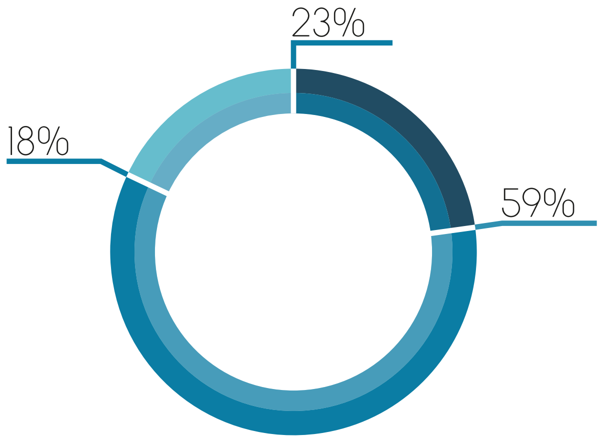
# ANNUAL FINANCIAL REPORT 2015

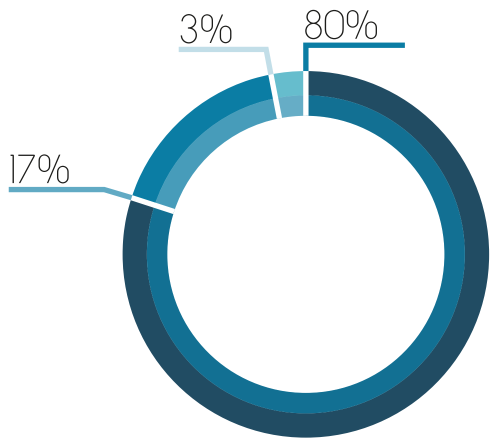
# KEY FIGURES

## NET SALES BY CUSTOMER INDUSTRY,
EUR MILLION



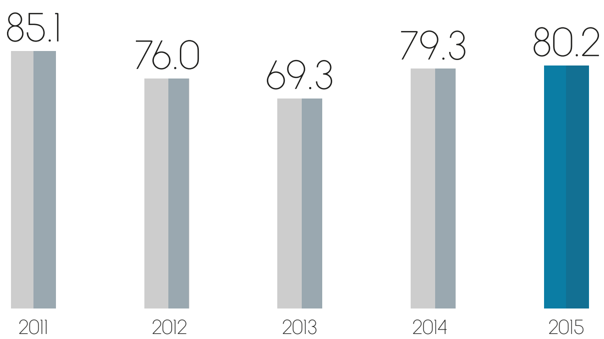

| | 2015 | 2014 | Change, % |
|---|---|---|---|
| Construction and infrastructure | 18.4 | 17.4 | 5.6 |
| Industrial applications | 47.4 | 47.5 | -0.3 |
| Other applications | 14.4 | 14.3 | 0.8 |
| Total | **80.2** | 79.3 | **1.2** |

## NET SALES BY REGION,
EUR MILLION

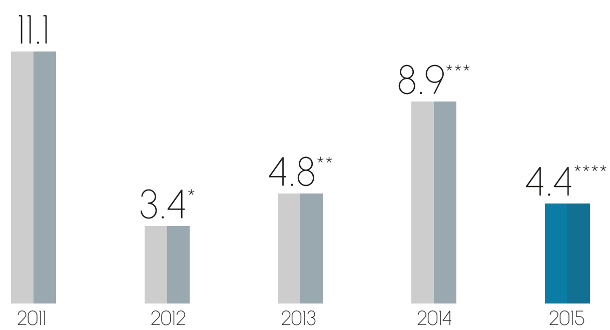



| | 2015 | 2014 | Change, % |
|---|---|---|---|
| Europe | 63.9 | 64.6 | -1.1 |
| APAC | 13.7 | 11.8 | 16.1 |
| Rest of world | 2.6 | 2.9 | -10.3 |
| Total | **80.2** | 79.3 | **1.2** |

## NET SALES,
EUR MILLION

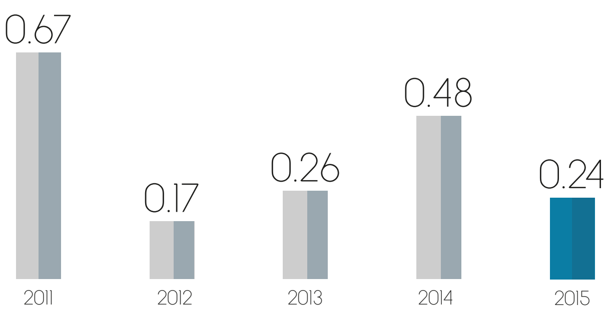



## OPERATING PROFIT,
EUR MILLION

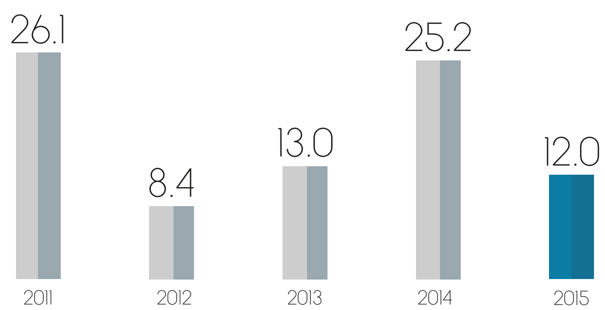



*In 2012 operating profit included an impairment of -2.5 MEUR
**In 2013 operating profit included -0.7 MEUR non-recurring items
***In 2014 operating profit included an impairment of -0.5 MEUR
****In 2015 operating profit included -0.4 MEUR non-recurring items

## EARNINGS PER SHARE,
EUR




## RETURN ON CAPITAL EMPLOYED,
%



# CEO REVIEW

In 2015 we continued the exciting journey started at the beginning of 2014 when I commenced at the helm of Exel Composites. We continued on the new course chosen two years ago heading for performance improvement and bringing the company to the next level. Trimming a ship to be a world-class performer is hard work and requires some patience and at the same time keeping the destination clear. I feel fortunate to say that the Exel Composites crew has the target clear in their minds and we have taken several steps during 2015 in the path towards becoming a truly global composites company.

In 2015 Exel Composites started fully implementing the new strategy that was launched in late 2014. The cornerstones of the new strategy to generate next level growth are: 1) Accelerate growth in China, 2) Penetrate new applications, 3) Create true local footprint, and 4) Grow in new technologies. We want to differentiate from our competitors by providing with clear value propositions, local presence globally, top-quality service and world-class operations. During 2015 we have advanced these strategic initiatives by strengthening the organization, developing competencies, improving processes, adding flexibility and increasing production capacity in order to be ready for organic and in-organic growth.

The ongoing expansion projects in China and Austria are currently in permitting and design phase and the completion of both projects have been postponed to 2017. M&A screening activities were high on management agenda throughout the year. We extended our sales coverage further and put extra efforts into new and growing segments such as the automotive industry. Operations were improved in many fronts, including supply chain management, health & safety, on-time-delivery (OTD) promptness to clients and step-by-step implementation of the new global ERP.

Profitability of the Company was not satisfactory and was impacted in 2015 by higher operating costs mainly attributable to the additional resources required to build the organization to the next level. In addition, business volume of the Group, with net sales increasing only by 1.2 per cent to EUR 80.2 (79.3) million, was lower than planned, which in itself decreased profitability through low utilization of certain factories. In the second and third quarter we saw postponements of some key customer orders and end-customer projects. Further actions were taken to control costs and to drive sales. In the fourth quarter order intake was recovering and increased from the low level of the third quarter.

We have driven operational excellence throughout the Group in 2015. A whole new safety culture was introduced in all our sites. Lean manufacturing methods, such as 5S and visual management, are being implemented in all our factories. Actions continued to improve general orderliness in the factories in order to ensure more efficient operations and a safe and pleasant work environment. The Group's On Time Delivery (OTD) improved from year 2014. Lost time injuries were halved from previous year.

In 2016 the Company continues to implement its new strategy with focus to operational efficiency and optimizing the global manufacturing footprint. The company estimates that operating profit excluding any non-recurring items will increase in 2016 compared to 2015.

I am confident that by implementing our growth strategy we will succeed in becoming the flagship of the composites industry. Our expertise in composites combined with attractive long-term market fundamentals will position us well for profitable long-term growth.

I would like to express my sincere thanks to all our employees for your commitment and hard work in 2015. Let's continue our efforts keeping our heads cold, hearts warm and hands clean! Also I want to thank our customers, business partners and shareholders for your excellent collaboration and support.

February 2016

Riku Kytömäki
President and CEO

# EXEL COMPOSITES GROUP
# FINANCIAL STATEMENTS

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# BOARD OF DIRECTORS' REPORT

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. Exel Composites share is listed on Nasdaq Helsinki Ltd.

### Market environment

The market environment in 2015 was mixed. On one hand the overall economic situation in Exel Composites' main market area, Europe, was quite depressed with challenges from many fronts, such as declining exports from EU area to Russia then affecting the building and infrastructure demand. On the other hand the general value proposition and advantages of composite structures over other materials remained the same as before; giving superior combination of durability, lightness, rigidity and non-corrosiveness, added with many other product attributes, such as superior surface quality, electrical conductivity or insulation properties. However, in more challenging market conditions a short-term capital expenditure driven buying behavior tends to over-run a longer term total life cycle cost driven approach, especially during the times when metal prices are low and then making the competition more difficult. At the same time in Asia demand was still good in many market segments providing with good possibilities for composites' market penetration and growth, however the general growth being slower than in previous years. In North America the low oil price kept the investments in chemical, oil and gas segment low, affecting the demand in that segment directly and many other segments, such as transportation, indirectly. All in all, the global market environment for Exel Composites' key market segments was relatively stable in 2015.

Looking forward to 2016, industrial investments are gradually expected to pick up in Europe. Low demand in the Russian market continues to impact also the European building and construction industry. Some infrastructure projects are also awaiting local governments' funding. Consequently, the Company does not expect any changes in the European market as a whole. In North America low oil price continues to impact the chemical, oil and gas market directly and several other market segments indirectly. In Asia-Pacific megatrends, including urbanization and energy efficiency, continue to drive growth. The markets benefiting from energy efficiency, especially the transportation industry, continue to grow. The renewable energy markets, such as solar panels and wind turbines show some positive signs for improvement, increasing the demand of composites.

### Order intake and order backlog January – December 2015

Order intake increased in 2015 by 1.3 per cent compared to the previous year to EUR 83.4 million (EUR 82.3 million in 2014).

The Group's order backlog increased to EUR 15.3 (12.8) million on 31 December 2015.

### Sales review January – December 2015

Group net sales for the financial year 2015 increased by 1.2 per cent to EUR 80.2 (79.3) million. Postponements of orders and end-customer projects from some key customers were recorded in the second and third quarter of 2015. However, in the fourth quarter, order intake was recovering and increased from the low level of the third quarter.

Net sales decreased in the largest region, Europe, by 1.1 per cent to EUR 63.9 (64.6) million compared to 2014. Net sales in the APAC region increased by 16.1 per cent to EUR 13.7 (11.8) million. Net sales decreased by 10.3 per cent in the region Rest of the world to EUR 2.6 (2.9) million compared to the previous year.

Net sales of industrial applications decreased by 0.3 per cent to EUR 47.4 (47.5) million. Net sales of Construction and Infrastructure applications were up by 5.6 per cent to EUR 18.4 (17.4) million. Net sales of Other applications increased by 0.8 per cent to EUR 14.4 (14.3) million.

