit resulted in one-off expenses of EUR 1.5 million and costs related to the acquisition of the Chinese composites production company of EUR 0.5 million were recorded in the group accounts.

The Group's net financial expenses in 2016 were EUR 0.0 (0.2) million. The Group's profit before taxes was EUR 0.7 (4.3) million and profit after taxes EUR 0.2 (2.8) million.

Adjusted operating profit

EUR thousands	1.1. -31.12.2016	1.1. -31.12.2015
Operating profit	649	4,414
Restructuring costs	1,508	0
Impairment losses and reversals	0	0
Costs related to planned or realized business acquisitions and disposals	464	356
Sale of intangible and tangible assets	0	0
Expenses related to changes in legislation or legal proceedings	0	0
Adjusted operating profit	2,621	4,770

Financial position

Net cash flow from operating activities for 2016 was positive at EUR +3.1 (+3.4) million. Cash flow before financing, but after capital expenditure, amounted to EUR 0.0 (-1.0) million. The capital expenditure on fixed assets amounted to EUR 3.1 (4.3) million. Capital expenditure was financed with cash flow from business operations. At the end of the financial year, the Group's liquid assets stood at EUR 6.9 (7.9) million. Total depreciation, amortization and impairment of non-current assets during the financial year amounted to EUR 3.2 (2.9) million.

The Group's consolidated total assets at the end of the financial year were EUR 53.1 (54.0) million. Interest bearing liabilities amounted to EUR 10.2 (8.5) million. Net interest bearing liabilities were EUR 3.3 (0.6) million.

Equity at the end of 2016 was EUR 27.0 (30.7) million and equity ratio 51.3% (57.1). The net gearing ratio was 12.2% (2.0). Fully diluted total earnings per share were EUR 0.02 (0.24). Return on capital employed in 2016 was 1.7% (12.0). Return on equity was 0.7% (9.4). A write-off of intercompany receivables and subsidiary shares related to the restructuring of the Australian unit reduced the distributable earnings of Exel Composites by EUR 4.8 million.

The Company paid total dividends during the financial year of EUR 2.6 (2.4) million. Dividend per share was EUR 0.22 (0.20).

Business development and strategy implementation

Exel Composites aims to differentiate from its competitors by providing a superior customer experience that improves competitiveness and is based on a clear value proposition. Exel's strengths are its focus on continuous innovation and own internally developed composite technology, the high level of expertise of its employees and the

long-term partnerships. In addition being a globally local, world-wide player with a strong quality and brand image brings Exel competitive edge. Exel's strategy is based on five pillars: 1) protect and grow our stronghold customers, 2) accelerating growth in China, 3) penetrating new applications, 4) creating true global footprint and 5) growth in new technologies.

A significant strategic milestone was reached in October 2016 when Exel announced the acquisition of a Chinese composition production company. The acquisition is an important step in the implementation of Exel's growth strategy in China where megatrends such as urbanization, demographic change, as well as sustainability and total life cycle cost management are driving increased demand and business opportunities. In addition to expanding manufacturing capacity, Exel is expanding its local sales and product development network, its customer portfolio and the range of applications to the local market. The closing of the transaction is expected to take place during the first quarter of 2017.

The above mentioned acquisition also presented an opportunity to reorganize Exel Composites' operations and improve profitability in the APAC region. Increased production capacity in China is anticipated to adequately respond to the demand for advanced composites in the APAC region that in the long term is expected to increase. Therefore operations in the underperforming Australian unit will be significantly downsized. The restructuring of the Australian unit is expected to improve Exel Composites EBIT by EUR 0.9 from 2018 onwards.

In connection to the acquisition the project to expand Exel Composites' Nanjing site in China shall be cancelled. The project to build new facilities next to the present factory building was initiated in December 2014. The profitability of Exel Composites' Chinese business unit is expected to improve through synergies with the acquired business.

In 2016 we have purposefully continued executing operational efficiency improvements across the Group for example by combining certain business units into one management entity. The operational stability and flexibility to respond to fast changing demand achieved in this way is expected to improve the combined profitability of the units. The restructurings are expected to bring growth opportunities for Exel through better service to customers in Central and Southern Europe among other.

The step-by-step implementation of a Group-wide ERP system continues and is expected to be rolled out in all units during 2018.

Research and development

Research and development costs for the financial year totaled EUR 1.7 (1.9) million, representing 2.4% (2.3) of revenue.

Risk management

At Exel Composites risk management is a continuous process, which is integrated with the daily decision making and continuous monitoring of operations as well as with preparation of half year financial reports, business reviews and annual financial statements.

The Board of Directors governs the risk management of the Company through a risk management policy. In addition, the Board of Directors makes a risk assessment as part of the review and approval process of each set of half year financial reports, business reviews and annual financial statements. Risk factors are also considered in connection with any future guidance disclosed by the Company.

The operative risk management, including risk monitoring, is part of the key duties of the operative management. Risks are considered and evaluated in conjunction with each business decision. Additionally, they are also monitored by the President & CEO and other group management on a monthly basis when the team reviews the business development and any near and long-term risks upon presentation of the business unit heads and controllers.

Risks and uncertainties related to Exel Composites can be categorized as strategic, operational, financial and hazard risks.

Strategic risks

With respect to strategic risks, a significant portion of Exel Composites' revenues is generated from certain key clients and market segments. Whereas production capacity and cost structure of the Company is planned for growing business volume, negative development of such key clients or market segments could lead to deterioration of Exel Composites' profitability. This risk is mitigated by a close cooperation with key clients. The development of key markets and consequently business volumes are actively followed and forecasted in order to be able to adjust our business and cost structures to the forecasts. New products and applications are also continuously developed in order to limit the dependency of any individual clients or market segments.

Strategic risks also include risks related to acquisitions where the realized level of benefits and synergies may differ from the planned.

Operational risks

The most significant operational risks relate to product development and sales as well as production. Exel Composites' product range is very broad and often customer customized, which adds complexity to the product development and production. Designing, producing and selling a product that does not meet the requirements agreed with a client could potentially lead to substantial losses and damages. In addition, availability of skilled employees, protection of self-developed proprietary technology, fraud, availability and pricing of key raw

materials and health problems due to long-term exposure to chemicals belong to the most significant operational risks. Pre-emptive management of operative risks through careful contracting as well as appropriate business processes and working instructions are in key roles to prevent possible damages.

Financial risks

Financial risks consist of currency, interest rate, liquidity and funding risks, as well as credit and other counter party risks. Currency and interest rate risks are managed primarily by natural hedging or by using derivative instruments. Credit insurance is in place to cover risks related to trade receivables.

Hazard risks

Hazard risks, such as damages caused to property because of fire or chemical spill, as well as losses resulting from related business interruptions, are mainly covered by insurance policies. This type of risks are also regularly audited by third parties that provide recommendations for improvement to reduce risk probability.

Major near-term risks and uncertainties

Exel Composites' most significant near-term business risk relates to the fact that a significant portion of revenue is generated from certain key clients and market segments, the continued negative development of which could deteriorate the company's profitability. Furthermore, a rapid increase of raw material prices could on the short term negatively impact the company's profitability, even if in the longer term it would improve the competitiveness of composite materials.

The Company has recently announced an acquisition and further continues the screening process of potential acquisition targets. The acquisition prices may be based on such benefits and synergies that will not materialize as planned.

Organization and personnel

At the end of December 2016, Exel Composites employed 455 (494) people, of whom 206 (213) in Finland and 249 (281) in other countries. The average number of employees during the financial year was 479 (498).

Incentive programs

Exel Composites' performance-based 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 productivity.

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 2016 the Board of Directors of Exel Composites approved a new incentive program for the executives of the Company. The program is based on long-term monetary incentive program and is targeted at approximately 20 executives for the earning period 2016-2018. The President and CEO and the members of the Group Management Team are included in the target group of the new incentive program.

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

Environment, health and safety

Environment, health and safety are high priority at Exel Composites. Environmental issues are managed using ISO 14001 standard as a guideline in all the units of the Group and the company plays a leading role in industry associations such as EuCIA (European Composites Industry Association).

In 2016 we continued with preventative reporting and follow-up on occupational health and safety, and target to further reduce, among others, the number of lost time incidents. The work to expand the OHSAS 18001 certification (Occupational Health and Safety Assessment Series) in the company continued in 2016. During the year, the business units in Belgium and the United Kingdom got their OHSAS 18001 certificates.

Share and share performance

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

At the end of December 2016, Exel Composites' share capital was EUR 2,141,431.74 and the number of shares was 11,896,843 each having the counter-book value of EUR 0.18. There were no changes in the share capital during the financial year. There is only one class of shares and all shares are freely assignable under Finnish law.

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

At the end of December 2016 the share price closed at EUR 5.02. During the financial year, the average share price was EUR 5.05, the highest share price EUR 6.85 and the lowest share price EUR 4.71.

A total of 3,080,024 shares were traded at Nasdaq Helsinki Ltd., which represents 25.9% of the average number of shares. On 31 December 2016 Exel Composites' market capitalization was EUR 59.7 (77.7) million. Total shareholder return (TSR) in 2016 was -22.2% (-20.5).

Shareholders and disclosures

Exel Composites had a total of 3,034 shareholders on 31 December 2016.

On 31 December 2016, 0.38% 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.

According to the Company's shareholder register held by Euroclear Finland Oy, at the end of 2016 Exel Composites' two largest shareholders were nominee registers managed by Skandinaviska Enskilda Banken AB (19.6%) and Nordea Bank Finland Plc (14.5%).

During the financial year Exel Composites received one flagging notification in accordance with the Finnish Securities Market Act Chapter 9 Section 5 regarding changes in shareholdings.

