# 2008
# Annual report

exel

# Contents

# Lightness of composites


## EXEL COMPOSITES

**Exel Oyj**
Kiihtelysvaara, Finland
Mäntyharju, Finland

**Exel GmbH**
Voerde, Germany

**Exel Composites N.V.**
Oudenaarde, Belgium

**Exel Composites GmbH**
Kapfenberg, Austria

**Exel Composites Australia**
Melbourne, Australia
Brisbane, Australia

**Exel Composites China**
Nanjing, China

**Exel Composites UK**
Runcorn, United Kingdom

## EXEL SPORTS BRANDS

**Exel Sports Oy**
Vantaa, Finland

**Exel Sports Sweden AB**
Piteå, Sweden

# Exel – the pioneer of composites

Exel's competitive edge in composites lies in personnel's expertise, high level of technology and internally developed composite technology.

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

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

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

**Business areas**

Exel's operations consist of two segments: Exel Composites and Exel Sports Brands.

Exel Composites is the largest segment and accounts for 90 per cent of the Group's turnover. Exel Composites offers over 1,000 composite profile applications to customers in many different market segments. Almost all products and profiles are designed together with our clients and custom-made for each client individually.

Exel Sports Brands accounts for 10 per cent of the Group's turnover. Major part of Exel Sports Brands, i.e. Exel pole business, was divested during 2008. Now the operations consist solely of floorball products.

From the first quarter interim report in 2009 onwards Exel will be reporting only with one segment, Exel Composites. Exel's segment reporting will follow the change in the IFRS 8 standard that became effective at the beginning of 2009.

**Geographical presence**

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

**Strategy**

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

According to its strategy, Exel focuses on continuous production technologies including pultrusion, pullwinding and lamination, where it has a leading position.

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

Profitable growth is ensured by concentration on OEM customers in selected market segments chosen for their profitability and growth potential. Currently Exel delivers products for the following industries and market segments: transportation, building, construction and infrastructure, energy, telecommuni-

cations, paper industry, electric industry, cleaning and maintenance, sports and leisure industry, machine industry and general industry.

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

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

## Vision

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

## Financial targets

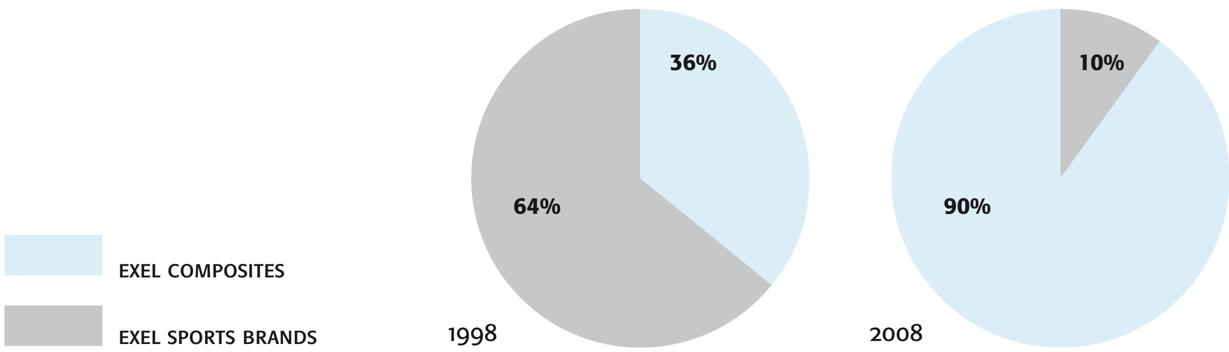
The Exel Board of Directors has approved in a board meeting held on 12 February 2009 revised long-term financial targets over a business cycle. The Group's new financial targets are as follows:

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

*Operating profit*: Exel's target is the operating profit to exceed 10 per cent of net sales.

*Dividend policy*: Exel aims to distribute 40 per cent of net income in dividends, as permitted by the financial structure and growth opportunities. •

**Net sales of Exel Composites and Exel Sports Brands 1998 vs. 2008**



# A challenging financial year

On the brink of worldwide financial regression in 2008, Exel encountered some financial setbacks. Structural changes were made to assure future profitability.