### Financial performance

The Group's oeprating profit was not satisfactory in January – December 2015 and it decreased to EUR 4.4 million including EUR -0.4 million non-recurring items (EUR 8.9 million after impairment of EUR -0.5 million) and was 5.5 (11.2) per cent of net sales. Non-recurring items amounted to EUR -0.4 million relating to M&A screening costs.

Operating profit of 2015 was impacted by higher operational costs due to increased resources relating to the implementation of the long-term growth strategy. In addition, business volume of the Group, with net sales increasing only 1.2 per cent, was lower than planned, which in itself decreased profitability through low utilization of certain factories. Furthermore, the costs of production of the 2015 deliveries increased from those of 2014.

The profitability of the Australian unit continued to be unsatisfactory in 2015. Corrective actions were undertaken and further actions will be taken to resolve the situation.

The Group's net financial expenses in 2015 were EUR 0.2 (0.4) million. The Group's profit before taxes was EUR 4.3 (8.5) million and profit after taxes EUR 2.8 (5.7) million.

### Financial position

Net cash flow from operating activities was positive at EUR +3.4 (+10.7) million. Cash flow before financing, but after capital expenditure, amounted to EUR -1.0 (6.3) million. The capital expenditure amounted to EUR 4.3 (4.4) million. Capital expenditure was financed with cash flow from business operations. At the end of the financial year, the Group's liquid assets stood at EUR 7.9 (8.2) million. Total depreciation of non-current assets during the year under review amounted to EUR 2.9 (2.6) million.

The Group's consolidated total assets at the end of the financial year were EUR 54.0 (52.4) million. Interest-bearing liabilities amounted to EUR 8.5 (5.6) million. Net interest-bearing liabilities were EUR 0.6 (-2.6) million.

Equity at the end of the financial year was EUR 30.7 (29.7) million and equity ratio 57.1 (56.9) per cent. The net gearing ratio was 2.0 (-8.7) per cent.

Fully diluted total earnings per share were EUR 0.24 (0.48). Return on capital employed in 2015 was 12.0 (25.2) per cent. Return on equity was 9.4 (21.7) per cent.

The Company paid total dividends during the financial year of EUR 2.4 (0.0) million. Dividend per share was EUR 0.20 (0.00).

### Business development and strategy implementation

In 2015 Exel Composites started fully implementing the new strategy that was launched in late 2014. The cornerstones of the new strategy to generate next level growth are: 1) Accelerate growth in China, 2) Penetrate new applications, 3) Create true local footprint, and 4) Grow in new technologies. The Company wants to differentiate from its competitors by providing clear value propositions, local presence globally, top-quality service and world-class operations. During 2015 the Company has advanced these strategic initiatives by strengthening the organization, developing competencies, improving processes, adding flexibility and increasing production capacity in order to pursue organic and in-organic growth. M&A screening activities continued througout the year. Operations were improved in many fronts, including supply chain management, health & safety, on-time-delivery (OTD) promptness to clients and continued implementation of the new global ERP.

Exel Composites has driven operational excellence throughout the Group in 2015. A whole new safety culture was introduced in all the sites. Lean manufacturing methods, such as 5S and visual management, are being implemented in all the factories. Actions continued to improve general orderliness in order to ensure more efficient operations and a safe and pleasant work environment. The Group's On Time Delivery (OTD) improved from year 2014. Lost time injuries were halved from previous year.

In accordance with the new growth strategy adopted in November 2014, a decision was made in December 2014 to expand operations in Nanjing, China to meet the increased demand. The target is to double the production capacity of the Nanjing unit. It was initially estimated that the project would be completed during the first half of 2016. Permitting and design of the expansion are ongoing, but the Company no longer foresees that building will be completed during 2016.

In February 2015 a decision was made to expand the operations in Austria. By this investment Exel Composites will be in a better position to serve its Central and Southern European customers. The completion of the project is postponed to 2017 due to weaker than estimated market situation in our main market area Central Europe. Land reservation and permitting of the expansion are ongoing.

Implementation of the new Group-wide ERP-system continued. The roll out to all business units will take place during 2016 and 2017 step-by-step.

## Research and development

Research and development costs totaled EUR 1.9 (1.8) million, representing 2.3 (2.3) per cent of net sales. The main projects were connected with the development of new products and customer applications.

## 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 quarterly 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 quarterly and annual financial statements. Risk factors are also considered by the Board 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. Whereas risks are considered in conjunction with each business decision, they are also monitored by the managing director and other group management on a monthly basis when the team reviews the business development and any near and long-terms risks upon presentation of the business unit heads and controllers.

Risks and uncertainties related to Exel Composites can be categorized as strategic, operational, finance and hazard 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 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. Furthermore, continuing low demand in the Australian market may require such further corrective actions that could result in non-recurring items.

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 consist of currency, interest rate, liquidity and funding risks, and 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, 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.

## Shares and share performance

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

At the end of December 2015, 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.

During the financial year the highest share price quoted was EUR 9.85 (8.80) and the lowest EUR 6.32 (5.56). At the end of the year, the share price was EUR 6.53 (8.39). The average share price during the financial year was EUR 8.65 (6.42).

Total shareholder return (TSR) in 2015 was -21 (46) per cent.

A total of 2,445,252 (5,836,969) shares were traded during the year, which represents 20.6 (49.1) per cent of the average number of shares. On 31 December 2015, Exel Composites' market capitalization was EUR 77.7 (99.8) million.

## Shareholders and disclosures

Exel Composites had a total of 2,987 (2,686) shareholders on 31 December 2015. Information on Exel Composites' shareholders is available on the Company website at www.exelcomposites.com.

On 31 December 2015, 0.26 per cent of the shares and votes of Exel Composites were owned or controlled, directly or indirectly by the President and CEO and the members of the Board.

The Company's largest shareholder was Skandinaviska Enskilda Banken AB (nominee register), which owned 19.5 per cent of shares at the end of 2015. Other major shareholders included Nordea Bank Finland Plc 15.0 per cent (nominee register), Nordea Fennia Fund 5.1 per cent, Försäkringsaktiebolaget Pensions-Alandia 4.0 per cent and OP-Finland Small Firms Fund 3.9 per cent.

Exel Composites received two flagging announcements during the financial year.

On 13 March 2015 Exel Composites received a flagging announcement according to which the holding of Swedbank Robur Fonder AB had exceeded 5 per cent of the voting rights and share capital in Exel Composites Plc. Through share transactions concluded on 12 March 2015, the holding of Swedbank Robur Fonder AB rose to 703,054 shares, representing 5.9 per cent of the shares and voting rights of the Company.

On 20 May 2015 Exel Composites received a flagging announcement according to which the indirect holding of Evli Bank Plc had fallen under 5 per cent of the voting rights and share capital in Exel Composites Plc. Through share transactions concluded on 19 May 2015, the total holding of the investment funds owned by Evli Bank Plc and administered by Evli Fund Management Company Ltd fell to 504,786 shares, representing 4.2 per cent of the shares and voting rights of the Company.

## Significant related-party transactions

Exel Composites' permanent public insiders include 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. No significant related-party transactions were conducted by the Group or the permanent insiders during the financial year 2015.

## Personnel

The number of employees on 31 December 2015 was 494 (456), of whom 213 (205) worked in Finland and 281 (251) in other countries. The average number of personnel during the financial year was 498 (433).

The building and strengthening of global functions continued in 2015. The company reinforced its organization in sales resources, product development and operations.

## Environment, health and safety

Exel Composites continues to remain alert to ensure our site operations are compliant with all national and international rules and regulations. A safe environment for our employees and neighbors is a priority at Exel Composites. Exel Composites' environmental issues are managed using ISO 14001 standard as a guideline in all the units of the Group. The Group plays a leading role in industry associations such as EuCIA (European Composites Industry Association). This helps the Company stay at the leading edge of awareness of the latest developments in environmental matters including advances in environmental technology and new regulatory measures.

Special attention was paid to occupational health and safety also in 2015. The amount and quality of preventative reporting and follow-up has been improved significantly. The results of these actions are visible in the number of accidents (lost time incidents), which halved compared to 2014. The Occupational Health and Safety Management System OHSAS 18001 was implemented in most factories in 2015 and 100 per cent coverage is targeted for 2016.

## 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 programs annually.

In February 2015 Exel Composites' Board of Directors approved a new program for selected key employees of the Company. The program is based on 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 new incentive program.

The potential long-term monetary performance reward from the program 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 excluding employer's social costs.

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

## Corporate Governance

Exel Composites issues a Corporate Governance Statement for the financial year 2015. Exel Composites complies with the Finnish Corporate Governance Code ("the code") issued by the Securities Market Association and which came into effect on 1 October 2010. The Corporate Governance Statement is issued separately from the Board of Directors' report. Further information concerning the corporate governance matters is available at Exel Composites' website at www.exelcomposites.com.

## Decisions of the AGM 2015

The Annual General Meeting of Exel Composites Plc 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.

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 2016.

## Board of Directors and Auditors

On 26 March 2015, the Annual General Meeting appointed Heikki Hiltunen, Peter Hofvenstam, Reima Kerttula and Kerstin Lindell to continue on the Board of Directors. Matti Hyytiäinen was appointed as a new member of the Board as Göran Jönsson was no longer available for re-election. The AGM re-elected Peter Hofvenstam as Chairman of the Board of Directors.

The Board of Directors convened nine times in 2015 and the average attendance rate at these meetings was 96.3 per cent. The fees paid to the Board of Directors totaled EUR 156 (141) thousand in 2015.

The Board of Directors reviewed the independence of Board members in accordance with Recommendation 15 of the Corporate Governance Code in its March 2015 meeting. All the members of the Board are independent Board members. The Board was considered to comply with the Corporate Governance independency rules.

The Annual General Meeting of Exel Composites has elected a Shareholders' Nomination Board, which nominates candidates to the Annual General Meeting for election as Board members and proposes the fees to be paid to the Board members. The Nomination Board included the Chairman and persons nominated by the four largest shareholders as of 30 September 2015. In 2015 the Nomination Board comprised Ted Roberts (Nordea) as chairman, Tuomas Virtala (Danske Capital Finland), Henrik Viktorsson (Alandia Insurance), Kalle Saariaho (OP Financial Group), and Peter Hofvenstam, the Chairman of the Board of Directors, as an expert member. The Nomination Board met five times.

Ernst & Young, Authorized Public Accountants, with Juha Hilmola, APA, as principal auditor, were elected to serve as company auditor in the AGM in 2015.

The fees paid to the auditors for audit services totaled EUR 190 (163) thousand and for non-audit services EUR 123 (51) thousand in 2015.

## Changes in Group Management

Mr. Mikko Kettunen was appointed SVP, CFO and member of the Group Management Team on 13 January 2015 and assumed his position on 7 April 2015. Mr. Kettunen succeeded Mr. Ilkka Silvanto, who was appointed with the same date as SVP, Strategic Projects, effective as of 7 April 2015. Mr. Silvanto continues reporting to CEO and being member of Group Management Team.

## Adoption of International Financial Reporting Standards (IRFS)

All IFRS's in force on 31 December 2015 that are applicable to Exel Composites' business operations, including all SIC- and IFRIC-interpretations thereon, have been complied with when preparing year 2015 and comparable year 2014 figures. International financial reporting standards, referred to in the Finnish Accounting Act and in ordinances issued based on the provisions of this Act, refer to the standards and their interpretations adopted in accordance with the procedure laid down in regulation (EC) No 1606/2002 of the EU. The notes to the consolidated financial statements conform also with the Finnish accounting and company legislation.

### Events after the review period

The Board of Directors of Exel Composites Plc has on 18 February 2016 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 2016 program includes one earning period, the calendar years 2016 – 2018. The potential long-term monetary performance reward from the program 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 1.0 million excluding employer's social costs.