On 2 November 2016 Exel Composites received a flagging notification according to which the direct holding of SEB Investment Management AB exceeds 5% of the voting rights and share capital in Exel Composites Plc. According to the notification, on 2 November SEB's fund company in Luxembourg turned into a branch of SEB's Swedish fund company, SEB Investment Management AB. This means holdings that were previously disclosed to financial supervisory authorities separately for

each fund company, will hereinafter be disclosed solely by SEB Investment Management AB. Thus, the change in shareholding was a consequence of the new branch structure, and not the result of active investment decisions. On 2 November 2016 the total holding of SEB Investment Management AB amounted to 1,020,300 shares representing 8.58% of the shares and voting rights of Exel Composites.

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

Significant related-party transactions

No significant related-party transactions were conducted by the Group, the permanent insiders or the company's managers in 2016.

Corporate Governance Statement

Exel Composites issues a Corporate Governance Statement for the financial year 2016 prepared in accordance to the Finnish Corporate Governance Code issued by the Securities Market Association, effective as of 1 January 2016. 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.

Decisions of the AGM 2016

The Annual General Meeting of Exel Composites Plc held on 17 March 2016 approved the Board's proposal to distribute a dividend of EUR 0.22 per share for the financial year 2015. The dividend was paid on 30 March 2016.

The Annual General Meeting 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 2017.

Additional information on the AGM 2016 is available on the company's website at www.exelcomposites.com.

Board of Directors and Auditors

On 17 March 2016 the Annual General Meeting re-elected Heikki Hiltunen, Matti Hyttiäinen and Reima Kerttula as members of the Board of Directors. Petri Helsky and Jouko Peussa were elected as new members of the Board of Directors. The Annual General Meeting elected Reima Kerttula as Chairman and Matti Hyttiäinen as the Vice Chairman of the Board of Directors.

The Annual General Meeting of Exel Composites has elected a Shareholders' Nomination Board, which nominates candidates to the Annual General Meeting for election as Board members and proposes the fees to be paid to the Board members. The Nomination Board comprised persons nominated by the four largest shareholders as of 3 October 2016 as well as the Chairman of the Board of Directors acting as expert member. In 2016, the Shareholders' Nomination Board comprised of Claes Murander (Lannebo Fonder AB), Ted Roberts (Nordea Asset Management) as chairman, Kalle Saariaho (OP Fund Management Company), Tuomas Virtala (Danske Invest Finland), and Reima Kerttula, Chairman of the Board of Directors, as expert member.

Ernst & Young, Authorized Public Accountants, with Juha Hilmola, APA, as principal auditor, were elected to serve as company auditor in the AGM in 2016.

The fees paid in 2016 to the external auditor for auditing Exel Group companies totaled EUR 149 (190) thousand, while the fees paid for non-audit services totaled EUR 71 (123) thousand.

Group Management Team

At the end of the financial year the Group Management Team of Exel Composites consisted of the following persons: Riku Kytömäki (President and CEO), Mikko Kettunen (CFO), Callum Gough (SVP Operations), Tiina Hiltunen (SVP Human Resources), Kari Loukola (SVP Sales and Marketing), Ilkka Silvano (SVP Strategic Projects and Legal Matters, until 31 December 2016) and Kim Sjödaahl (SVP R&D and Technology). There were no changes to group management during the financial year.

Events after the review period

The project to expand operations in Austria that was initiated in 2015 is put on hold.

Outlook for 2017

Exel Composites estimates that revenue with current company structure (i.e. without the Chinese company acquisition) will increase from previous year level and adjusted operating profit will be higher than previous year level. In 2016, Exel Composites' revenue was EUR 73.1 million and adjusted operating profit was EUR 2.6 million.

Board proposal for dividend distribution

Exel Composites' financial goals include distributing dividends minimum 40% of the profit for the financial year as permitted by the financial structure and growth opportunities.

On 31 December 2016 Exel Composites Plc's distributable funds totaled EUR 10.4 million, of which loss for the financial period accounted for EUR 765 thousand.

The Board has decided to propose to the Annual General Meeting that a dividend of EUR 0.10 (EUR 0.22) per share.

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

The Board of Directors has decided to propose the record date for dividends to be 6 April 2017. If the Annual General Meeting approves the Board's proposal, it is estimated that the dividend will be paid on 13 April 2017.

KEY INDICATORS 2012-2016

	2016	2015	2014	2013	2012
	IFRS 2)	IFRS 2)	IFRS 2)	IFRS 2)	IFRS 2)
Revenue	73,079	80,196	79,253	69,290	75,998
Operating profit	649	4,414	8,887	4,843	3,399
% of revenue	0.9	5.5	11.2	7.0	4.5
Adjusted operating profit	2,621	4,770	9,361	5,543	5,899
% of revenue	3.6	5.9	11.8	8.0	7.8
Profit before extraordinary items	678	4,257	8,457	4,557	2,971
% of revenue	0.9	5.3	10.7	6.6	3.9
Profit before provisions and income taxes	678	4,257	8,457	4,557	2,971
% of revenue	0.9	5.3	10.7	6.6	3.9
Total assets	53,075	53,968	52,411	48,468	51,502
Return on equity %	0.7	9.4	21.7	11.3	6.1
Return on capital employed, %	1.7	12.0	25.2	13.0	8.4
Equity ratio, %	51.3	57.1	56.9	47.2	61.0
Net gearing, %	12.2	2.0	-8.7	15.0	-3.4
Capital expenditure	3,129	4,295	4,354	2,767	2,846
% of revenue	4.3	5.4	5.5	4.0	3.7
Research and development costs	1,747	1,850	1,837	1,511	1,606
% of revenue	2.4	2.3	2.3	2.2	2.1
Average personnel	479	498	433	427	431
Personnel at year end	455	494	456	408	431

Share data

	2016	2015	2014	2013	2012
	IFRS 2)	IFRS 2)	IFRS 2)	IFRS 2)	IFRS 2)
Earnings per share (EPS), EUR	0.02	0.24	0.48	0.26	0.17
Adjusted earnings per share (EPS), EUR 1)	0.02	0.24	0.48	0.26	0.17
Equity per share, EUR	2.27	2.58	2.50	1.92	2.64
Dividend per share, EUR 3)	0.10	0.22	0.20	0.00	0.30
Payout ratio, %	600.3	92.0	41.7	0.0	175.8
Effective yield of shares, %	1.99	3.37	3.58	0.00	5.08
Price/earnings (P/E)	301.35	27.32	17.50	22.21	34.57
Price to book ratio, (P/B)	2.21	2.53	3.36	2.99	2.23

1) Adjusted for the dilution of option rights

2) From continuing operations

3) Board proposal for 2017 AGM

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

For the year ended 31 December 2016

EUR thousands	Notes	1.1. -31.12.2016	1.1. -31.12.2015
Revenue	6	73,079	80,196
Other operating income	9	376	553
Increase (+) / Decrease (-) in inventories of finished goods and work in progress		-256	-23
Materials and services		-28,742	-29,979
Employee benefit expenses	11	-22,952	-25,280
Depreciation	13	-3,015	-2,894
Amortization	13	-228	-9
Other operating expenses	10,12	-17,613	-18,151
Operating profit		649	4,414
Financial income	14	423	599
Financial expenses	15	-394	-757
Profit before tax		678	4,257
Income taxes	16	-480	-1,413
Profit/loss for the period		198	2,844
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translating foreign operations	16	-1,244	492
Income tax relating to components of other comprehensive income		0	0
Other comprehensive income to be reclassified to profit or loss in subsequent periods, net of tax:		-1,244	492
Items that will not be reclassified to profit or loss:			
Defined benefit plan actuarial gains (+) / losses (-), net of tax	16	-40	51
Total comprehensive income		-1,086	3,387
Profit/loss attributable to:			
Equity holders of the parent company		198	2,844
Comprehensive income attributable to:			
Equity holders of the parent company		-1,086	3,387
Total earnings per share, basic and diluted, EUR	18	0.02	0.24

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

EUR thousands	Notes	31.12.2016	31.12.2015
ASSETS			
Non-current assets			
Goodwill	20	9,793	9,597
Other intangible assets	20	516	490
Tangible assets	21	13,834	14,359
Other non-current assets	22	83	87
Deferred tax assets	17	362	383
Total non-current assets		24,589	24,916
Current assets			
Inventories	23	9,861	9,670
Trade and other receivables	24	11,681	11,507
Cash at bank and in hand	25	6,944	7,874
Total current assets		28,486	29,052
Total assets		53,075	53,968
EQUITY AND LIABILITIES			
	33		
Share capital		2,141	2,141
Other reserves		126	106
Invested unrestricted equity fund		2,539	2,539
Translation differences		2,781	4,025
Retained earnings		19,424	21,904
Equity attributable to the equity holders of parent company		27,013	30,716
Total equity		27,013	30,716
Non-current liabilities			
Interest-bearing loans and borrowings	27, 31	2,594	3,531
Non-current interest-free liabilities	26	571	553
Deferred tax liabilities	17	393	629
Total non-current liabilities		3,558	4,713
Current liabilities			
Interest-bearing loans and borrowings	27	7,633	4,945
Trade and other current liabilities	26	14,792	13,562
Income tax payable	26	80	32
Total current liabilities		22,504	18,539
Total equity and liabilities		53,075	53,968

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

EUR thousands	Notes	1.1.-31.12.2016	1.1.-31.12.2015
Cash flow from operating activities			
Profit for the period		198	2,844
Non-cash adjustments to reconcile profit to net cash flow	36	2,539	5,207
Change in working capital		998	-2,271
Cash flow generated by operations		3,735	5,780
Interest paid		-97	-80
Interest received		10	52
Other financial items		-131	-218
Income taxes paid		-388	-2,149
Net cash flow from operating activities		3,129	3,385
Cash flow from investing activities			
Purchase of non-current assets		-3,129	-4,295
Proceeds from sale of non-current assets		0	0
Net cash flow from investing activities		-3,129	-4,295
Cash flow before financing activities		0	-910
Cash flow from financing activities			
Proceeds from long-term borrowings		0	0
Repayments of long-term borrowings		-1,000	-1,000
Change in short-term loans		2,687	3,945
Repayments of finance lease liabilities		0	0
Additional capital repayment		0	0
Dividends paid		-2,617	-2,379
Net cash flow from financing activities		-930	566
Change in liquid funds		-930	-344
Liquid funds at the beginning of period		7,874	8,218
Liquid funds at the end of period		6,944	7,874

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

As at 31 December 2016

EUR thousands	Share capital	Invested unrestricted equity fund 2)	Translation differences	Retained earnings	Total
Balance at 1 January 2015	2,141	2,618	3,534	21,426	29,720
Comprehensive result			492	2,844	3,336
Defined benefit plan actuarial gains (+) / loss (-), net of tax				51	51
Other items		27		-27	0
Dividend				-2,379	-2,379
Correction of an error in previously issued financial statements 1)				-11	-11
Balance at 31 December 2015	2,141	2,645	4,025	21,904	30,716
Balance at 1 January 2016	2,141	2,645	4,025	21,904	30,716
Comprehensive result			-1,244	198	-1,046
Defined benefit plan actuarial gains (+) / loss (-), net of tax				-40	-40
Other items		20		-20	0
Dividend				-2,617	-2,617
Balance at 31 December 2016	2,141	2,666	2,781	19,424	27,013

1) Correction of actuarial losses in prior year related to the pension liability in Exel Composites N.V.