**Financial results**

Net sales for the Exel Group decreased in 2008, ending the year at EUR 94.9 (113.5) million. This represents a decrease on the previous year of 16.4 per cent.

Exel's profitability in 2008 was decreasing, and was not on a satisfactory level. The Group reported operating profit of EUR -0.4 million. The impact of non-recurring costs amounted to EUR -7.8 million.

**Main events in 2008**

On 4 January 2008 Exel announced that it will begin co-determination negotiations at its Mäntyharju factory. As a result of the negotiations, the amount of employment contracts to be terminated was 13.

On 27 February 2008 Exel announced that Vesa Korpimies will be appointed Exel Oyj's President and CEO. He assumed his position on 10 April 2008.

On 7 April 2008 Exel announced that it will have a weak first quarter 2008.

In June 2008 Exel sold Exel Sports Brands' Outdoor business to ESB Sports. The remaining floorball business was organized as a separate operation within Exel Group.

On 30 October co-determination negotiations started at Exel Sports Oy and Exel Sports Sweden AB. Temporary lay-offs at Mäntyharju factory.

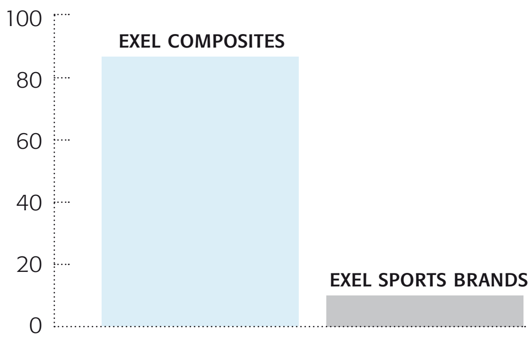
Strong cash flow was generated amounting to EUR +11.1 (+2.6) million.

The market was challenging also for the pultrusion business. •

| Key ratios | 2008 | 2007 |
|---|---|---|
| Net sales, EUR millions | 94.9 | 113.5 |
| Operating profit, EUR millions | -0.4 | 4.8 |
| % of net sales | -0.4 | 4.2 |
| Profit for the period, EUR millions | -3.0 | 2.0 |
| Return on investment (ROCE), % | 0.0 | 7.3 |
| Net gearing, % | 123.9 | 118.4 |
| Equity ratio, % | 28.2 | 31.3 |
| Earnings per share, EUR | -0.25 | 0.17 |
| Equity/share, EUR | 1.40 | 1.98 |

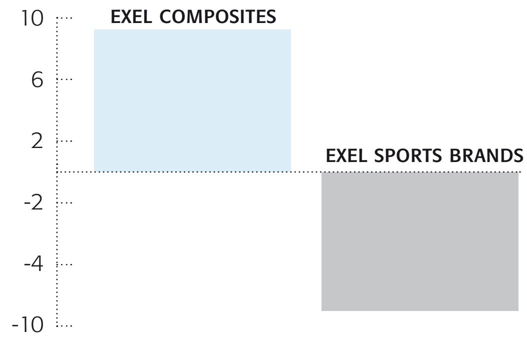
**Net sales by segment 2008 (EUR millions)**