The Board of Directors of Exel Composites Plc has on 18 February 2016 taken a decision to change the Group's financial reporting practices as of 19 February 2016 as a result of the amended Securities Market Act, which was entered into force on 26 November 2015. Contrary to what was disclosed on 17 December 2015 regarding financial reporting in 2016, Exel Composites will disclose certain key figures and information on business performance for the three and nine months periods in a stock exchange release instead of interim reports.

### Outlook for 2016

The Company continues to implement its new strategy with focus to operational efficiency and optimizing the global manufacturing footprint. The Company estimates that operating profit excluding any non-recurring items will increase in 2016 compared to 2015.

### Board proposal for dividend distribution

The Board of Directors of Exel Composites Plc has on 18 February 2016 amended the Company's dividend policy. Exel Composites' financial goals include distributing dividends mimimum  (prior: "some") 40 per cent of the profit for the financial year as permitted by the financial structure and growth opportunities.

On 31 December 2015 Exel Composites Plc's distributable funds totaled EUR 13,795 thousand, of which profit for the financial period accounted for EUR 2,624 thousand.

The Board has decided to propose to the Annual General Meeting that a dividend of EUR 0.22 (EUR 0.20) per share, a payout ratio of 92.0 per cent, be paid for the 2015 financial year.

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

The proposed record date for dividends is 21 March 2016. If the Annual General Meeting approves the Board's proposal, it is estimated that the dividend will be paid on 30 March 2016.

# CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

## FOR THE YEAR ENDED 31 DECEMBER 2015

| EUR 1,000 | Notes | 1.1.–31.12.2015 | 1.1.–31.12.2014 |
|---|---|---|---|
| **Net sales** | 6 | **80,196** | 79,253 |
| Other operating income | 9 | 553 | 707 |
| Increase(+)/Decrease(-) in inventories of finished goods and work in progress | | -23 | 1,237 |
| Materials and services | | -29,979 | -30,371 |
| Employee benefit expenses | 11 | -25,280 | -22,691 |
| Depreciation | 13 | -2,894 | -2,634 |
| Amortization | 13 | -9 | -482 |
| Other operating expenses | 10,12 | -18,151 | -16,133 |
| **Operating profit** | | **4,414** | 8,887 |
| Financial income | 14 | 599 | 402 |
| Financial expenses | 15 | **-757** | -832 |
| **Profit before tax** | | **4,257** | 8,457 |
| Income taxes | 16 | -1,413 | -2,754 |
| **Profit/loss for the period** | | **2,844** | 5,702 |
| **Other comprehensive income to be reclassified to profit or loss in subsequent periods** | | | |
| Exchange differences on translating foreign operations | 16 | 492 | 1,370 |
| 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** | | **492** | 1,370 |
| **Item that will not be reclassified to profit or loss:** | | | |
| Defined benefit plan actuarial gains(+)/ losses(-), net of tax | 16 | **51** | -90 |
| **Total comprehensive income** | | **3,387** | 6,983 |
| **Profit and loss attributable to:** | | | |
| Equity holders of the parent company | | 2,844 | 5,702 |
| **Comprehensive income attributable to:** | | | |
| Equity holders of the parent company | | 3,387 | 6,983 |
| **Total earnings per share, basic and diluted** | 18 | **0,24** | 0.48 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## AS AT 31 DECEMBER 2015

| EUR 1,000 | Notes | 31.12.2015 | 31.12.2014 |
|---|---|---|---|
| **ASSETS** | | | |
| Non-current assets | | | |
| Goodwill | 20 | 9,597 | 9,676 |
| Other intangible assets | 20 | 490 | 686 |
| Tangible assets | 21 | 14,359 | 12,533 |
| Other non-current assets | 22 | 87 | 74 |
| Deferred tax assets | 17 | 383 | 285 |
| Total non-current assets | | **24,916** | 23,253 |
| Current assets | | | |
| Inventories | 23 | 9,670 | 10,034 |
| Trade and other receivables | 24 | 11,507 | 10,906 |
| Cash at bank and in hand | 25 | 7,874 | 8,218 |
| Total current assets | | **29,052** | 29,158 |
| Total assets | | **53,968** | 52,411 |
| **EQUITY AND LIABILITIES** | | | |
| Shareholders' equity | 33 | | |
| Share capital | | 2,141 | 2,141 |
| Other reserves | | 106 | 79 |
| Invested unrestricted equity fund | | 2,539 | 2,539 |
| Translation differences | | 4,025 | 3,534 |
| Retained earnings | | 21,904 | 21,426 |
| Equity attributable to the equity holders of parent company | | **30,716** | 29,720 |
| Total Equity | | **30,716** | 29,720 |
| Non-current liabilities | | | |
| Interest-bearing loans and borrowings | 27,31 | 3,531 | 4,623 |
| Non-current interest-free liabilities | 26 | 553 | 454 |
| Deferred tax liabilities | 17 | 629 | 505 |
| Total non-current liabilities | | **4,713** | 5,581 |
| Current liabilities | | | |
| Interest-bearing loans and borrowings | 27 | 4,945 | 1,000 |
| Trade and other current liabilities | 26 | 13,562 | 15,599 |
| Income tax payable | 26 | 32 | 512 |
| Total current liabilities | | **18,539** | 17,110 |
| Total equity and liabilities | | **53,968** | 52,411 |

# CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

31.12.2015

| EUR 1,000 | Share Capital | Invested Unrestricted Equity Fund** | Translation Differences | Retained Earnings | Total |
|---|---|---|---|---|---|
| Balance at 1 January 2014 | 2,141 | 2,611 | 2,164 | 15,924 | 22,841 |
| Comprehensive result | - | - | 1,370 | 5,702 | 7,072 |
| Other comprehensive result | - | - | - | - | - |
| Defined benefit plan actuarial gains(+)/loss(-), net of tax | - | - | - | -90 | -90 |
| Other items | - | 7 | - | -7 | 0 |
| Dividend | - | - | - | 0 | 0 |
| Correction of an error in previously issued financial statements* | - | - | - | -104 | -104 |
| Balance at 31 December 2014 | 2,141 | 2,618 | 3,534 | 21,426 | 29,720 |
| **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 | - | - | - | -11 | -11 |
| **Balance at 31 December 2015** | **2,141** | **2,645** | **4,025** | **21,904** | **30,716** |

*Correction of actuarial losses in prior year related to the pension liability in Exel Composites N.V.
**Invested Unrestricted Equity Fund includes other reserves amounting to EUR 106 (79) thousand

# CONSOLIDATED STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED 31 DECEMBER 2015

| EUR 1,000 | Notes | 1.1.-31.12.2015 | 1.1.-31.12.2014 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Profit for the period | | 2,844 | 5,702 |
| Non-cash adjustments to reconcile profit to net cash flow | 36 | 5,207 | 7,425 |
| Change in working capital | | -2,271 | 455 |
| | | | |
| Cash flow generated by operations | | 5,780 | 13,582 |
| Interest paid | | -80 | -167 |
| Interest received | | 52 | 56 |
| Other financial items | | -218 | -328 |
| Income taxes paid | | -2,149 | -2,464 |
| Net cash flow from operating activities | | **3,385** | 10,679 |
| | | | |
| **Cash flow from investing activities** | | | |
| Purchase of non-current assets | | -4,295 | -4,354 |
| Proceeds from sale of non-current assets | | 0 | 0 |
| Net cash flow from investing activities | | **-4,295** | -4,354 |
| | | | |
| Cash flow before financing | | **-910** | 6,325 |
| | | | |
| Proceeds from long-term borrowings | | 0 | 5,000 |
| Repayments of long-term borrowings | | -1,000 | -2,840 |
| Change in short-term loans | | 3,945 | -9,700 |
| Repayments of finance lease liabilities | | 0 | -5 |
| Additional capital repayment | | 0 | 0 |
| Dividends paid | | -2,379 | 0 |
| Net cash flow from financing | | **566** | -7,545 |
| | | | |
| Change in liquid funds | | **-344** | -1,220 |
| | | | |
| Liquid funds at the beginning of period | | 8,218 | 9,438 |
| Liquid funds at the end of period | | 7,874 | 8,218 |

# 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 2015 were authorized for issue in accordance with a resolution of the Board of Directors on 18 February 2016. Final decision to adopt or reject the financial statements is made by shareholders in Annual General Meeting on 17 March 2016.

## 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 Mäntyharju, Finland and its registered address is Uutelantie 24 B, 52700 Mäntyharju, Finland.

## NOTE 2 BASIS OF PREPARATION

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

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

### Statement of Compliance

The consolidated financial statements of Exel Composites have been prepared in compliance with International Financial Reporting Standards (IFRS), applying IAS and IFRS standards, as well as SIC and IFRIC interpretations, valid on 31 December 2015. 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 2015 and 2014.

## NOTE 3 CHANGES IN ACCOUNTING POLICIES ANS 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 5 Non-current Assets Held for Sale and Discontinued Operations
- IFRS 7 Financial Instruments: Disclosures
- IFRS 10, 12 and IAS 28 Investment Entities: Applying the Consolidation Expenses
- IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- IFRS 11 Accounting for Acquisitions of Interests in Joint Operations
- IAS 1 Disclosure Initiative
- IAS 16 and 38 Clarification of Acceptable Methods of Depreciation and Amortization
- IAS 16 and 41 Agriculture: Bearer Plants
- IAS 19 Defined Benefit Plans: Employee Contributions
- IAS 27 Equity Method in Separate Financial Statement
- IAS 34 Interim Financial Reporting

# 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 indefinite life intangibles are tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

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

**Deferred tax assets**

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

**Pension and other post-employment benefits**

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

**Determining the fair value of assets in business combinations**

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

# NOTE 5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Business combinations and goodwill**

**Business combinations from 1 January 2009**

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

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

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

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

**Business combinations prior to 31 December 2008**

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

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

The Group does not have any associates or joint ventures.

### Non-current assets held for sale and discontinued operations

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

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.

Net sales comprise the invoiced value for the sale of goods and services net of indirect taxes, sales adjustment and exchange rate differences. Distribution costs for products to be sold are included in the income statement as other operating expenses. Interest income is recognized using the effective interest rate method and dividend income when the right to the dividend has been created.

### Foreign currency translation

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

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

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

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

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

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

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

### Intangible assets

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

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

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

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

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

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

### Research and development

Research costs are expensed as incurred. Costs incurred from development projects, which are often connected with the design and testing of new or advanced products, are recorded in the balance sheet as intangible assets from the time that the product can be technically achieved, it can be utilized commercially, and the product is expected to create a comparable financial benefit. Other development costs are recorded as expenses. Capitalized development costs are amortized on a straight-line basis beginning from the commercial production of the product during the period they are effective, yet no longer than five years. There were no capitalized development costs during 2015 and 2014.

### 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 2015 and 2014, 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 2015 and 2014.

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

A financial asset is derecognized when:

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

### Cash and short-term deposits

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

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

### Financial liabilities

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

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

### Derivative financial instruments and hedging

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

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

Hedges for net investments in foreign units are recorded in the same way as cash-flow hedges. A hedge on a foreign subsidiary's equity is recorded in shareholders' equity in the same way as the exchange rate difference in shareholders' equity. The Group did not hedge its net foreign investments exposure during 2015 or 2014.

### 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, but not including expenses incurred from company mergers, are recorded in shareholders' equity as a reduction of received payments.