2) Invested Unrestricted Equity Fund includes other reserves amounting to EUR 126 (106) thousand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All figures in EUR thousands unless otherwise stated)

The consolidated financial statements of Exel Composites Plc for the year ended 31 December 2016 were authorized for issue in accordance with a resolution of the Board of Directors on 13 February 2017. Final decision to adopt or reject the financial statements is made by shareholders in Annual General Meeting on 4 April 2017.

NOTE 1 CORPORATE INFORMATION

Exel Composites is a leading composite technology company that designs, manufactures and markets composite products and solutions for demanding applications. Exel Composites provides superior customer experience through continuous innovation, world-class operations and long-term partnerships.

The core of the operations is based on proprietary, internally developed composite technology, product range based on it and a strong market position in selected segments with a strong quality and brand image. Profitable growth is pursued by a relentless search for new applications

and development in co-operation with customers. The personnel's expertise and high level of technology play a major role in Exel Composites' operations.

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

NOTE 2 BASIS OF PREPARATION

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

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

Statement of Compliance

The consolidated financial statements of Exel Composites have been prepared in compliance with International Financial Reporting Standards (IFRS), applying IAS and IFRS standards, as well as SIC and IFRIC interpretations, valid on 31 December 2016. The notes to the consolidated financial statements are also in compliance with the Finnish Accounting and Companies Acts.

Basis of Consolidation

Exel Composites' consolidated financial statements include the accounts of the parent company Exel Composites Plc and its subsidiaries as at 31 December each year. Subsidiaries are viewed as companies in which it owns, directly or indirectly, over 50 per cent of the voting rights or in which it is in a position to govern the financial and operating policies of the entity. Subsidiaries are fully consolidated from the date that Exel Composites acquired control and are no longer consolidated from the date that control ceases. Where necessary, the accounting principles of subsidiaries have been changed to ensure consistency with the accounting principles of the Group. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

Acquisitions of companies are accounted for using the purchase method. The cost of an acquisition is measured at fair value over the assets given up, shares issued or liabilities incurred or assumed at the date of acquisition. 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 2016 and 2015.

NOTE 3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted are consistent with those of the previous financial year.

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 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- IFRS 16 Leases

Amendments to standards

- IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses
- IFRS 2 Classification and Measurement of Share-based Payment Transactions
- IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers will be effective for the reporting periods beginning on 1 January 2018 or later. The new standard defines a five-step model to recognize revenue based on

contracts with customers. IFRS 15 will replace the current standards IAS 18 and IAS 11 as well as their interpretations.

Based on preliminary analysis the new standard is not expected to have a material impact on the Group's current revenue recognition. Customer can benefit from each composite product sold by the Group on its own or together with other resources readily available to the customer. Sold goods and their prices have been identified in customer contracts, deliveries are based on the customer's purchase orders and each supplied quantity is invoiced separately. There is no significant financing component included in the transaction prices. Some of the customer contracts include a variable consideration in the form of volume based rebate. The effect of the variable consideration on the transaction price is taken into account in revenue recognition. 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.

IFRS 16 Leases

IFRS 16 Leases will be effective for the reporting periods beginning on 1 January 2019 or later, if approved by the European Union. According to the new standard, the lessee will recognize assets and liabilities for the rights and obligations created by leases.

When adapting IFRS 16, the portion of the lease payments currently included in other operating expenses in the consolidated income statement will be transferred to depreciations and amortizations and the portion of interest to the financial expenses. Also balance sheet totals will be affected, leading to some changes in key financial indicators. The Group is currently assessing the impact of IFRS 16.

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.

Judgments

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

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill and other

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 28.

Deferred tax assets

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

Pension and other post-employment benefits

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

Determining the fair value of assets in business combinations

In major corporate mergers the Group has employed the services of an outside advisor in assessing the fair value of tangible assets. For tangible assets comparisons have been made with the market prices of similar assets and an estimate made about impairment caused by

the acquired asset's age, wear and other related factors. The determination of the fair value of tangible assets is based on estimates of cash flows related to the asset.

NOTE 5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations from 1 January 2009

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisitions costs incurred are expensed.

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

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

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

Business combinations prior to 31 December 2008

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

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

The Group does not have any associates or joint ventures.

Non-current assets held for sale and discontinued operations

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

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

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Sales of products are recognized as income once the risk and benefits related to ownership of the sold products have been transferred to the buyer and the Group no longer has the possession of, or control over, the products. Sales of services are recognized as income once the service has been rendered. Revenue arising from projects lasting over 12 months and having a material impact on the Group's financial position and performance is recognized in accordance with IAS standard 11.

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.

Foreign currency translation

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

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

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

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

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

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

Intangible assets

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

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

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

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

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

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

Research and development

Research costs are expensed as incurred. Costs incurred from development projects, which are often connected with the design and testing of new or advanced products, are recorded in the balance sheet as intangible assets from the time that the product can be technically achieved, it can be utilized commercially, and the product is expected to create a comparable financial benefit. Other development costs are recorded as expenses. Capitalized development costs are amortized on a straight-line basis beginning from the commercial production of the product during the period they are effective, yet no longer than five years. There were no capitalized development costs during 2016 and 2015.

Computer software

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

Other intangible assets

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

Property, plant and equipment

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

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

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

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

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

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

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

Government grants

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity occurs in connection with the borrowing of funds. For the years ending 31 December 2016 and 2015, the Group had no assets where the borrowing costs would have been capitalized.

Financial assets

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

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

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

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

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

"Held-to-maturity financial assets" include non-derivative financial assets with fixed or determinable payments and fixed maturities when the Group has the positive intention and ability to hold them to maturity. After initial measurement held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. The Group did not have any held-to-maturity investments during the years ended 31 December 2016 and 2015.

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

A financial asset is derecognized when:

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

Cash and short-term deposits

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

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

Financial liabilities

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

Finance lease liabilities are initially recognized at fair value. All financial liabilities, 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.

Derivative financial instruments and hedging

Derivative contracts are recorded initially as an acquisition cost equal to their fair value. Following their acquisition derivative contracts are valued according to their fair value.

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

Hedges for net investments in foreign units are recorded in the same way as cash-flow hedges. A hedge on a foreign subsidiary's equity is recorded in shareholders' equity in the same way as the exchange rate difference in shareholders' equity. The Group did not hedge its net foreign investments exposure during 2016 or 2015.

Impairment of non-financial assets

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

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

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

Impairment of financial assets

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

Lease agreements

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

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

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

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

Inventories

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

Trade receivables

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

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

Share capital

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

Taxes

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

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

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

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

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

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

Pensions and other post-employment benefits

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

In defined benefit pension plans, the present value of future pension payments on the closing date is presented less the fair value of the plan-related assets on the closing date. 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 periodised 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.

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.

Provisions

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

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

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

The Group recognizes a provision for significant projects covering the repair or replacement costs during the guarantee period.

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

Dividends

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

Earnings per share

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

NOTE 6 SEGMENT INFORMATION

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

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

Operating segments

The Group has one operating segment, Exel Composites.

Geographical information

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

Revenue outside the Group according to location of customers

	2016	2015
Europe	59,636	63,896
APAC	11,274	13,712
Rest of world	2,170	2,588
Total	79,079	80,196

Revenue from the biggest customer amounted to EUR 11,940 (17,293) thousand.

Total assets according to geographic location

	2016	2015
Europe	31,335	30,212
APAC	14,719	15,190
Rest of world	0	0
Total	46,054	45,402

Capital expenditure according to geographic location

	2016	2015
Europe	2,452	3,607
APAC	676	688
Rest of world	0	0
Total	3,129	4,295

NOTE 7 BUSINESS COMBINATIONS

The Group did no acquisitions in 2016 or 2015.

NOTE 8 EXCHANGE RATES

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

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

Country	Currency	2016 Average rate	2015 Average rate	2016 Balance sheet rate	2015 Balance sheet rate
Australia	AUD	1.48862	1.47650	1.45960	1.49900
UK	GBP	0.81888	0.72602	0.85618	0.73799
China	RMB	7.34947	6.97319	7.32020	7.09100
Sweden	SEK	9.46745	9.35401	9.55250	9.18780
USA	USD	1.10658	1.10963	1.05410	1.09260

NOTE 9 OTHER OPERATING INCOME

	2016	2015
Rental incomes	19	20
Other operating incomes	357	533
Total	376	553

Other operating income includes Exel Sports licensing income of EUR 300 (207) thousand and government grants of EUR 3 (324) thousand.