### Taxes

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

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

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

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

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

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

### Pensions and other post-employment benefits

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

In defined benefit pension plans, the present value of future pension payments on the closing date is presented less the fair value of the plan-related assets on the closing date. 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 earning period for the long-term incentive program of 2012 ended in 2014. Based on the program a gross amount of 20,048 matching shares were acquired for the participants in 2015. There is a retention period of two years before the title of the shares is transferred to the participants. No monetary performance reward was earned and therefore no monetary performance reward was paid.

On 31 December 2015 the Group had three long-term incentive programs:

The 2013 program is based on a long-term monetary incentive program and is targeted at 20 executives for the earning period 2013 – 2015. The President and CEO and the members of the Group Management Team are included in the target group of the 2013 program. The potential long-term monetary performance reward from the program 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 2016. The maximum reward to be paid on the basis of the earning period 2013 – 2015 will be EUR 1 million.

The 2014 program is based on a long-term monetary incentive program and is targeted at 20 executives for the earning period 2014 – 2016. The President and CEO and the members of the Group Management Team are included in the target group of the 2014 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.

The 2015 program is based on a long-term monetary incentive program and is targeted at 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.

No reward will be paid to an executive based on the 2013, 2014 and 2015 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.

### 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. Net sales of geographical distribution are presented according to the customers, while assets are presented according to the location of the assets.

**Net sales outside the Group according to location of customers**

| EUR 1,000 | 2015 | 2014 |
|---|---|---|
| Europe | 63,896 | 64,562 |
| APAC | 13,712 | 11,760 |
| Rest of world | 2,588 | 2,931 |
| **Total** | **80,196** | 79,253 |

Revenue from the biggest customer amounted to EUR 17,293 thousand (2014: EUR 18,551 thousand).

**Total assets according to geographic location**

| EUR 1,000 | 2015 | 2014 |
|---|---|---|
| Europe | 30,212 | 29,754 |
| APAC | 15,190 | 14,154 |
| Rest of world | 0 | 0 |
| **Total** | **45,402** | 43,908 |

**Capital expenditure according to geographic location**

| EUR 1,000 | 2015 | 2014 |
|---|---|---|
| Europe | 3,607 | 3,489 |
| APAC | 688 | 865 |
| Rest of world | 0 | 0 |
| **Total** | **4,295** | 4,354 |

# NOTE 7 BUSINESS COMBINATIONS

The Group did no acquisitions in 2015 or 2014.

# 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 | Average rate 2015 | Average rate 2014 | Balance sheet rate 2015 | Balance sheet rate 2014 |
|---|---|---|---|---|---|
| Australia | AUD | 1.47650 | 1.47250 | 1.49900 | 1.48290 |
| UK | GBP | 0.72602 | 0.80647 | 0.73799 | 0.77890 |
| China | RMB | 6.97319 | 8.20373 | 7.09100 | 7.53580 |
| Sweden | SEK | 9.35401 | 9.09660 | 9.18780 | 9.39300 |
| USA | USD | 1.10963 | 1.32890 | 1.09260 | 1.21410 |

## NOTE 9 OTHER OPERATING INCOME

| EUR 1,000 | 2015 | 2014 |
|---|---|---|
| Rental income | 20 | 18 |
| Other operating income | 533 | 689 |
| Net gain on disposal of non-current assets | 0 | 0 |
| Total | 553 | 707 |

Other operating income includes Exel Sports licensing income of EUR 0.2 (0.4) million and government grants of EUR 0.3 (0.2) million.

## NOTE 10 OTHER OPERATING EXPENSES

| EUR 1,000 | 2015 | 2014 |
|---|---|---|
| Rental expenses | 1,239 | 1,034 |
| Other operating expenses | 16,913 | 15,099 |
| Total | 18,151 | 16,133 |

The fees paid in 2015 to the external auditor for auditing Exel Group companies totaled EUR 190 (163) thousand, while the fees paid for non-audit services totaled EUR 123 (51) thousand.

## NOTE 11 EMPLOYEE BENEFIT EXPENSES

| EUR 1,000 | 2015 | 2014 |
|---|---|---|
| Wages and salaries | 20,837 | 18,662 |
| Pension costs – defined contribution schemes | 2,339 | 2,061 |
| Pension costs – defined benefit schemes | 14 | 11 |
| Other employee benefits | 2,090 | 1,957 |
| Total | 25,280 | 22,691 |

| Personnel | 2015 | 2014 |
|---|---|---|
| Average number of personnel | 498 | 433 |

## NOTE 12 RESEARCH AND DEVELOPMENT EXPENDITURE

The income statement includes research and development costs entered as costs amounting to EUR 1,850 thousand in 2015 (EUR 1,837 thousand in 2014). These costs are included in the income statement under Employee Benefit Expenses and Other Operating Expenses.

## NOTE 13 DEPRECIATION, AMORTIZATION AND IMPAIRMENT

| Depreciation of assets, EUR 1,000 | 2015 | 2014 |
|---|---|---|
| Intangible assets | 293 | 339 |
| Tangible assets | | |
| Buildings | 283 | 264 |
| Machinery and equipment | 2,317 | 2,030 |
| Total | 2,894 | 2,634 |

| Impairment and write-down of assets, EUR 1,000 | 2015 | 2014 |
|---|---|---|
| Intangible assets | 0 | 132 |
| Goodwill | 0 | 0 |
| Tangible assets | | |
| Land | 9 | 8 |
| Buildings | 0 | 0 |
| Machinery and equipment | 0 | 342 |
| Total | 9 | 482 |

# NOTE 14 FINANCIAL INCOME

| EUR 1,000 | 2015 | 2014 |
|---|---|---|
| Interest income on loans and receivables | 52 | 56 |
| Dividend income | 1 | 1 |
| Foreign exchange gains | 501 | 340 |
| Change in fair value of financial assets recognized at fair value through profit or loss (from derivatives) | 4 | 0 |
| Other finance income | 41 | 4 |
| **Total finance income** | **599** | 402 |

# NOTE 15 FINANCIAL EXPENSES

| EUR 1,000 | 2015 | 2014 |
|---|---|---|
| Interest expenses on debts and borrowings | 77 | 154 |
| Interest expenses under finance leases | 0 | 0 |
| Foreign exchange losses | 571 | 529 |
| Change in fair value of financial assets recognized at fair value through profit or loss (from derivatives) | 0 | 38 |
| Other finance expenses | 109 | 112 |
| **Total finance expenses** | **757** | 832 |

Exchange differences for sales (exchange rate gain EUR 44 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 2015 and 2014:

| EUR 1,000 | 2015 | 2014 |
|---|---|---|
| Income tax based on taxable income for the financial year | 1,273 | 2,159 |
| Income taxes from previous financial periods | 146 | 58 |
| Deferred taxes | -6 | 537 |
| **Total income taxes reported in the income statement** | **1,413** | 2,754 |

| Income tax recognized in other comprehensive income 2015, EUR 1,000 | 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** |

| Income tax recognized in other comprehensive income 2014, EUR 1,000 | Before tax | Tax effect | After tax |
|---|---|---|---|
| Exchange differences on translating foreign operations | 1,370 | 0 | 1,370 |
| Defined benefit plan actuarial gains (+)/losses (-) | -133 | 43 | -90 |
| Total | 1,237 | 43 | 1,280 |

A reconciliation between tax expense and the product of accounting profit multiplied by Finland's domestic tax rate for the years ended 31 December 2015 and 2014 is as follows:

| Income tax reconciliation, EUR 1,000 | 2015 | 2014 |
|---|---|---|
| Accounting profit before tax | 4,257 | 8,457 |
| Tax calculated at domestic tax rate 20.0% in 2015 and in 2014 | 851 | 1,691 |
| Difference between the domestic and foreign tax rates | -3 | 318 |
| Expenses not deductible for tax purposes | 10 | 121 |
| Other | 555 | 624 |
| Tax charge | 1,413 | 2,754 |
| Effective tax rate | 33.2 | 32.6 |

## NOTE 17 DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

| Deferred tax assets, EUR 1,000 | 1.1.2015 | Recognized in income statement | Recognized in shareholders' equity | Exchange rate differences | 31.12.2015 |
|---|---|---|---|---|---|
| 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, EUR 1,000 | 1.1.2015 | Recognized in income statement | Recognized in shareholders' equity | Exchange rate differences | 31.12.2015 |
|---|---|---|---|---|---|
| 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** |

| Deferred tax assets, EUR 1,000 | 1.1.2014 | Recognized in income statement | Recognized in shareholders' equity | Exchange rate differences | 31.12.2014 |
|---|---|---|---|---|---|
| Intercompany profit in inventory | 2 | -1 | - | - | 1 |
| Losses | 215 | -141 | - | - | 74 |
| Other temporary differences | 810 | -367 | 80 | 36 | 559 |
| Offset with deferred tax liabilities | -386 | 37 | - | - | -349 |
| Net deferred tax assets | 641 | -472 | 80 | 36 | 285 |

| Deferred tax liabilities, EUR 1,000 | 1.1.2014 | Recognized in income statement | Recognized in shareholders' equity | Exchange rate differences | 31.12.2014 |
|---|---|---|---|---|---|
| Accumulated depreciation | - | - | - | - | - |
| Other temporary differences | 826 | 28 | -16 | 16 | 854 |
| Offset with deferred tax assets | -386 | 37 | - | - | -349 |
| Net deferred tax liabilities | 440 | 65 | -16 | 16 | 505 |

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 2015 of EUR 3,686 (EUR 2,431) thousand, of which the Company has recorded deferred tax assets of EUR 73 (74) 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.

| | 2015 | 2014 |
|---|---|---|
| Profit for the financial year (EUR 1,000) attributable to ordinary equity holders of the parent company | 2,844 | 5,702 |
| 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) | 0.24 | 0.48 |

## NOTE 19 DIVIDENDS PER SHARE

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.

The Annual General Meeting held on 27 March 2014 approved the Board's proposal not to distribute any dividend for the financial year 2013.

Following the balance sheet date the Board of Directors has proposed for approval at the Annual General Meeting that a dividend of EUR 0.22 per share be paid for the financial year 2015.

# NOTE 20 INTANGIBLE ASSETS

The Group has no internally created intangible assets.

| Goodwill EUR 1,000 | 2015 | 2014 |
|---|---|---|
| Acquisition cost at 1 Jan. | 14,559 | 14,363 |
| Additions | 0 | 0 |
| Exchange rate differences | -88 | 196 |
| Acquisition cost at 31 Dec. | 14,471 | 14,559 |
| Accumulated amortization at 1 Jan. | -4,882 | -4,969 |
| Impairment charge | 0 | 0 |
| Exchange rate differences | 10 | 87 |
| Accumulated amortization at 31 Dec. | -4,872 | -4,882 |
| Book value at 1 Jan. | 9,676 | 9,393 |
| Book value at 31 Dec. | 9,597 | 9,676 |

| Other intangible assets, EUR 1,000 | 2015 | 2014 |
|---|---|---|
| Acquisition cost at 1 Jan. | 5,215 | 5,084 |
| Additions | 11 | 15 |
| Decreases | 0 | 0 |
| Transfers between asset groups | 0 | 0 |
| Exchange rate differences | -36 | 116 |
| Acquisition cost at 31 Dec. | 5,190 | 5,215 |
| Accumulated amortization at 1 Jan. | -4,959 | -4,510 |
| Amortization for the period | -151 | -220 |
| Impairment charge and write-downs | 0 | -132 |
| Decreases | 0 | 0 |
| Exchange rate differences | 36 | -97 |
| Accumulated amortization at 31 Dec. | -5,074 | -4,959 |
| Book value at 1 Jan. | 255 | 573 |
| Book value at 31 Dec. | 116 | 255 |

| Other long-term expenses, EUR 1,000 | 2015 | 2014 |
|---|---|---|
| Acquisition cost at 1 Jan. | 3,671 | 3,468 |
| Additions | 77 | 86 |
| Decreases | 0 | 0 |
| Transfers between asset groups | 9 | 117 |
| Translation differences | 0 | 0 |
| Acquisition cost at 31 Dec. | 3,757 | 3,671 |
| Accumulated amortization at 1 Jan. | -3,240 | -3,121 |
| Amortization for the period | -143 | -119 |
| Decreases | 0 | 0 |
| Translation differences | 0 | 0 |
| Accumulated amortization at 31 Dec. | -3,383 | -3,240 |
| Book value at 1 Jan. | 431 | 348 |
| Book value at 31 Dec. | 374 | 431 |

# NOTE 21 PROPERTY, PLANT AND EQUIPMENT

| Land and water areas, EUR 1,000 | 2015 | 2014 |
|---|---|---|
| Acquisition cost at 1 Jan. | 928 | 860 |
| Additions | 0 | 0 |
| Decreases | 0 | 0 |
| Transfer between asset groups | 0 | 0 |
| Exchange rate differences | 50 | 68 |
| Acquisition cost at 31 Dec. | 978 | 928 |
| Impairment charge and write-downs | -238 | -229 |
| Exchange rate differences | -33 | -19 |
| Book value at 1 Jan. | 682 | 640 |
| Book value at 31 Dec. | 708 | 682 |

| Buildings and structures, EUR 1,000 | 2015 | 2014 |
|---|---|---|
| Acquisition cost at 1 Jan. | 7,511 | 7,140 |
| Additions | 123 | 95 |
| Decreases | 0 | 0 |
| Transfer between asset group | 29 | 91 |
| Exchange rate differences | 112 | 184 |
| Acquisition cost at 31 Dec. | 7,775 | 7,511 |
| Accumulated amortization at 1 Jan. | -5,017 | -4,687 |
| Amortization for the period | -283 | -264 |
| Decreases | 0 | 0 |
| Exchange rate differences | -36 | -66 |
| Accumulated amortization at 31 Dec. | -5,336 | -5,017 |
| Book value at 1 Jan. | 2,494 | 2,453 |
| Book value at 31 Dec. | 2,440 | 2,494 |

| Machinery and equipment, EUR 1,000 | 2015 | 2014 |
|---|---|---|
| Acquisition cost at 1 Jan. | 44,970 | 40,832 |
| Additions | 2,789 | 3,303 |
| Decreases | -51 | -88 |
| Transfers between asset groups | 243 | 686 |
| Exchange rate differences | 341 | 237 |
| Acquisition cost at 31 Dec. | 48,292 | 44,970 |
| Accumulated amortization at 1 Jan. | -36,488 | -34,046 |
| Amortization for the period | -2,317 | -2,026 |
| Impairment charge and write-downs | 0 | -342 |
| Decreases | 0 | 13 |
| Translation differences | -166 | -86 |
| Accumulated amortization at 31 Dec. | -38,971 | -36,488 |
| Book value at 1 Jan. | 8,481 | 6,784 |
| Book value at 31 Dec. | 9,321 | 8,481 |

| Advance payments and construction in progress, EUR 1,000 | 2015 | 2014 |
|---|---|---|
| Acquisition cost at 1 Jan. | 875 | 914 |
| Additions | 1,295 | 855 |
| Transfers between asset groups | -281 | -894 |
| Decreases | 0 | 0 |
| Exchange rate differences | 0 | 0 |
| Acquisition cost at 31 Dec. | 1,889 | 875 |
| Book value at 1 Jan. | 875 | 914 |
| Book value at 31 Dec. | 1,889 | 875 |

| Finance lease arrangements | 2015 | 2014 |
|---|---|---|
| Acquisition cost at 1 Jan. | 1,810 | 1,810 |
| Additions | 0 | 0 |
| Decreases | 0 | 0 |
| Exchange rate differences | 0 | 0 |
| Acquisition cost at 31 Dec. | 1,810 | 1,810 |
| Accumulated amortization at 1 Jan. | -1,810 | -1,806 |
| Amortization for the period | 0 | -4 |
| Impairment charge and write-down | 0 | 0 |
| Decreases | 0 | 0 |
| Exchange rate differences | 0 | 0 |
| Accumulated amortization at 31 Dec. | -1,810 | -1,810 |
| Book value at 1 Jan. | 0 | 4 |
| Book value at 31 Dec. | 0 | 0 |

The Group had no assets for sale.

## NOTE 22 OTHER NON-CURRENT ASSETS

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

| EUR 1,000 | 2015 | 2014 |
|---|---|---|
| Book value at 1 Jan. | 74 | 70 |
| Decreases | 0 | 0 |
| Change in fair value | 14 | 4 |
| Book value at 31 Dec. | 87 | 74 |

## NOTE 23 INVENTORIES

| EUR 1,000 | 2015 | 2014 |
|---|---|---|
| Raw materials | 4,968 | 5,327 |
| Work in progress | 914 | 911 |
| Finished products and goods | 3,788 | 3,796 |
| **Total inventories** | **9,670** | 10,034 |

During the 2015 financial year an expense of EUR 0.7 million was recognized to reduce the book value of inventories to their net realizable value (EUR 0.5 million in 2014).

## NOTE 24 TRADE AND OTHER RECEIVABLES

| EUR 1,000 | 2015 | 2014 |
|---|---|---|
| Trade receivables | 10,156 | 9,664 |
| Deferred income | 624 | 288 |
| Other receivables | 727 | 954 |
| **Total receivables** | **11,507** | 10,906 |

During the 2015 financial year credit losses of EUR -57 thousand were recorded (EUR 135 thousand in 2014), consisting of actual credit losses amounting to EUR 95 thousand (EUR 2 thousand in 2014) and change in the bad debt provision amounting to EUR -152 thousand (EUR 133 thousand in 2014) covering all overdue trade receivables which are over 90 days overdue.

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

| | | | Past due but not impaired | | |
|---|---|---|---|---|---|
| | Total | Neither past due nor impaired | <30 days | 30 – 60 days | 61 – 90 days |
| 2015 | 10,156 | 6,629 | 2,649 | 583 | 297 |
| 2014 | 9,664 | 6,575 | 2,523 | 467 | 99 |

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 7,874 (8,218) thousand.

# NOTE 26 TRADE AND OTHER NON-INTEREST-BEARING LIABILITIES

| EUR 1,000 | 2015 | 2014 |
|---|---|---|
| Trade payables | 7,453 | 8,675 |
| Accrued expenses | 5,072 | 6,270 |
| Advance payments | 140 | 172 |
| Other current interest-free liabilities | 929 | 995 |
| Non-current interest-free liabilities | 553 | 454 |
| Total | 14,147 | 16,564 |

# NOTE 27 INTEREST-BEARING LOANS AND BORROWINGS

| Non-current interest-bearing loans and borrowings, EUR 1,000 | 2015 | 2014 |
|---|---|---|
| | Book values | Book values |
| Loans from financial institutions | 3,000 | 4,000 |
| Pension loans | 531 | 623 |
| Finance lease liabilities | 0 | 0 |
| Total | 3,531 | 4,623 |

| Current interest-bearing loans and borrowings, EUR 1,000 | 2015 | 2014 |
|---|---|---|
| Short-term loans from financial institutions | 3,945 | 0 |
| Current portion of long-term debt (repayments) | 1,000 | 1,000 |
| Finance lease liabilities | | 0 |
| Total | 4,945 | 1,000 |

| Maturity of non-current interest-bearing liabilities, EUR 1,000 | 2015 | 2014 |
|---|---|---|
| 2014 | | 0 |
| 2015 | | 1,000 |
| 2016 | 1,000 | 1,000 |
| 2017 | 1,000 | 1,000 |
| 2018 | 1,000 | 1,000 |
| 2019 | 1,000 | 1,000 |
| 2020 | 0 | 0 |
| Later | 0 | 0 |
| Total | 4,000 | 5,000 |

Among interest-bearing loans EUR 2,400 thousand (EUR 3,000 thousand in 2014) has been converted to fixed interest rates through interest rate swap agreements.

# NOTE 28 IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLES WITH INDEFINITE LIVES

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

| Distribution of goodwill, EUR 1,000 | 2015 | 2014 |
|---|---|---|
| Finland | 135 | 135 |
| Germany | 1,305 | 1,305 |
| Belgium | 209 | 209 |
| Austria | 688 | 688 |
| Exel Composites Group | 7,261 | 7,340 |
| Total | 9,597 | 9,676 |

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 9.0% – 13.7% (10.5% – 18.0%).

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 9% (7%) there would be a situation where the carrying value would not exceed the recoverable amount. Alternatively the sales margin must decline over 4 (4) per cent units or discount rate increase to over 21% (28%).

## 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 partly protected by forward agreements and currency options. The Group's transaction exposure is in USD amounting to USD 2.5 million (USD 2.5 million) on 31 December 2015.

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

| Net investment | 31 Dec. 2015 | 31 Dec. 2014 |
|---|---|---|
| AUD | 5,899 | 7,377 |
| GBP | 7,705 | 6,947 |
| RMB | 6,114 | 5,603 |

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

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

| 31 December 2014 | AUD | GBP | RMB |
|---|---|---|---|
| Increase in currency rate vs. EUR | 5% | 5% | 5% |
| Effect on profit before tax in EUR | | | |
| Effect on equity EUR | 369 | 347 | 280 |

### 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 2015 were divided to the currencies as follows:

| Currency | Amount 1,000 EUR | % |
|---|---|---|
| EUR | 4,000 | 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 2,400 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 2015 was EUR 85 thousand (EUR 56 thousand in 2014).

### 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 2015 amounting to EUR 37.1 million of which EUR 27.1 million were committed.

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

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

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

| Year ended 31 Dec. 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 |

| Year ended 31 Dec. 2014 | On demand | Less than 3 months | 3 – 12 months | 1 – 5 years | > 5 years | Total |
|---|---|---|---|---|---|---|
| Interest-bearing liabilities | - | 500 | 500 | 4,000 | - | 5,000 |
| Trade and other current payables | - | 16,110 | - | - | - | 16,110 |

### 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 2015 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.

| EUR 1,000 | 2015 | 2014 |
|---|---|---|
| Interest-bearing liabilities | 8,476 | 5,623 |
| Cash and cash equivalents | 7,874 | 8,218 |
| Net interest-bearing liabilities | 602 | -2,595 |
| Shareholders' equity | 30,716 | 29,720 |
| Net gearing % | 2.0 | -8.7 |

## 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, EUR 1,000 | 2015 | 2014 |
|---|---|---|
| Service cost for the financial year | 2,339 | 2,061 |
| Differences in benefit schemes | 14 | 11 |
| **Total included in personnel expenses** | **2,353** | 2,073 |

| Amounts recognized in the balance sheet, EUR 1,000 | 2015 | 2014 |
|---|---|---|
| At the beginning of financial period | 623 | 321 |
| Pension expenses in the income statement | -14 | 11 |
| Defined benefit plan actuarial gains (+)/losses(-) | -78 | 133 |
| Correction of an error in previously issued financial statements | 0 | 158 |
| **At the end of financial period** | **531** | 623 |

# 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:

| EUR 1,000 | Net fair value hierarchy | 2015 Net fair value | 2015 Nominal value | 2014 Net fair value | 2014 Nominal value |
|---|---|---|---|---|---|
| Trade and other receivables | Level 2 | 11,507 | 11,507 | 10,906 | 10,906 |
| Cash and cash equivalents | Level 2 | 7,874 | 7,874 | 8,218 | 8,218 |
| Interest rate swap agreements | Level 2 | -35 | 2,400 | -38 | 3,000 |
| Bank loans | Level 2 | 4,011 | 4,000 | 5,004 | 5,000 |
| Current loan facilities | Level 2 | 3,945 | 3,945 | 0 | 0 |
| Trade and other payables | Level 2 | 13,594 | 13,594 | 16,110 | 16,110 |

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

# NOTE 32 CONTINGENT LIABILITIES

| EUR 1,000 | 2015 | 2014 |
|---|---|---|
| **Commitments on own behalf** | | |
| Mortgages | 2,783 | 2,783 |
| Floating charges | 12,500 | 12,500 |
| **Operating leases** | | |
| Not later than one year | 1,040 | 896 |
| 1 – 5 years | 904 | 1,414 |
| Other liabilities | 312 | 6 |

# NOTE 33 SHARE CAPITAL

| EUR 1,000 | Number of shares (1,000) | Share capital | Invested unrestricted equity fund | Total |
|---|---|---|---|---|
| 1 January 2014 | 11,897 | 2,141 | 2,539 | 4,681 |
| 31 December 2014 | 11,897 | 2,141 | 2,539 | 4,681 |
| 31 December 2015 | **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 26 March 2015 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.