NOTE 10 OTHER OPERATING EXPENSES

	2016	2015
Rental expenses	2,026	1,239
Other operating expenses	15,587	16,913
Total	17,613	18,151

The fees paid in 2016 to the external auditor for auditing Exel Group companies totaled EUR 149 (190) thousand, while the fees paid for non-audit services totaled EUR 71 (123) thousand.

NOTE 11 EMPLOYEE BENEFIT EXPENSES

	2016	2015
Wages and salaries	18,816	20,837
Pension costs – defined contribution schemes	2,101	2,339
Pension costs – defined benefit schemes	2	14
Other employee benefits	2,033	2,090
Total	22,952	25,280

	2016	2015
Average number of personnel	479	498

NOTE 12 RESEARCH AND DEVELOPMENT EXPENDITURE

The income statement includes research and development costs entered as costs amounting to EUR 1,747 (1,850) thousand in 2016. These costs are included in the income statement under Employee Benefit Expenses and Other Operating Expenses.

NOTE 13 DEPRECIATION, AMORTIZATION AND IMPAIRMENT

Depreciation of assets

	2016	2015
Intangible assets	199	293
Tangible assets		
Buildings	255	283
Machinery and equipment	2,561	2,317
Total	3,015	2,894

Impairment and write-down of assets

	2016	2015
Intangible assets	0	0
Goodwill	0	0
Tangible assets		
Land	9	9
Buildings	119	0
Machinery and equipment	101	0
Total	228	9

NOTE 14 FINANCIAL INCOME

	2016	2015
Interest income on loans and receivables	10	52
Dividend income	2	1
Foreign exchange gains	400	501
Change in fair value of financial assets recognized at fair value through profit or loss (from derivatives)	10	4
Other finance income	2	41
Total finance income	423	599

NOTE 15 FINANCIAL EXPENSES

	2016	2015
Interest expenses on debts and borrowings	99	77
Interest expenses under finance leases	0	0
Foreign exchange losses	237	571
Change in fair value of financial assets recognized at fair value through profit or loss (from derivatives)	0	0
Other finance expenses	58	109
Total finance expenses	394	757

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

NOTE 16 INCOME TAXES

The income tax entered as an expense consisted mainly of the following components for the years ended 31 December 2016 and 2015:

	2016	2015
Income tax based on taxable income for the financial year	663	1,273
Income taxes from previous financial periods	-20	146
Deferred taxes	-163	-6
Total income taxes reported in the income statement	480	1,413

Income tax recognized in other comprehensive income 2016

	Before tax	Tax effect	After tax
Exchange differences on translating foreign operations	-1,244	0	-1,244
Defined benefit plan actuarial gains (+) / losses (-)	-61	21	-40
Total	-1,305	21	-1,284

Income tax recognized in other comprehensive income 2015

	Before tax	Tax effect	After tax
Exchange differences on translating foreign operations	492	0	492
Defined benefit plan actuarial gains (+) / losses (-)	78	-26	51
Total	570	-26	543

A reconciliation between tax expense and the product of accounting profit multiplied by Finland's domestic tax rate for the years ended 31 December 2016 and 2015 is as follows:

Income tax reconciliation

	2016	2015
Accounting profit before tax	678	4,257
Tax calculated at domestic tax rate 20.0% in 2016 and in 2015	136	851
Difference between the domestic and foreign tax rates	-47	-3
Expenses not deductible for tax purposes	483	10
Other	-92	555
Tax charge	480	1,413
Effective tax rate	70.8	33.2

NOTE 17 DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

Deferred tax assets

	1 January 2016	Recognized in income statement	Recognized in shareholders' equity	Exchange rate differences	31 December 2016
Intercompany profit in inventory	4	12			16
Losses	73	230		1	304
Other temporary differences	656	-116	21	-1	560
Offset with deferred tax liabilities	-350	-168			-518
Net deferred tax assets	383	-42	21	0	362

Deferred tax liabilities

	1 January 2016	Recognized in income statement	Recognized in shareholders' equity	Exchange rate differences	31 December 2016
Accumulated depreciation	-3	9			6
Other temporary differences	982	-72		-5	905
Offset with deferred tax assets	-350	-168			-518
Net deferred tax liabilities	629	-231	0	-5	393

Deferred tax assets

	1 January 2015	Recognized in income statement	Recognized in shareholders' equity	Exchange rate differences	31 December 2015
Intercompany profit in inventory	1	3			4
Losses	74			-1	73
Other temporary differences	559	117	-26	6	656
Offset with deferred tax liabilities	-349	-1			-350
Net deferred tax assets	285	119	-26	5	383

Deferred tax liabilities

	1 January 2015	Recognized in income statement	Recognized in shareholders' equity	Exchange rate differences	31 December 2015
Accumulated depreciation		-3			-3
Other temporary differences	854	126		2	982
Offset with deferred tax assets	-349	-1		2	-350
Net deferred tax liabilities	505	122		2	629

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 2016 of EUR 8,382 (3,686) thousand, of which the Company has recorded deferred tax assets of EUR 305 (73) thousand that are available for offset against future taxable profits of the companies in which the losses arose.

NOTE 18 EARNINGS PER SHARE

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

	2016	2015
Profit for the financial year attributable to ordinary equity holders of the parent company, EUR thousands	198	2,844
Weighted average number of outstanding shares during the financial year, 1,000 shares	11,897	11,897
Basic and diluted earnings per share, EUR/share	0.02	0.24

NOTE 19 DIVIDENDS PER SHARE

The Annual General Meeting held on 17 March 2016 approved the Board's proposal to distribute a dividend of EUR 0.22 per share for the financial year 2015.

Following the balance sheet date the Board of Directors has proposed for approval at the Annual General Meeting that a dividend of EUR 0.10 per share be paid for the financial year 2016.

The Annual General Meeting held on 26 March 2015 approved the Board's proposal to distribute a dividend of EUR 0.20 per share for the financial year 2014.

NOTE 20 INTANGIBLE ASSETS

The Group has no internally created intangible assets.

Goodwill

	2016	2015
Acquisition cost at 1 January	14,471	14,559
Additions	0	0
Exchange rate differences	220	-88
Acquisition cost at 31 December	14,691	14,471
Accumulated amortization at 1 January	-4,872	-4,882
Impairment charge	0	0
Exchange rate differences	-24	10
Accumulated amortization at 31 December	-4,896	-4,872
Book value at 1 January	9,597	9,676
Book value at 31 December	9,793	9,597

Other intangible assets

	2016	2015
Acquisition cost at 1 January	5,190	5,215
Additions	2	11
Decreases	0	0
Transfers between asset groups	21	0
Exchange rate differences	89	-36
Acquisition cost at 31 December	5,302	5,190
Accumulated amortization at 1 January	-5,074	-4,959
Amortization for the period	-62	-151
Impairment charge and write-downs	0	0
Decreases	0	0
Exchange rate differences	-89	36
Accumulated amortization at 31 December	-5,225	-5,074
Book value at 1 January	116	255
Book value at 31 December	77	116

Other long-term expenses

	2016	2015
Acquisition cost at 1 January	3,757	3,671
Additions	19	77
Decreases	0	0
Transfers between asset groups	184	9
Translation differences	0	0
Acquisition cost at 31 December	3,960	3,757
Accumulated amortization at 1 January	-3,383	-3,240
Amortization for the period	-137	-143
Decreases	0	0
Translation differences	0	0
Accumulated amortization at 31 December	-3,520	-3,383
Book value at 1 January	374	431
Book value at 31 December	440	374

NOTE 21 PROPERTY, PLANT AND EQUIPMENT

Land and water areas

	2016	2015
Acquisition cost at 1 January	978	928
Additions	0	0
Decreases	0	0
Transfer between asset groups	0	0
Exchange rate differences	-75	50
Acquisition cost at 31 December	903	978
Impairment charge and write-downs	-278	-238
Exchange rate differences	27	-33
Book value at 1 January	708	682
Book value at 31 December	653	708

Buildings and structures

	2016	2015
Acquisition cost at 1 January	7,775	7,511
Additions	69	123
Decreases	0	0
Transfer between asset group	8	29
Exchange rate differences	-146	112
Acquisition cost at 31 December	7,706	7,775
Accumulated amortization at 1 January	-5,336	-5,017
Amortization for the period	-255	-283
Decreases	0	0
Amortization for the period	0	0
Exchange rate differences	70	-36
Accumulated amortization at 31 December	-5,521	-5,336
Book value at 1 January	2,440	2,494
Book value at 31 December	2,187	2,440

Machinery and equipment

	2016	2015
Acquisition cost at 1 January	48,292	44,970
Additions	1,798	2,789
Decreases	0	-51
Transfers between asset groups	706	243
Exchange rate differences	-544	341
Acquisition cost at 31 December	50,252	48,292
Accumulated amortization at 1 January	-38,971	-36,488
Amortization for the period	-2,561	-2,317
Impairment charge and write-downs	-101	0
Decreases	0	0
Translation differences	289	-166
Accumulated amortization at 31 December	-41,344	-38,971
Book value at 1 January	9,321	8,481
Book value at 31 December	8,907	9,321

Advance payments and construction in progress

	2016	2015
Acquisition cost at 1 January	1,889	875
Additions	1,241	1,295
Transfers between asset groups	-920	-281
Decreases	-119	0
Exchange rate differences	-4	0
Accumulated amortization at 31 December	0	1,889
Book value at 1 January	1,889	875
Book value at 31 December	2,087	1,889

NOTE 22 OTHER NON-CURRENT ASSETS

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

	2016	2015
Book value at 1 January	87	74
Decreases	0	0
Change in fair value	-4	14
Book value at 31 December	83	87

NOTE 23 INVENTORIES

	2016	2015
Raw materials	5,536	4,968
Work in progress	1,139	914
Finished products and goods	3,186	3,788
Total inventories	9,861	9,670

During the 2016 financial year an expense of EUR 1,136 thousand was recognized to reduce the book value of inventories to their net realizable value (EUR 749 thousand in 2015).