The share repurchase authorization shall be valid until 30 June 2016 and it shall revoke the repurchase authorization given by the Annual General Meeting on 27 March 2014.

On 27 March 2014 the Annual General Meeting authorized the Board of Directors to acquire the Company's own shares by using unrestricted equity. The maximum amount to be acquired was 600,000 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 2015.

On 27 March 2013 the Annual General Meeting authorized the Board of Directors to issue a maximum of 2,400,000 new shares and convey a maximum of 600,000 own shares. By virtue of the authorization, the Board of Directors also has the right to grant option rights, convertible bonds and/or special rights referred to in Chapter 10, Section 1 of the Companies Act. The authorization is valid until 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 based on holding the Company's shares. The Board of Directors makes the decision on the program annually.

The 2012 program, the earning period of which ended in 2014, included matching shares and a long-term monetary performance reward. The program was targeted at 18 executives for the earning period 2012 – 2014. The members of the Group Management Team were included in the target group of the 2012 program. The prerequisite for the participation in the matching shares component was that the executive owns the Company's shares in accordance with the decision by the Board of Directors. The potential long-term monetary performance reward was based on the Group's cumulative Economic Profit and on the Group's Total Shareholder Return (TSR). The maximum reward to be paid in 2015 corresponded to the value of up to EUR 900,000 for the monetary performance reward and up to 30,000 Exel Composites Plc shares for the matching shares reward. No monetary performance reward was earned and therefore no monetary performance reward was paid. Based on the program a gross amount of 20,048 matching shares were acquired for the participants in 2015. There is a retention period of two years before the title of the shares is transferred to the participants.

### On 31 December 2015 the Group had three long-term incentive programs:

The 2013 program is based on a long-term monetary incentive program and is targeted at 20 executives for the earning period 2013 – 2015. The President and CEO and the members of the Group Management Team are included in the target group of the 2013 program. The potential long-term monetary performance reward from the program 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 2016. The maximum reward to be paid on the basis of the earning period 2013 – 2015 will be EUR 1 million. The accrued cost for 2015 was EUR 131 thousand.

The 2014 program is based on a long-term monetary incentive program and is targeted at 20 executives for the earning period 2014 – 2016. The President and CEO and the members of the Group Management Team are included in the target group of the 2014 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. The accrued cost for 2015 was EUR 293 thousand.

The 2015 program is based on a long-term monetary incentive program and is targeted at 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. The accrued cost for 2015 was EUR 156 thousand.

No reward will be paid to an executive based on the 2013, 2014 and 2015 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, 31 DECEMBER 2015

The parent company's distributable funds on 31 December 2015 were EUR 13,795 thousand.

# NOTE 36 CASH FLOW FROM BUSINESS OPERATIONS

| Non-cash adjustments to the result for the financial year, EUR 1,000 | 2015 | 2014 |
|---|---|---|
| Depreciation, impairment charges and write-offs | 2,903 | 3,115 |
| Taxes | 1,413 | 2,754 |
| Financial expenses | 756 | 832 |
| Financial income | -599 | -402 |
| Other adjustments | 734 | 1,126 |
| Total | 5,207 | 7,425 |

# NOTE 37 RELATED-PARTY TRANSACTIONS

Exel Composites' permanent public insiders include 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. No significant related-party transactions were conducted by the Group or the permanent insiders in 2015.

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 salaries, fees and bonuses, EUR 1,000 | 2015 | 2014 |
|---|---|---|
| President & CEO | 434 | 275 |
| Members of the Board of Directors | 156 | 141 |
| Total | 590 | 416 |

| Salaries and fees per person, EUR 1,000 | 2015 | 2014 |
|---|---|---|
| Riku Kytömäki, President and CEO | 434 | 275 |
| Peter Hofvenstam, Chairman of the Board | 50 | 46 |

| Members of the Board of Directors, EUR 1,000 | 2015 | 2014 |
|---|---|---|
| Heikki Hiltunen | 26 | 23 |
| Matti Hyytiäinen (as of 26 March 2015) | 26 | 0 |
| Göran Jönsson (until 26 March 2015) | 1 | 24 |
| Reima Kerttula | 27 | 24 |
| Kerstin Lindell | 26 | 23 |
| Heikki Mairinoja (until 27 March 2014) | 0 | 1 |

The accrued pension costs of CEO amounted to EUR 106 (64) thousand. The CEO's pension plan is pursuant to the employment pension legislation.

The holdings of the senior management on 31.12.2015 were:

| Number of shares and votes | 2015 | 2014 |
|---|---|---|
| Riku Kytömäki, President and CEO | 13,550 | 9,500 |
| Peter Hofvenstam, Chairman of the Board | 7,755 | 6,208 |

| Members of the Board of Directors | 2015 | 2014 |
|---|---|---|
| Heikki Hiltunen | 3,685 | 2,912 |
| Matti Hyytiäinen (as of 26 March 2015) | 773 | 0 |
| Göran Jönsson (until 26 March 2015) | 0 | 5,912 |
| Reima Kerttula | 3,685 | 2,912 |
| Kerstin Lindell | 1,839 | 1,066 |
| Number of shares and votes total | 34,937 | 28,510 |

# NOTE 38 EVENTS AFTER THE REPORTING PERIOD

The Board of Directors of Exel Composites Plc has on 18 February 2016 approved a new incentive program for the executives of the Company. The aim of the new program is to combine the objectives of the shareholders and the executives in order to increase the value of the Company, to commit the executives to the Company and to offer the executives a competitive reward program. The new program is based on a long-term monetary performance reward, and the program is targeted at approximately 20 executives for the earning period 2016 – 2018. The CEO and members of the Group Management Team are included in the target group of the new incentive program.

The new program includes one earning period, the calendar years 2016 – 2018. The potential long-term monetary performance reward from the program for the earning period 2016 – 2018 will be based on the Group's cumulative Economic Profit and on the Group's Total Shareholder Return (TSR).

The potential reward from the earning period 2016 – 2018 will be paid in 2019. No reward will be paid to an executive that resigns before the reward payment unless the executive is leaving the Company due to retirement.

The maximum reward to be paid on the basis of the earning period 2016 – 2018 will be EUR 1.0 million excluding employer's social costs.

The Board of Directors of Exel Composites Plc has on 18 February 2016 taken a decision to change the Group's financial reporting practices as of 19 February 2016 as a result of the amended Securities Market Act, which was entered into force on 26 November 2015. Contrary to what was disclosed on 17 December 2015 regarding financial reporting in 2016, Exel Composites will disclose certain key figures and information on business performance for the three and nine months periods in a stock exchange release instead of interim reports.

# PARENT COMPANY INCOME STATEMENT

| EUR 1,000 | Notes | 1.1. -31.12.2015 | 1.1. - 31.12.2014 |
|---|---|---|---|
| **Net sales** | 1 | **38,159** | 37,729 |
| Increase (+) / Decrease (-) in inventories of finished goods and work in progress | | -485 | 1,152 |
| Other operating income | | 557 | 661 |
| Materials and services | | | |
| Materials and supplies | | | |
| Purchases during financial period | | 11,742 | 13,615 |
| Increase (-) or decrease (+) in inventories | | 408 | -328 |
| | | -12,150 | -13,287 |
| External services | | -795 | -428 |
| Personnel expenses | 2 | | |
| Wages and salaries | | 10,345 | 9,908 |
| Pension costs | | 1,819 | 1,727 |
| Other personnel expenses | | 521 | 527 |
| | | -12,685 | -12,163 |
| Depreciation and write-down | 3 | | |
| Planned depreciation | | -1,461 | -1,319 |
| Other operating expenses | 4 | -7,485 | -6,956 |
| **Operating profit** | | **3,658** | 5,390 |
| Financial income and expenses | 5 | | |
| Other interest and financial income | | 471 | 1,286 |
| Interest paid and other financial expenses | | -663 | -2,796 |
| | | -192 | -1,511 |
| **Profit before extraordinary items** | | **3,466** | 3,879 |
| Group subsidy | 6 | -10 | 0 |
| Appropriation | | -15 | 0 |
| **Profit before appropriations and taxes** | | **3,441** | 3,879 |
| Direct taxes | 7 | -818 | -1,098 |
| **Profit for the period** | | **2,624** | -2,781 |

# PARENT COMPANY BALANCE SHEET

| EUR 1,000 | Note | 31.12.2015 | 31.12.2014 |
|---|---|---|---|
| **ASSETS** | | | |
| Non-current assets | 8 | | |
| Intangible assets | | | |
| Intangible assets | | 84 | 114 |
| Other capitalized expenditure | | 374 | 431 |
| | | 458 | 545 |
| Tangible assets | | | |
| Land and water | | 90 | 90 |
| Buildings | | 1,181 | 1,255 |
| Machinery and equipment | | 3,236 | 3,417 |
| Construction in progress | | 1,770 | 781 |
| | | 6,277 | 5,543 |
| Investments | | | |
| Holdings in Group companies | 9 | 16,975 | 16,975 |
| Other shares and holdings | | 53 | 53 |
| | | 17,028 | 17,028 |
| Total non-current assets | | **23,763** | 23,116 |
| Current assets | | | |
| Inventories | | | |
| Raw materials and consumables | | 2,761 | 3,169 |
| Work in progress | | 914 | 911 |
| Finished goods | | 883 | 1,370 |
| | | 4,558 | 5,450 |
| Current receivables | 10 | | |
| Trade receivables | | 3,577 | 2,725 |
| Receivables from Group companies | | 2,361 | 1,350 |
| Other receivables | | 252 | 28 |
| Prepaid expenses and accrued income | | 342 | 672 |
| | | 6,532 | 4,776 |
| Cash in hand and at bank | | 2,229 | 1,527 |
| Total current assets | | **13,319** | 11,753 |
| Total assets | | **37,082** | 34,869 |

| EUR 1,000 | Note | 31.12.2015 | 31.12.2014 |
|---|---|---|---|
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | |
| **Equity** | 11 | | |
| Share capital | | 2,141 | 2,141 |
| Share premium reserve | | 0 | 0 |
| Invested unrestricted equity fund | | 2,539 | 2,539 |
| Retained earnings | | 8,632 | 8,230 |
| Profit for the financial period | | 2,624 | 2,781 |
| Total equity | | 15,936 | 15,692 |
| Appropriation | | 15 | 0 |
| **Liabilities** | | | |
| Non-current liabilities | 12 | | |
| Loans from financial institutions | | 3,000 | 4,000 |
| Current liabilities | 13 | | |
| Loans from financial institutions | | 4,945 | 1,000 |
| Accounts payable | | 140 | 172 |
| Trade payables | | 2,433 | 3,132 |
| Liabilities to Group companies | | 6,899 | 6,982 |
| Other liabilities | | 327 | 357 |
| Accrued liabilities and deferred income | | 3,386 | 3,535 |
| Total current liabilities | | 18,130 | 15,177 |
| Total liabilities | | 21,130 | 19,072 |
| Total liabilities and shareholders' equity | | 37,082 | 34,869 |

# PARENT COMPANY CASH FLOW STATEMENT

| EUR 1,000 | 2015 | 2014 |
|---|---|---|
| Cash flow from business operations | | |
| Profit for the year | 2,624 | 2,781 |
| Profit for the year adjustments | 2,551 | 4,039 |
| Change in net working capital | -1,833 | 328 |
| Interest paid and other financial expenses | -319 | -575 |
| Dividend received | 1 | 1,001 |
| Interest received | 47 | 34 |
| Income taxes paid | -828 | -1,299 |
| Net cash flow from operating activities | **2,243** | 6,309 |
| | | |
| Cash flow from investing activities | | |
| Capital expenditure | -2,107 | -1,916 |
| Installments in subsidiaries' shares | 0 | 0 |
| Proceeds from sale of fixed assets | 0 | 3,343 |
| Net cash flow from investing activities | **2,107** | 1,427 |
| | | |
| Cash flow before financing | **136** | 7,736 |
| | | |
| Cash flow | | |
| Proceeds from long-term borrowings | 0 | 5,000 |
| Repayments of long-term borrowings | -1,000 | -2,840 |
| Change of current loans | -3,945 | -9,700 |
| Group subsidies | 0 | 0 |
| Additional capital repayment | 0 | 0 |
| Dividend paid | -2,379 | 0 |
| Net cash flow from financing | **566** | -7,540 |
| | | |
| Change in liquid funds | **702** | 196 |
| Liquid funds Jan. 1 | **1,527** | 1,331 |
| Liquid assets from merger | **0** | 0 |
| Liquid funds Dec. 31 | **2,229** | 1,527 |

# NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

## NOTE 1 NET SALES BY MARKET AREA

| EUR 1,000 | 2015 | 2014 |
|---|---|---|
| Europe | 33,874 | 34,962 |
| APAC | 1,892 | 1,521 |
| Rest of world | 2,393 | 2,717 |
| Total | 38,159 | 39,199 |

## NOTE 2 PERSONNEL EXPENSES

| Paid, EUR 1,000 | 2015 | 2014 |
|---|---|---|
| President and CEO | 434 | 275 |
| Members of the Board | 156 | 141 |
| Total | 590 | 416 |

| Average personnel employed | | |
|---|---|---|
| Office employees | 87 | 69 |
| Production employees | 129 | 131 |
| Total | 216 | 200 |

## 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 | | 2015 |
|---|---|---|
| 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, EUR 1,000 | 2015 | 2014 |
|---|---|---|
| Intangible rights | 36 | 36 |
| Other capitalized expenditure | 143 | 119 |
| Buildings | 215 | 205 |
| Machinery and equipment | 1,066 | 958 |
| Write-downs of non-current assets | 0 | 0 |
| Total | 1,461 | 1,319 |

## NOTE 4 OTHER OPERATING EXPENSES

| EUR 1,000 | 2015 | 2014 |
|---|---|---|
| Rents | 190 | 174 |
| Marketing expenses | 292 | 183 |
| Other expenses | 7,003 | 6,599 |
| Total | 7,485 | 6,956 |

| EUR 1,000 | 2015 | 2014 |
|---|---|---|
| Auditor’s fee | 83 | 40 |
| Tax consulting | 7 | 4 |
| Other fees | 31 | 24 |
| Total | 121 | 67 |

## NOTE 5 FINANCE INCOME AND EXPENSES

| EUR 1,000 | 2015 | 2014 |
|---|---|---|
| **Other interest and financial income** | | |
| From Group companies | 22 | 1,002 |
| From others | 449 | 284 |
| **Total** | **471** | 1,286 |

| Interest and other financial expenses | 2015 | 2014 |
|---|---|---|
| To Group companies | -140 | -103 |
| Reduction in value of investments held as non-current assets | 0 | -2,100 |
| To others | -523 | -593 |
| **Total** | **-663** | -2,796 |
| | | |
| **Total finance income and expenses** | **-192** | -1,511 |

## NOTE 6 EXTRAORDINARY ITEMS

| EUR 1,000 | 2015 | 2014 |
|---|---|---|
| Extraordinary items / Group subsidy | -10 | 0 |
| **Total** | **-10** | 0 |

## NOTE 7 DIRECT TAXES

| EUR 1,000 | 2015 | 2014 |
|---|---|---|
| Taxes | -818 | -1,098 |

## NOTE 8 INTANGIBLE AND TANGIBLE RIGHTS

| EUR 1,000 | 2015 | 2014 |
|---|---|---|
| **Intangible rights** | | |
| Acquisition cost Jan. 1 | 1,191 | 1,191 |
| Increase | 6 | 0 |
| Decrease | 0 | 0 |
| Reclassification between items | 0 | 0 |
| Acquisition cost Dec. 31 | 1,197 | 1,191 |
| Accumulated planned depreciation Jan. 1 | -1,076 | -1,040 |
| Planned depreciation | -36 | -36 |
| Planned depreciation of decrease | 0 | 0 |
| Accumulated planned depreciation Dec. 31 | -1,112 | -1,076 |
| Book value at Jan. 1 | 114 | 151 |
| Book value at Dec. 31 | 84 | 114 |

| Other long-term expenses | 2015 | 2014 |
|---|---|---|
| Acquisition cost Jan. 1 | 3,566 | 3,363 |
| Increase | 77 | 86 |
| Decrease | 0 | 0 |
| Reclassification between items | 9 | 117 |
| Acquisition cost Dec. 31 | 3,652 | 3,566 |
| Accumulated planned depreciation Jan. 1 | -3,135 | -3,016 |
| Planned depreciation | -143 | -119 |
| Planned depreciation of decrease | 0 | 0 |
| Accumulated planned depreciation Dec. 31 | -3,278 | -3,135 |
| Book value at Jan. 1 | 431 | 348 |
| Book value at Dec. 31 | 374 | 431 |

| EUR 1,000 | 2015 | 2014 |
|---|---|---|
| **Land and water** | | |
| Acquisition cost Jan. 1 | 90 | 90 |
| Increase | 0 | 0 |
| Decrease | 0 | 0 |
| Acquisition cost Dec. 31 | 90 | 90 |
| Book value at Jan. 1 | 90 | 90 |
| Book value at Dec. 31 | 90 | 90 |

| Buildings | 2015 | 2014 |
|---|---|---|
| Acquisition cost Jan. 1 | 5,182 | 4,979 |
| Increase | 112 | 114 |
| Decrease | 0 | 0 |
| Reclassification between items | 29 | 88 |
| Acquisition cost Dec. 31 | 5,323 | 5,182 |
| Accumulated planned depreciation Jan. 1 | -3,926 | -3,721 |
| Planned depreciation | -215 | -205 |
| Planned depreciation of decrease | 0 | 0 |
| Accumulated planned depreciation Dec. 31 | -4,141 | -3,926 |
| Book value at Jan. 1 | 1,255 | 1,258 |
| Book value at Dec. 31 | 1,181 | 1,255 |

| Machinery and equipment | 2015 | 2014 |
|---|---|---|
| Acquisition cost Jan. 1 | 23,919 | 22,314 |
| Increase | 732 | 950 |
| Decrease | 0 | -34 |
| Reclassification between items | 154 | 689 |
| Acquisition cost Dec. 31 | 24,805 | 23,919 |
| Accumulated planned depreciation Jan. 1 | -20,504 | -19,559 |
| Planned depreciation | -1,066 | -958 |
| Planned depreciation of decrease | 0 | 13 |
| Accumulated planned depreciation Dec. 31 | -21,570 | -20,504 |
| Book value at Jan. 1 | 3,417 | 2,756 |
| Book value at Dec. 31 | 3,236 | 3,417 |
| | | |
| Undepreciated acquisition cost of production machinery and equipment | 2,349 | 2,595 |

| Advance payment and construction in progress | 2015 | 2014 |
|---|---|---|
| Acquisition cost Jan. 1 | 781 | 909 |
| Increase | 1,181 | 766 |
| Reclassification between items | -192 | -894 |
| Decrease | 0 | 0 |
| Acquisition cost Dec. 31 | 1,770 | 781 |
| Book value at Jan. 1 | 781 | 909 |
| Book value at Dec. 31 | 1,770 | 781 |

| Shares | 2015 | 2014 |
|---|---|---|
| Group companies | | |
| Acquisition cost Jan. 1 | 16,975 | 22,401 |
| Increase | 0 | 0 |
| Decrease | 0 | -5,426 |
| Acquisition cost Dec. 31 | 16,975 | 16,975 |

| Other shares and holdings | 2015 | 2014 |
|---|---|---|
| Acquisition cost Jan. 1 | 53 | 53 |
| Increase | 0 | 0 |
| Decrease | 0 | 0 |
| Acquisition cost Dec. 31 | 53 | 53 |

# NOTE 9 COMPANIES OWNED BY PARENT COMPANY

| Shares in subsidiaries<br>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 Ltd. | Finland | 100 |

# NOTE 10 RECEIVABLES

| Current receivables, EUR 1,000 | 2015 | 2014 |
|---|---|---|
| Receivables from Group companies | | |
| Trade receivables | 1,464 | 1,148 |
| Loan receivables | 897 | 202 |
| Prepaid expenses and accrued income | 0 | 0 |
| Total receivables from Group companies | 2,361 | 1,350 |
| | | |
| Receivables from others | 2015 | 2014 |
| Trade receivables | 3,577 | 2,725 |
| Other receivables | 252 | 28 |
| Prepaid expenses and accrued income | 342 | 672 |
| Total receivables from others | 4,171 | 3,426 |
| | | |
| Total current receivables | 6,532 | 4,776 |

Deferred tax assets amounting to EUR 77 (71) thousand have not been booked from cumulative depreciation exceeding the maximum tax depreciations by EUR 0.4 (0.4) million.