NOTE 24 TRADE AND OTHER RECEIVABLES

	2016	2015
Trade receivables	10,433	10,156
Deferred income	483	624
Other receivables	765	727
Total receivables	11,681	11,507

During the 2016 financial year credit losses of EUR 134 thousand were recorded (EUR -57 thousand in 2015), consisting of actual credit losses amounting to EUR 19 thousand (EUR 95 thousand in 2015) and change in the bad debt provision amounting to EUR 115 thousand (EUR -152 thousand in 2015) covering all overdue trade receivables which are over 90 days overdue.

As at 31 December, the ageing analysis of trade receivables is as follows:

			Past due but not impaired		
	Total	Neither past due nor impaired	<30 days	30-60 days	61-90 days
2016	10,433	7,732	2,309	265	126
2015	10,156	6,629	2,649	583	297

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

NOTE 25 CASH AND CASH EQUIVALENTS

Cash assets and short-term deposits consist of cash-in-hand and bank accounts amounting to EUR 6,944 (7,874) thousand.

NOTE 26 TRADE AND OTHER NON-INTEREST BEARING LIABILITIES

	2016	2015
Trade payables	8,953	7,453
Accrued expenses	4,441	5,072
Advance payments	381	140
Other current interest-free liabilities	1,096	929
Non-current interest-free liabilities	571	553
Total	15,443	14,147

NOTE 27 INTEREST BEARING LOANS AND BORROWINGS

Non-current interest-bearing loans and borrowings

	2016 Book values	2015 Book values
Loans from financial institutions	2,000	3,000
Pension loans	594	531
Finance lease liabilities	0	0
Total	2,594	3,531

Current interest-bearing loans and borrowings

	2016	2015
Short-term loans from financial institutions	6,633	3,945
Current portion of long-term debt (repayments)	1,000	1,000
Total	7,633	4,945

Maturity of non-current interest-bearing liabilities

	2016	2015
2015		
2016	0	1,000
2017	1,000	1,000
2018	1,000	1,000
2019	1,000	1,000
2020	0	0
2021	0	0
Later	0	0
Total	3,000	4,000

Among interest-bearing loans EUR 1,800 (2,400) thousand has been converted to fixed interest rates through interest rate swap agreements in 2016.

NOTE 28 IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLES WITH INDEFINITE LIVES

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

Distribution of goodwill

	2016	2015
Finland	135	135
Germany	1,305	1,305
Belgium	209	209
Austria	688	688
Exel Composites Group	7,457	7,261
Total	9,793	9,597

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 next five years. Forecasts for periods further ahead in the future have been calculated on the assumption of annual growth of 3% (3%) on the industry in the long term. The level of gross margins in these forecasts is expected to remain on average at the current level.

Discount rates are defined separately in order to reflect the effect of the different business risks on the expected return on equity. The cost of liabilities is defined according to the existing credit portfolio. The calculation of the average cost of capital takes into account the Group's targeted capital structure, as well as the effect of debt on the cost of Group equity. The discount rate before taxes used in the calculations varied between 10.2% – 16.6% (9.0% – 13.7%).

On the basis of the impairment test, the amount of money that can be accrued by all cash-generating units exceeded the corresponding balance sheet values.

Sensitivity of the impairment test

With regard to the assessment of value in use the management believes that if the turnover drops over 23% (9%) there would be a situation where the carrying value would not exceed the recoverable amount. Alternatively the sales margin must decline over 12 (4) per cent units or discount rate increase to over 23% (21%).

NOTE 29 FINANCIAL RISK MANAGEMENT

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

Foreign currency risk

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

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

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

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

Net investment

	31.12.2016	31.12.2015
AUD	2,900	5,899
GBP	7,010	7,705
RMB	5,232	6,114

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

31 December 2016	AUD	GBP	RMB
Increase in currency rate vs. EUR, %	5%	5%	5%
Effect on profit before tax, EUR			
Effect on equity, EUR	145	351	262

31 December 2015	AUD	GBP	RMB
Increase in currency rate vs. EUR, %	5%	5%	5%
Effect on profit before tax, EUR			
Effect on equity, EUR	295	385	306

Interest rate risk

The Group's currency-denominated borrowings are in the functional currencies of Group companies. The nominal values of interest-bearing liabilities on 31 December 2016 were divided to the currencies as follows:

Currency	Amount EUR thousands	%
EUR	9,500	100%

Non-current loans have adjustable rates of interest, but they are partially protected against interest rate risks by converting them to fixed interest rates through interest rate swaps. At the balance sheet date the Group had interest swap contracts with notional value of EUR 1,800 thousand, where the Group pays 0.63 % 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 2016 was EUR 102 thousand (EUR 85 thousand in 2015).

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

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

Liquidity and funding risk

The Group aims to ensure adequate liquidity under all circumstances and to optimize the use of liquid assets in financing business operations. In addition, the objective is to minimize net interest costs and bank charges. Cash reserves are invested only in objects that can be realized quickly. In addition to cash reserves and interest rate investments, the Group had unused credit limits on 31 December 2016 amounting to EUR 24,500 thousand of which EUR 24,500 thousand were committed.

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

31 December 2016	On demand	Less than 3 months	3-12 months	1-5 years	> 5 years	Total
Interest-bearing liabilities	133	7,000	500	2,000		9,633
Trade and other current payables		14,872				14,872

31 December 2015	On demand	Less than 3 months	3-12 months	1-5 years	> 5 years	Total
Interest-bearing liabilities	3,945	500	500	3,000		7,945
Trade and other current payables		13,594				13,594

Credit and counterparty risk

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

Counterparty risk refers to a situation in which a contracting party is unable to fulfill its contractual obligations. Derivative instruments and cash reserve investments are only employed with counterparties that have a good credit rating. At the end of the 2016 financial year, 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 24.

Capital management

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

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

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

	2016	2015
Interest-bearing liabilities	10,227	8,476
Cash and cash equivalents	6,944	7,874
Net interest-bearing liabilities	3,283	602
Shareholders' equity	27,013	30,716
Net gearing, %	12.2	2.0

NOTE 30 PENSION AND OTHER POST-EMPLOYMENT OBLIGATIONS

The Group operates a number of defined benefit and contribution pension schemes throughout the world.

The most significant pension scheme in Finland is the statutory Finnish employee pension scheme (TyEL) according to which benefits are

directly linked to the employee's earnings. The TyEL pension scheme is mainly arranged with 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

	2016	2015
Service cost for the financial year	2,101	2,339
Differences in benefit schemes	2	14
Total included in personnel expenses	2,103	2,353

Amounts recognized in the balance sheet

	2016	2015
At the beginning of financial period	531	623
Pension expenses in the income statement	2	-14
Defined benefit plan actuarial gains (+)/ losses (-)	62	-78
Correction of an error in previously issued financial statements	0	0
At the end of financial period	594	531

NOTE 31 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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

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

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

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

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

Principles regarding classification of financial instruments' fair values:

The fair value of financial instruments has been determined by the Group using appropriate valuation methods for which sufficient information is available. This is done by maximizing the usage of market observable inputs and minimizing the usage of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

The Group's financial assets and liabilities are included in Level 2 valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The Group categorizes financial assets and liabilities valued at fair value to appropriate net fair value hierarchy level at the end of each reporting period.

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

	Net fair value hierarchy	2016 Net fair value	2016 Nominal value	2015 Net fair value	2015 Nominal value
Trade and other receivables	Level 2	11,681	11,681	11,507	11,507
Cash and cash equivalents	Level 2	6,944	6,944	7,874	7,874
Interest rate swap agreements	Level 2	-24	1,800	-35	2,400
Bank loans	Level 2	9,534	9,500	4,011	4,000
Non-current loan facilities	Level 2	133	133	3,945	3,945
Trade and other payables	Level 2	14,872	14,872	13,594	13,594

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

NOTE 32 CONTINGENT LIABILITIES

	2016	2015
Commitments on own behalf		
Mortgages	2,783	2,783
Floating charges	12,500	12,500
Operating leases		
Not later than one year	774	1,040
1-5 years	456	904
Other liabilities	312	312

NOTE 33 SHARE CAPITAL

	Number of shares (1,000)	Share capital	Invested unrestricted equity fund	Total
1 January 2015	11,897	2,141	2,539	4,681
31 December 2015	11,897	2,141	2,539	4,681
31 December 2016	11,897	2,141	2,539	4,681

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

On 17 March 2016 the Annual General Meeting authorized the Board of Directors to acquire the Company's own shares on the followings terms:

The maximum number of shares to be repurchased

By virtue of the authorization the Board of Directors is entitled to decide on the repurchase of a maximum of 600,000 Company's own shares. The authorization shall also contain an entitlement for the Company to accept its own shares as pledge. The number of shares that can be acquired or held as pledges by the Company on the basis of this authorization shall not exceed one tenth (1/10) of all outstanding shares of the Company.

Directed repurchase and consideration for a share

Own shares may be repurchased in deviation from the proportion to the holdings of the shareholders with unrestricted equity through trading of the securities on regulated market organized by Nasdaq Helsinki Ltd at the market price of the time of the repurchase provided that the Company has a weighty financial reason thereto.

The shares shall be acquired and paid in accordance with the Rules of Nasdaq Helsinki Ltd and Euroclear Finland Ltd.

Retaining, cancelling and conveyance of the shares

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.

Other terms and period of validity

The Board of Directors shall decide on other terms of the share repurchase.

On 17 March 2016 the Annual General Meeting authorized the Board of Directors to repurchase a maximum of 600,000 own shares. The authorization also contained an entitlement for the Company to accept its own shares as pledge. The number of shares that could be acquired or held as pledges by the Company on the basis of this authorization could not exceed one tenth (1/10) of all outstanding shares of the Company. The share repurchase authorization shall be valid until 30 June 2017.

On 26 March 2015 the Annual General Meeting authorized the Board of Directors to repurchase a maximum of 600,000 own shares. The authorization also contained an entitlement for the Company to accept its own shares as pledge. The number of shares that could be acquired or held as pledges by the Company on the basis of this authorization could not exceed one tenth (1/10) of all outstanding shares of the Company. The authorization was valid until 30 June 2016.

These authorizations have not been exercised during the year.

NOTE 34 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. The Board of Directors makes the decision on the program annually.

The 2013 program, the earning period of which ended in 2015, was based on a long-term monetary incentive program and was targeted at 20 executives for the earning period 2013 – 2015. The President and CEO and the members of the Group Management Team were included in the target group of the 2013 program. The potential long-term monetary performance reward from the program was based on the Group's cumulative Economic Profit and on the Group's Total Shareholder Return (TSR). The potential maximum reward to be paid on the basis of the earning period 2013 – 2015 was EUR 1 million. The final monetary reward paid in 2016 based on the program was EUR 455 thousand excluding social security costs.

On 31 December 2016 the Group had three long-term incentive programs:

The 2014 program is based on a long-term monetary incentive program and is targeted at approximately 20 executives for the earning period 2014 – 2016. The President and CEO and the members of the Group Management Team are included in the target group of the 2014 program. The potential long-term monetary performance reward is based on the Group's cumulative Economic Profit and on the Group's Total Shareholder Return (TSR). The potential reward will be paid in 2017. The maximum reward to be paid will be EUR 1 million. EUR 159 thousand of related accrued costs were released in 2016.

The 2015 program is based on a long-term monetary incentive program and is targeted at approximately 25 executives for the earning period 2015 – 2017. The President and CEO and the members of the Group Management Team are included in the target group of the 2015 incentive program. The potential long-term monetary performance reward is based on the Group's cumulative Economic Profit and on the Group's Total Shareholder Return (TSR). The potential reward will be paid in 2018. The maximum reward to be paid will be EUR 1.5 million. EUR 156 thousand of related accrued costs were released in 2016.

The 2016 program is based on a long-term monetary incentive program and is targeted at approximately 20 executives for the earning period 2016 – 2018. The President and CEO and the members of the Group Management Team are included in the target group of the 2016 incentive program. The potential long-term monetary performance reward is based on the Group's cumulative Economic Profit and on the Group's Total Shareholder Return (TSR). The potential reward will be paid in 2019. The maximum reward to be paid will be EUR 1 million. In 2016 no related costs were recorded.

No reward will be paid to an executive based on the 2014, 2015 and 2016 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 cost of the programs will be accounted for as operating expenses during the duration of the programs.

NOTE 35 DISTRIBUTABLE FUNDS ON 31 DECEMBER 2016

The parent company's distributable funds on 31 December 2016 were EUR 10,413 thousand.

NOTE 36 CASH FLOW FROM BUSINESS OPERATIONS

Non-cash adjustments to the result for the financial year

	2016	2015
Depreciation, impairment charges and write-offs	3,244	2,903
Taxes	480	1,413
Financial expenses	394	756
Financial income	-423	-599
Other adjustments	-1,156	734
Total	2,539	5,207

NOTE 37 RELATED-PARTY TRANSACTIONS

Until 2 July 2016 Exel Composites' permanent public insiders included Exel Composites' Board members, the President and CEO, the members of the Group Management Team and the audit firm's auditor with principal responsibility for Exel Composites.

As of 3 July 2016 Exel Composites maintains a list of all persons discharging managerial responsibilities in the Company and persons closely associated with them. In compliance with the Market Abuse

Regulation ((EU) N:o 596/2014, "MAR"), the Company discloses the transaction notifications of the company's managers as a stock exchange release. The Company does not maintain a public insider register as of 3 July 2016.

No significant related-party transactions were conducted by the Group, the permanent insiders or the company's managers in 2016.

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

Name of subsidiary	Domicile	Group share of holding
Exel GmbH	Germany	100%
Exel Composites N.V.	Belgium	100%
Exel Composites GmbH	Austria	100%
Exel USA, Inc.	USA	100%
Exel Composites (Nanjing) Co. Ltd.	China	100%
Exel Composites (Australia) Pty. Ltd.	Australia	100%
Pacific Composites Ltd.	Australia	100%
Pacific Composites (Europe) Ltd.	UK	100%
Fibreforce Composites Ltd.	UK	100%
Pacific Composites Ltd.	New Zealand	100%
Exel Composites Store Ltd.	Finland	100%

The ultimate parent company is Exel Composites Plc.

Management remuneration

Senior management accrued salaries, fees and bonuses

	2016	2015
President & CEO	453	434
Members of the Board of Directors	164	156
Total	617	590

Salaries and fees per person

President and CEO and Board of Directors	2016	2015
Riku Kytömäki, President and CEO	453	434
Peter Hofvenstam, Chairman of the Board (until 17 March 2016)	2	50
Reima Kerttula, Chairman of the Board (as of 17 March 2016, member until 17 March 2016)	49	27
Matti Hyytiäinen, Vice Chairman of the Board (as of 17 March 2016, member until 17 March 2016)	37	26
Petri Helsky (as of 17 March 2016)	25	0
Heikki Hiltunen	25	26
Kerstin Lindell (until 17 March 2016)	1	26
Göran Jönsson (until 26 March 2015)	0	1
Jouko Peussa (as of 17 March 2016)	25	0
Total	617	590

The accrued pension costs of CEO amounted to EUR 109 (106) thousand. The CEO's pension plan is pursuant to the employment pension legislation.

The holdings of the senior management on 31 December 2016

Number of shares and votes	2016	2015
Riku Kytömäki	30,000	13,550
Peter Hofvenstam (until 17 March 2016)		7,755
Reima Kerttula	5,970	3,685
Matti Hyytiäinen	2,487	773
Petri Helsky	1,142	0
Heikki Hiltunen	4,827	3,685
Kerstin Lindell (until 17 March 2016)		1,839
Jouko Peussa	1,142	0
Number of shares and votes total	45,568	34,937

NOTE 38 EVENTS AFTER THE REPORTING PERIOD

The project to expand operations in Austria that was initiated in 2015 is put on hold.

PARENT COMPANY INCOME STATEMENT

EUR	Notes	1.1. -31.12.2016	1.1. -31.12.2015
Revenue	1	34,392,412.27	38,159,384.87
Increase (+) / Decrease (-) in inventories of finished goods and work in progress		196,618.33	-484,553.36
Other operating income		336,446.76	557,369.74
Materials and services			
Materials and supplies			
Purchases during financial period		11,944,650.08	11,742,260.91
Increase (-) or decrease (+) in inventories		-357,420.38	407,563.60
		-11,587,229.70	-12,149,824.51
External services		-594,786.21	-794,574.26
Personnel expenses	2		
Wages and salaries		9,067,848.26	10,344,907.74
Pension costs		1,596,868.09	1,818,594.57
Other personnel expenses		570,935.10	521,118.55
		-11,235,651.45	-12,684,620.86
Depreciation and write-down	3		
Planned depreciation		-1,598,592.24	-1,460,559.29
Other operating expenses	4	-7,388,232.85	-7,484,880.75
Operating profit		2,520,984.91	3,657,741.58
Financial income and expenses	5		
Other interest and financial income		341,555.79	471,128.22
Interest paid and other financial expenses		-3,198,340.39	-662,737.03
		-2,856,784.60	-191,608.81
Profit (-loss) before appropriations		-335,799.69	3,466,132.77
Appropriations	6	-40,510.39	-25,011.77
Profit (-loss) before taxes		-376,310.08	3,441,121.00
Direct taxes	7	-388,670.25	-817,541.16
Profit (-loss) for the period		-764,980.33	2,623,579.84

PARENT COMPANY BALANCE SHEET

EUR	Notes	1.1. -31.12.2016	1.1. -31.12.2015
ASSETS			
Non-current assets	8		
Intangible assets			
Intangible assets		68,372.49	84,071.71
Other capitalized expenditure		439,795.77	373,979.75
		508,168.26	458,051.46
Tangible assets			
Land and water		90,313.28	90,313.28
Buildings		1,022,217.84	1,180,669.71
Machinery and equipment		3,083,668.59	3,236,057.96
Construction in progress		2,055,249.58	1,769,979.85
		6,251,449.29	6,277,020.80
Investments			
Holdings in Group companies	9	16,285,609.82	16,975,053.42
Other shares and holdings		53,069.36	53,069.36
		16,338,679.18	17,028,122.78
Total non-current assets		23,098,296.73	23,763,195.04
Current assets			
Inventories			
Raw materials and consumables		3,118,741.25	2,761,320.87
Work in progress		1,139,333.24	913,611.71
Finished goods		853,530.83	882,634.03
		5,111,605.32	4,557,566.61
Current receivables	10		
Trade receivables		3,235,313.65	3,577,193.10
Receivables from Group companies		812,201.15	2,360,871.93
Other receivables		333,548.18	251,918.41
Prepaid expenses and accrued income		276,395.57	341,692.59
		4,657,458.55	6,531,676.03
Cash in hand and at bank		1,335,200.19	2,229,318.31
Total current assets		11,104,264.06	13,318,560.95
Total assets		34,202,560.79	37,081,755.99