# NOTE 11 EQUITY

| EUR 1,000 | 2015 | 2014 |
|---|---|---|
| Share capital Jan. 1 | 2,141 | 2,141 |
| Share capital Dec. 31 | 2,141 | 2,141 |
| | | |
| Invested unrestricted equity fund Jan. 1 | 2,539 | 2,539 |
| Additional capital repayment | 0 | 0 |
| Invested unrestricted equity fund Dec. 31 | 2,539 | 2,539 |
| | | |
| Retained earnings | 11,011 | 8,230 |
| Dividend paid | -2,379 | 0 |
| | | |
| Retained earnings | 8,632 | 8,230 |
| | | |
| Operating profit for the financial year | 2,624 | 2,781 |
| | | |
| Total equity | 15,936 | 15,692 |

| Calculation of funds distributable as profit Dec. 31 | 2015 | 2014 |
|---|---|---|
| Non-restricted equity fund | 2,539 | 2,539 |
| Retained earnings | 8,632 | 8,230 |
| Operating profit/loss for the financial year | 2,624 | 2,781 |
| Total | 13,795 | 13,551 |

# NOTE 12 NON-CURRENT LIABILITIES

| EUR 1,000 | 2015 | 2014 |
|---|---|---|
| **Liabilities to others** | | |
| Loans from financial institutions | 3,000 | 4,000 |
| Total non-current liabilities | 3,000 | 4,000 |
| | | |
| Liabilities falling due in a period longer than five years | 0 | 0 |

# NOTE 13 CURRENT LIABILITIES

| EUR 1,000 | 2015 | 2014 |
|---|---|---|
| **Liabilities to Group companies** | | |
| Trade payables | 33 | 198 |
| Accrued liabilities and deferred income | 6,865 | 6,784 |
| **Total liabilities to Group companies** | **6,899** | 6,877 |
| | | |
| **Liabilities to others** | **2015** | **2014** |
| Loans from financial institutions | 4,945 | 1,000 |
| Advance payments | 140 | 172 |
| Trade payables | 2,433 | 3,132 |
| Other liabilities | 327 | 357 |
| Accrued liabilities and deferred income | 3,386 | 3,535 |
| **Total liabilities to others** | **11,231** | 8,195 |
| | | |
| **Total current liabilities** | **18,130** | 15,177 |

| Specification of accrued liabilities and deferred income | 2015 | 2014 |
|---|---|---|
| Salaries, wages and holiday pay, including social security expenses | 2,835 | 3,039 |
| Other accrued liabilities and deferred income | 552 | 496 |
| **Total accrued liabilities and deferred income** | **3,386** | 3,535 |

# 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.

| EUR 1,000 | Face value | Fair market value |
|---|---|---|
| Interest swaps (NPV) | | |
| Interest swaps | 2,400 | -35 |

| Liabilities for which a corporate mortgage and real estate mortgages have been provided as collateral, EUR 1,000 | 2015 | 2014 |
|---|---|---|
| Financial institution loans | 4,000 | 5,000 |
| Mortgages given on land and buildings | 2,783 | 2,783 |
| Corporate mortgage given | 12,500 | 12,500 |
| | | |
| Collateral for Group companies | | |
| | | |
| Credit limit guarantee | 0 | 0 |

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

## NOTE 15 LEASING, RENTAL AND OTHER LIABILITIES

| **EUR 1,000** | **2015** | **2014** |
|---|---|---|
| **Leasing liabilities** | | |
| Falling due not later than one year | 79 | 60 |
| Falling due later | 53 | 88 |
| | | |
| **Rental liabilities** | | |
| Falling due not later than one year | 0 | 0 |
| Falling due later | 0 | 0 |
| | | |
| **Other liabilities** | **312** | 6 |

## NOTE 16 SHARE OWNERSHIP

| **Distribution of share ownership on 31 December 2015** | **%** |
|---|---|
| Private companies | 7.5 |
| Financial and insurance institutions | 69.2 |
| Public sector entities | 4.1 |
| Non-profit organizations | 0.8 |
| Households | 17.8 |
| Foreign | 0.4 |
| | |
| Of which, nominee registration | 37.6 |

**Distribution of share ownership on 31 December 2015**

| **Shares** | **Number of shareholders** | **Percentage of shareholders** | **Total number of shares** | **Percentage of total number of shares** |
|---|---|---|---|---|
| 1 – 1 000 | 2,578 | 86.28 | 709,678 | 5.97 |
| 1 001 – 10 000 | 360 | 12.05 | 1,025,064 | 8.62 |
| 10 001 – 50 000 | 27 | 0.90 | 626,569 | 5.27 |
| over 50 000 | 23 | 0.77 | 9,535,532 | 80.15 |

## NOTE 17 SHAREHOLDERS

**Information on shareholders on 31 December 2015**

| **Shareholder** | **Number of shares** | **Percentage of shares and votes** |
|---|---|---|
| Skandinaviska Enskilda Banken AB (nominee registered) | 2,321,225 | 19.5 |
| Nordea Bank Finland Plc (nominee registered) | 1,784,049 | 15.0 |
| Nordea Finland Fund | 610,000 | 5.1 |
| Försäkringsaktiebolaget Pensions-Alandia | 476,559 | 4.0 |
| OP-Finland Small Firms Fund | 458,259 | 3.9 |
| Fondita Nordic Micro Cap | 450,000 | 3.8 |
| Danske Invest Finnish Small Cap Fund | 443,234 | 3.7 |
| Svenska Handelsbanken AB (publ.), Branch Operation in Finland (nominee registered) | 357,049 | 3.0 |
| Op-Delta Fund | 300,000 | 2.5 |
| Evli Finnish Small Cap | 278,500 | 2.3 |
| Other nominee registered | 11,715 | 0.0 |
| Others | 4,406,253 | 37.0 |
| **Total** | **11,896,843** | **100.0** |

## NOTE 18 MANAGEMENT INTERESTS

The aggregate holding of the members of Board of Directors and the President was 31,087 shares on 31 December 2015. This accounts for 0.26 per cent of corporate shares and 0.26 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 26 March 2015 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.

The share repurchase authorization shall be valid until 30 June 2016 and it shall revoke the repurchase authorization given by the Annual General Meeting on 27 March 2014.

On 27 March 2014 the Annual General Meeting authorized the Board of Directors to acquire the Company's own shares by using unrestricted equity. The maximum amount to be acquired was 600,000 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 2015.

On 27 March 2013 the Annual General Meeting authorized the Board of Directors to issue a maximum of 2,400,000 new shares and convey a maximum of 600,000 own shares. By virtue of the authorization, the Board of Directors also has the right to grant option rights, convertible bonds and/or special rights referred to in Chapter 10, Section 1 of the Companies Act. The authorization is valid until 30 June 2016.

These authorizations have not been exercised during the year.

# NOTE 20 SHARE PRICE AND TRADING

| **Share price (EUR)** | **2011** | **2012** | **2013** | **2014** | **2015** |
|---|---|---|---|---|---|
| Average price | 8.10 | 7.05 | 6.18 | 6.42 | **8.65** |
| Lowest price | 6.75 | 5.55 | 5.10 | 5.56 | **6.32** |
| Highest price | 9.40 | 8.79 | 6.70 | 8.80 | **9.85** |
| Share price at the end of financial year | 7.65 | 5.90 | 5.75 | 8.39 | **6.53** |
| Market capitalization, EUR million | 91.0 | 70.2 | 68.4 | 99.8 | **77.7** |

| **Share trading** | **2011** | **2012** | **2013** | **2014** | **2015** |
|---|---|---|---|---|---|
| Number of shares traded | 1,381,139 | 944,978 | 2,022,018 | 5,836,969 | **2,445,252** |
| % of total | 11.6 | 7.9 | 17.0 | 49.1 | **20.6** |

| **Number of shares adjusted for share issues** | | | | | |
|---|---|---|---|---|---|
| Average number | 11,896,843 | 11,896,843 | 11,896,843 | 11,896,843 | **11,896,843** |
| Number at end of financial year | 11,896,843 | 11,896,843 | 11,896,843 | 11,896,843 | **11,896,843** |

Exel 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.

# NOTE 21 KEY INDICATORS

Key indicators illustrating financial trends

| **Figures given in EUR 1,000 (unless otherwise stated)** | **2011 IFRS**** | **2012 IFRS**** | **2013 IFRS**** | **2014 IFRS**** | **2015 IFRS**** |
|---|---|---|---|---|---|
| Net sales | 85,136 | 75,998 | 69,290 | 79,253 | **80,196** |
| Operating profit | 11,082 | 3,399 | 4,843 | 8,887 | **4,414** |
| % of net sales | 13.0 | 4.5 | 7.0 | 11.2 | **5.5** |
| Profit before extraordinary items | 10,798 | 2,971 | 4,557 | 8,457 | **4,257** |
| % of net sales | 12.7 | 3.9 | 6.6 | 10.7 | **5.3** |
| Profit before provisions and income taxes | 10,798 | 2,971 | 4,557 | 8,457 | **4,257** |
| % of net sales | 12.7 | 3.9 | 6.6 | 10.7 | **5.3** |
| Total assets | 57,046 | 51,502 | 48,468 | 52,411 | **53,968** |
| Return on equity, % | 23.5 | 6.1 | 11.3 | 21.7 | **9.4** |
| Return on capital employed, % | 26.1 | 8.4 | 13.0 | 25.2 | **12.0** |
| Equity ratio, % | 61.6 | 61.0 | 47.2 | 56.9 | **57.1** |
| Net gearing, % | -5.00 | -3.4 | 15.0 | -8.7 | **2.0** |
| Capital expenditure | 3,208 | 2,846 | 2,767 | 4.354 | **4.295** |
| % of net sales | 3.8 | 3.7 | 4.0 | 5.5 | **5.4** |
| Research and development costs | 1,639 | 1,606 | 1,511 | 1.837 | **1.850** |
| % of net sales | 1.9 | 2.1 | 2.2 | 2.3 | **2.3** |
| Average personnel | 428 | 431 | 427 | 433 | **498** |
| Personnel at year end | 428 | 431 | 408 | 456 | **494** |

| **Share data** | | | | | |
|---|---|---|---|---|---|
| Earnings per share (EPS), EUR | 0.67 | 0.17 | 0.26 | 0.48 | **0.24** |
| Adjusted earnings per share (EPS), EUR* | 0.67 | 0.17 | 0.26 | 0.48 | **0.24** |
| Equity per share, EUR | 2.95 | 2.64 | 1.92 | 2.50 | **2.58** |
| Dividend per share, EUR*** | 0.50 | 0.30 | 0.00 | 0.20 | **0.22** |
| Payout ratio, % | 74.90 | 175.8 | 0.00 | 41.7 | **92.0** |
| Effective yield of shares, % | 6.54 | 5.08 | 0.00 | 3.58 | **3.37** |
| Price/earnings (P/E), % | 11.45 | 34.57 | 22.21 | 17.50 | **27.32** |

* Adjusted for the dilution of option rights
** From continuing operations
*** Board proposal for 2016 AGM

# 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 %**

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

**Equity 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 %**

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

**Price/earnings (P/E) %**

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

# PROPOSAL FOR DISTRIBUTION OF PROFIT

Exel Composites Plc's distributable funds are EUR 13,794,950.62 of which profit for the financial period accounts for EUR 2,623,579.84.

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

| | |
|---|---|
| - a dividend of EUR 0.22 per share | 2,617,305.46 |
| - carried over as equity | 11,177,645.16 |
| | 13,794,950.62 |

Vantaa, 18 February 2016

Peter Hofvenstam
Chairman

Heikki Hiltunen
Matti Hyytiäinen

Reima Kerttula
Kerstin Lindell

Riku Kytömäki
President and CEO

Our auditor's report has been issued today.

Vantaa, 18 February 2016

Ernst & Young
Authorized Public Accountants

Juha Hilmola
Authorized Public Accountant

# AUDITOR'S REPORT
## TRANSLATION

To the Annual General Meeting of Exel Composites Plc We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Exel Composites Plc for the financial period 1.1. - 31.12.2015. The financial statements comprise the consolidated statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

### Responsibility of the Board of Directors and the Managing Director

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

### Auditor's Responsibility

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

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

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

### Opinion on the consolidated financial statements

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

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

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

### Opinions based on the decision of the Board of Directors

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

Vantaa, February 18, 2016

Ernst & Young Oy
Authorized Public Accountant Firm

Juha Hilmola
Authorized Public Accountant

# ANNUAL FINANCIAL REPORT 2015

**Content design and text production:** Exel Composites Plc
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**Disclaimer:** All forward-looking statements in this Annual Financial Report are based on current expectations and currently known facts. Therefore, they involve risks and uncertainties that may cause actual results to differ materially from results currently expected by the Company.