EUR	Notes	1.1. -31.12.2016	1.1. -31.12.2015
LIABILITIES AND SHAREHOLDERS' EQUITY			
Equity	11		
Share capital		2,141,431.74	2,141,431.74
Share premium reserve		0.00	0.00
Invested unrestricted equity fund		2,539,278.34	2,539,278.34
Retained earnings		8,638,366.82	8,632,092.44
Loss for the financial period		-764,980.33	2,623,579.84
Total equity		12,554,096.57	15,936,382.36
Appropriation			
Cumulative accelerated depreciation		30,922.16	15,011.77
Liabilities			
Non-current liabilities	12		
Loans from financial institutions		2,000,000.00	3,000,000.00
Current liabilities	13		
Loans from financial institutions		7,500,000.00	4,945,365.73
Accounts payable		380,087.13	139,654.41
Trade payables		2,694,682.34	2,433,444.92
Liabilities to Group companies		6,495,779.61	6,898,517.34
Other liabilities		252,240.73	326,935.84
Accrued liabilities and deferred income		2,294,752.25	3,386,443.62
Total current liabilities		19,617,542.06	18,130,361.86
Total liabilities		21,617,542.06	21,130,361.86
Total liabilities and shareholders' equity		34,202,560.79	37,081,755.99

PARENT COMPANY CASH FLOW STATEMENT

EUR	2016	2015
Cash flow from operating activities		
Profit for the year	-765	2,624
Profit for the year adjustments	2,994	2,551
Change in net working capital	220	-1,833
Interest paid and other financial expenses	-298	-319
Dividend received	2	1
Interest received	14	47
Income taxes paid	-366	-828
Net cash flow from operating activities	1,801	2,243
Cash flow from investing activities		
Capital expenditure	-1,623	-2,107
Installments in subsidiaries' shares	0	0
Proceeds from sale of fixed assets	0	0
Net cash flow from investing activities	-1,623	2,107
Cash flow before financing activities	178	136
Cash flow from financing activities		
Proceeds from long-term borrowings	0	0
Repayments of long-term borrowings	-1,000	-1,000
Change of current loans	2,555	3,945
Group subsidies	-10	0
Additional capital repayment	0	0
Dividend paid	-2,617	-2,379
Net cash flow from financing activities	-1,072	566
Change in liquid funds	-894	702
Liquid funds at the beginning of period	2,229	1,527
Liquid funds at the end of period	1,335	2,229

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

(All figures in EUR thousands unless otherwise stated)

NOTE 1 REVENUE BY MARKET AREA

	2016	2015
Europe	30,755	33,874
APAC	1,801	1,892
Rest of world	1,836	2,393
Total	34,392	38,159

NOTE 2 PERSONNEL EXPENSES

Paid

	2016	2015
President and CEO	453	434
Members of the Board	164	156
Total	617	590

Average personnel employed

	2016	2015
Office employees	82	87
Production employees	128	129
Total	210	216

NOTE 3 DEPRECIATION

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

Planned depreciation periods

- Buildings 5-20 years
- Machinery and equipment 3-8 years
- Other capitalized expenditure 3-8 years
- Goodwill 10 years
- Intangible rights 3-5 years

Planned depreciation, amortization and impairment

	2016	2015
Intangible rights	39	36
Other capitalized expenditure	137	143
Buildings	193	215
Machinery and equipment	1,230	1,066
Write-downs of non-current assets	0	0
Total	1,599	1,461

NOTE 4 OTHER OPERATING EXPENSES

	2016	2015
Rents	179	190
Marketing expenses	211	292
Other expenses	6,998	7,003
Total	7,388	7,485

	2016	2015
Auditor's fee	52	83
Tax consulting	23	7
Other fees	0	31
Total	75	121

NOTE 5 FINANCE INCOME AND EXPENSES

Other interest and financial income

	2016	2015
From Group companies	52	22
From others	289	449
Total	342	471

Interest and other financial expenses

	2016	2015
To Group companies	-126	-140
Reduction in value of investments held as non-current assets	-689	0
To others	-2,383	-523
Total	-3,198	-663

Total finance income and expenses	-2,857	-192
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NOTE 6 APPROPRIATIONS

	2016	2015
Group subsidy	-25	-10
Accelerated depreciation	-16	-15
Total	-41	-25

NOTE 7 DIRECT TAXES

	2016	2015
Taxes	-389	-818

NOTE 8 INTANGIBLE AND TANGIBLE ASSETS

Intangible assets

	2016	2015
Acquisition cost 1 January	1,197	1,191
Increase	2	6
Decrease	0	0
Reclassification between items	21	0
Acquisition cost 31 December	1,220	1,197
Accumulated planned depreciation 1 January	-1,112	-1,076
Planned depreciation	-39	-36
Planned depreciation of decrease	0	0
Accumulated planned depreciation 31 December	-1,151	-1,112
Book value at 1 January	84	114
Book value at 31 December	68	84

Other long-term expenses

	2016	2015
Acquisition cost 1 January	3,652	3,566
Increase	19	77
Decrease	0	0
Reclassification between items	184	9
Acquisition cost 31 December	3,855	3,652
Accumulated planned depreciation 1 January	-3,278	-3,135
Planned depreciation	-137	-143
Planned depreciation of decrease	0	0
Accumulated planned depreciation 31 December	-3,415	-3,278
Book value at 1 January	374	431
Book value at 31 December	440	374

Land and water

	2016	2015
Acquisition cost 1 January	90	90
Increase	0	0
Decrease	0	0
Acquisition cost 31 December	90	90
Book value at 1 January	90	90
Book value at 31 December	90	90

Buildings

	2016	2015
Acquisition cost 1 January	5,323	5,182
Increase	26	112
Decrease	0	0
Reclassification between items	8	29
Acquisition cost 31 December	5,357	5,323
Accumulated planned depreciation 1 January	-4,141	-3,926
Planned depreciation	-193	-215
Planned depreciation of decrease	0	0
Accumulated planned depreciation 31 December	-4,334	-4,141
Book value at 1 January	1,181	1,255
Book value at 31 December	1,022	1,181

Machinery and equipment

	2016	2015
Acquisition cost 1 January	24,805	23,919
Increase	371	732
Decrease	0	0
Reclassification between items	706	154
Acquisition cost 31 December	25,883	24,805
Accumulated planned depreciation 1 January	-21,570	-20,504
Planned depreciation	-1,230	-1,066
Planned depreciation of decrease	0	0
Accumulated planned depreciation 31 December	-22,800	-21,570
Book value at 1 January	3,236	3,417
Book value at 31 December	3,084	3,236
Undepreciated acquisition cost of production machinery and equipment	2,286	2,349

Advance payment and construction in progress

	2016	2015
Acquisition cost 1 January	1,770	781
Increase	1,205	1,181
Reclassification between items	-920	-192
Decrease	0	0
Acquisition cost 31 December	2,055	1,770
Book value at 1 January	1,770	781
Book value at 31 December	2,055	1,770

Shares, Group companies

	2016	2015
Acquisition cost 1 January	16,975	16,975
Increase	0	0
Decrease	-689	0
Acquisition cost 31 December	16,286	16,975

Other shares and holdings

	2016	2015
Acquisition cost 1 January	53	53
Increase	0	0
Decrease	0	0
Acquisition cost 31 December	53	53

NOTE 9 COMPANIES OWNED BY PARENT COMPANY

Shares in subsidiaries

Name of company	Registration country	Owned by the parent company %
Exel GmbH	Germany	100
Exel Composites N.V.	Belgium	100
Exel Composites GmbH	Austria	100
Exel USA, Inc.	USA	100
Exel Composites (Nanjing) Co. Ltd.	China	100
Exel Composites (Australia) Pty. Ltd.	Australia	100
Pacific Composites (Europe) Ltd.	UK	100
Exel Composites Store Oy	Finland	100

NOTE 10 RECEIVABLES

Current receivables

Receivables from Group companies

	2016	2015
Trade receivables	782	1,464
Loan receivables	30	897
Prepaid expenses and accrued income	0	0
Total	812	2,361

Receivables from others

	2016	2015
Trade receivables	3,235	3,577
Other receivables	334	252
Prepaid expenses and accrued income	276	342
Total	3,845	4,171
Total current receivables	4,657	6,532

Deferred tax assets amounting to EUR 107 (EUR 77) thousand have not been booked from cumulative depreciation exceeding the maximum tax depreciations by EUR 536 (387) thousand.

NOTE 11 EQUITY

	2016	2015
Share capital 1 January	2,141	2,141
Share capital 31 December	2,141	2,141
Invested unrestricted equity fund 1 January	2,539	2,539
Invested unrestricted equity fund 31 December	2,539	2,539
Retained earnings	11,256	11,011
Dividend paid	-2,617	-2,379
Retained earnings	8,638	8,632
Operating profit for the financial year	-765	2,624
Total equity	12,554	15,936

Calculation of funds distributable as profit 31 December

	2016	2015
Non-restricted equity fund	2,539	2,539
Retained earnings	8,638	8,632
Operating profit/loss for the financial year	-765	2,624
Total	10,413	13,795

NOTE 12 NON-CURRENT LIABILITIES

Liabilities to others

	2016	2015
Loans from financial institutions	2,000	3,000
Total non-current liabilities	2,000	3,000
Liabilities falling due in a period longer than five years	0	0

NOTE 13 CURRENT LIABILITIES

Liabilities to Group companies

	2016	2015
Trade payables	53	33
Accrued liabilities and deferred income	6,443	6,865
Total liabilities to Group companies	6,496	6,899

Liabilities to others

	2016	2015
Loans from financial institutions	7,500	4,945
Advance payments	380	140
Trade payables	2,695	2,433
Other liabilities	252	327
Accrued liabilities and deferred income	2,295	3,386
Total liabilities to others	13,122	11,231
Total current liabilities	19,618	18,130

Specification of accrued liabilities and deferred income

	2016	2015
Salaries, wages and holiday pay, including social security expenses	1,808	2,835
Other accrued liabilities and deferred income	487	552
Total accrued liabilities and deferred income	2,295	3,386

NOTE 14 CONTINGENT LIABILITIES

Derivatives

Interest rate risk

The Company's long-term debt is subject to interest rate risk, which is why it has fixed the rate of interest on some of its borrowings through swap agreements that extend to the years 2014 – 2019.

	Face value	Fair market value
Interest swaps	1,800	25

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

	2016	2015
Financial institution loans	9,500	4,000
Mortgages given on land and buildings	2,783	2,783
Corporate mortgage given	12,500	12,500

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

NOTE 15 LEASING, RENTAL AND OTHER LIABILITIES

	2016	2015
Leasing liabilities		
Falling due not later than one year	45	79
Falling due later	15	53
Other liabilities	312	312

NOTE 16 SHARE OWNERSHIP

Distribution of share ownership on 31 December 2016

	%
Private companies	9.7
Financial and insurance institutions	63.5
Public sector entities	7.0
Non-profit organizations	0.9
Households	18.4
Foreign	0.5
Of which, nominee registration	34.3

Distribution of share ownership on 31 December 2016

Number of shares	Number of shareholders	Percentage of shareholders	Total number of shares	Percentage of total number of shares
1 - 1,000	2,613	86.10	730,355	6.14
1,001 – 10,000	365	12.00	1,064,649	8.95
10,001 – 50,000	33	1.10	740,349	6.22
over 50,000	23	0.80	9,361,490	78.69

NOTE 17 SHAREHOLDERS

Information on shareholders on 31 December 2016

Shareholder	Number of shares	Percentage of shares and votes
Skandinaviska Enskilda Banken AB (nominee registered)	2,330,295	19.6
Nordea Bank Finland Plc (nominee registered)	1,727,641	14.5
Nordea Fennia Fund	605,508	5.1
OP-Finland Small Firms Fund	498,259	4.2
Försäkringsaktiebolaget Pensions-Alandia	476,559	4.0
Danske Invest Finnish Small Cap Fund	374,219	3.1
Fondita Nordic Micro Cap	350,000	2.9
Ilmarinen Mutual Pension Insurance Company	342,733	2.9
OP-Delta Fund	300,000	2.5
Matti Suutarinen	266,662	2.2
Other nominee registered	23,575	0.2
Others	4,601,392	38.7
Total	11,896,843	100.0

NOTE 18 MANAGEMENT INTERESTS

The aggregate holding of the members of Board of Directors and the President was 45,568 shares on 31 December 2016. This accounts for 0.38 per cent of corporate shares and 0.38 per cent of the votes carried by all shares. The members of the Board of Directors and the President do not have any unsubscribed option rights.

NOTE 19 SHARE ISSUE AND OPTION PROGRAMS

On 17 March 2016 the Annual General Meeting authorized the Board of Directors to acquire the Company's own shares on the followings terms:

Maximum number of shares to be repurchased

By virtue of the authorization the Board of Directors is entitled to decide on the repurchase of a maximum of 600,000 Company's own shares. The authorization shall also contain an entitlement for the Company to accept its own shares as pledge. The number of shares that can be acquired or held as pledges by the Company on the basis of this authorization shall not exceed one tenth (1/10) of all outstanding shares of the Company.

Directed repurchase and consideration for a share

Own shares may be repurchased in deviation from the proportion to the holdings of the shareholders with unrestricted equity through trading of the securities on regulated market organized by Nasdaq Helsinki Ltd at the market price of the time of the repurchase provided that the Company has a weighty financial reason thereto.

The shares shall be acquired and paid in accordance with the Rules of Nasdaq Helsinki Ltd and Euroclear Finland Ltd.

Retaining, cancelling and conveyance of shares

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.

Other terms and period of validity

The Board of Directors shall decide on other terms of the share repurchase.

On 17 March 2016 the Annual General Meeting authorized the Board of Directors to repurchase a maximum of 600,000 own shares. The authorization also contained an entitlement for the Company to accept its own shares as pledge. The number of shares that could be acquired or held as pledges by the Company on the basis of this authorization could not exceed one tenth (1/10) of all outstanding shares of the Company. The share repurchase authorization shall be valid until 30 June 2017.

On 26 March 2015 the Annual General Meeting authorized the Board of Directors to repurchase a maximum of 600,000 own shares. The authorization also contained an entitlement for the Company to accept its own shares as pledge. The number of shares that could be acquired or held as pledges by the Company on the basis of this authorization could not exceed one tenth (1/10) of all outstanding shares of the Company. The authorization was valid until 30 June 2016.

These authorizations have not been exercised during the year.

NOTE 20 SHARE PRICE AND TRADING

Share price

EUR	2016	2015	2014	2013	2012
Average price	5.05	8.65	6.42	6.18	7.05
Lowest price	4.71	6.32	5.56	5.10	5.55
Highest price	6.85	9.85	8.80	6.70	8.79
Share price at the end of financial year	5.02	6.53	8.39	5.75	5.90
Market capitalization, EUR million	59.7	77.7	99.8	68.4	70.2

Share trading

	2016	2015	2014	2013	2012
Number of shares traded	3,080,024	2,445,252	5,836,969	2,022,018	944,978
% of total	25.9	20.6	49.1	17.0	7.9

Number of shares adjusted for share issues

	2016	2015	2014	2013	2012
Average number	11,896,843	11,896,843	11,896,843	11,896,843	11,896,843
Number at end of financial year	11,896,843	11,896,843	11,896,843	11,896,843	11,896,843

Exel 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 quoted on Nasdaq Helsinki Ltd's Nordic List.

COMPUTATION FORMULAE

Return on equity, %

$$\frac{\text{profit before extraordinary items, provisions and income taxes less income taxes}}{\text{equity + minority interest + voluntary provisions and depreciation difference less deferred tax liabilities (average)}} \times 100$$

Return on investment, %

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

Solvency ratio, %

$$\frac{\text{equity + minority interest + voluntary provisions and depreciation difference less deferred tax liabilities}}{\text{total assets less advances received}} \times 100$$

Net gearing, %

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

Earnings per share (EPS), EUR

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

Equity per share, EUR

$$\frac{\text{equity + voluntary provisions + depreciation difference less deferred tax liabilities and minority interest}}{\text{adjusted number of shares on closing date}}$$

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, %

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

Price/earnings (P/E), %

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

PROPOSAL FOR DISTRIBUTION OF PROFIT

Exel Composites Plc's distributable funds are EUR 10,412,664.83 of which loss for the financial period accounts for EUR 764,980.33.

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

- a dividend of EUR 0.10 per share	1,189,684.30
- carried over as equity, EUR	9,222,980.53
	<hr/>
	10,412,664.83

Vantaa, 13 February 2017

Reima Kerttula
Chairman

Matti Hyytiäinen
Vice Chairman

Heikki Hiltunen

Petri Helsky

Jouko Peussa

Riku Kytömäki
President and CEO

Our auditor's report has been issued today.

Vantaa, 13 February 2017

Ernst & Young
Authorized Public Accountants

Juha Hilmola
Authorized Public Accountant

AUDITOR'S REPORT

(Translation of the Finnish original)

To the Annual General Meeting of Exel Composites Oyj

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Exel Composites Oyj (business identity code 1067292-7) for the year ended 31 December, 2016. The financial statements comprise the consolidated statement of comprehensive income, statement of financial position, 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 to the financial statements.

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.

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.

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. *sekä laatiessamme siitä annettavaa lausuntoa, emmekä anna näistä seikoista erillistä lausuntoa.*

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.

Inventory valuation

The value of inventories at 31 December 2016 was 9,9 m€ comprising 19% of total assets. The determination of cost of inventory requires the management to estimate the appropriate allocation of fixed and variable production costs. In addition, the valuation of inventory requires the management to estimate whether estimated selling price is less than production cost.

Our audit procedures to address the risk of material misstatement relating to inventory valuation included, among others:

- Substantive audit procedures to evaluate the allocation of fixed and variable production costs and to evaluate whether carrying value of inventory exceeds net realizable value
- Comparing the inventory obsolescence provision to accounting principles applied by the group
- Assessing the methods applied in determining obsolescence provision
- Considering the appropriateness of the disclosures in respect of inventory.

Accounting principles and disclosures on inventory valuation are included in Note 5 and Note 23.

Goodwill impairment testing

Goodwill amounted to 9,8 m€ as of 31 December 2016 comprising 19% of total assets and 36% of equity. Procedures over management's annual impairment testing were significant to our audit because of the complexity of the estimation process and significant estimates and assumptions, which are impacted by future events in market environment and economy, applied by the management.

Our audit procedures to address the risk of material misstatement relating to the impairment testing included, among others:

- Involving valuation specialists to assist us in evaluating the assumptions and methodologies applied by the management as well as comparing management's assumptions to external sources and industry averages, especially in relation to weighted average cost of capital
- Evaluating the key assumptions, such as projected growth in revenues as well as operating profit margin
- Comparing the results of the impairment testing to market capitalization of the company
- Considering the appropriateness of disclosures in respect of impairment testing.

Accounting principles and disclosures on goodwill impairment testing are included in Note 5 and Note 28.

Revenues

Revenue recognition was considered significant to our audit especially in relation to appropriate timing of revenue recognition. Due to volume of transactions small individual misstatements can in aggregate be material to the financial statements.

Our audit procedures to address the risk of material misstatement relating to timing of revenue recognition included, among others:

- Testing of controls addressing timing of revenue recognition, including general controls over most significant IT applications
- Comparing sales transactions recorded at year end to documentation supporting revenue recognition
- Obtaining external confirmations on accounts receivables to test the existence of accounts receivable
- Considering the appropriateness of the disclosures in respect of revenue recognition.

Accounting principles on revenue recognition are included in Note 5.

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 company 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

Other information

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

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 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, we conclude that there is a material misstatement in of the information included in the report of the Board of Directors, we are required to report this fact. We have nothing to report in this regard.

Opinions based on the decision of the Board of Directors

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

Helsinki February 13, 2017

Ernst & Young Oy
Authorized Public Accountant Firm

Juha Hilmola
Authorized Public Accountant



Exel Composites in brief

Exel Composites is a leading composite technology company that designs, manufactures and markets composite products and solutions for demanding applications. Exel Composites provides superior customer experience through continuous innovation, world-class operations and long-term partnerships.

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

www.exelcomposites.com