Exel Composites EUR 86.7 million
Exel Sports Brands EUR 10.0 million

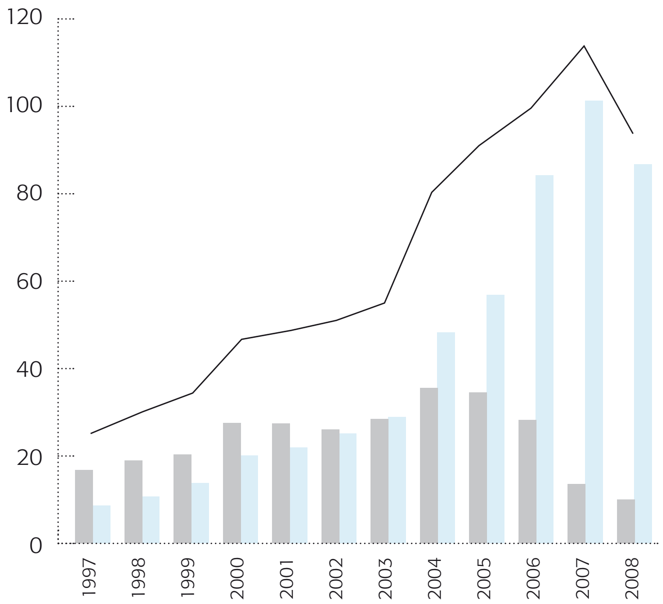



**Operating profit by segment 2008 (EUR millions)**

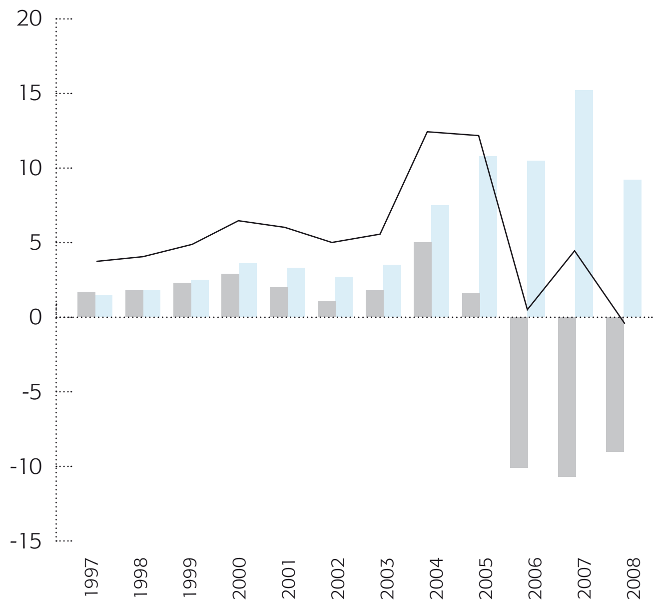
Exel Composites EUR 9.2 million
Exel Sports Brands EUR -9.0 million




**Net sales by segment 1997–2008 (EUR millions)**




**Operating profit by segment 1997–2008 (EUR millions)**




EXEL COMPOSITES EXEL SPORTS BRANDS TOTAL

# The future belongs to composites

# Concentrating on our core business

**WORKING IN THE COMPANY** in different positions for 20 years and heading the Exel Composites division since 1998, I took up my new duties as President and CEO on 10 April 2008, following the departure of Göran Jönsson, who was appointed a member of Exel's Board of Directors by the April 2008 Annual General Meeting.

2008 was an eventful year for Exel and a year of structural change. The Outdoor business of Exel Sports Brands was divested and the Group could sharpen its focus on the core business, namely Exel Composites.

During 2008, the financial crisis and the following global recession escalated markedly, affecting market demand in the pultrusion business negatively, especially in the building, construction and transportation segments. In addition, Exel Composites experienced a change in the procurement model in the wind energy business, which had a negative impact on both sales and profitability. To address this, actions were initiated to adapt Exel's cost base globally. Strong focus was also given on operative working capital reduction in all units in the Group to safeguard cash flow and improve financial position.

The restructuring of the Group has now been completed to a large extent. Exel Sports Brands was divided in two businesses: Outdoor and Floorball. In June 2008 the Outdoor business was sold to ESB Sports. The remaining floorball business was organized as a separate operation within Exel Group. The whole year profit level was still unsatisfactory and measures were taken to restore profitability of the unit.

The net sales of Exel Group decreased by 16.4 per cent to EUR 94.9 (113.5) million. Excluding non-recurring items, the operating profit for the financial year also decreased to EUR 7.4 (10.1) million. However, the strong focus on cash flow generation was productive. Operative cash flow increased to EUR 11.1 (2.6) million and net debt was reduced to EUR 20.7 (27.9) million.

By the actions taken we are now in a position where we can concentrate on developing our core business, Exel Composites. However, as we enter 2009, market demand is uncertain and we are preparing for the weakening trend to continue. Further actions will be taken to control costs, streamline the operating working capital and to amortize debt. We are determined to weather this down-turn. We will also have a strong focus on sales to current and new customers and seek synergies between production sites to ensure critical mass in sales and technical sales.

Exel has a diverse customer base. Our products are used in numerous market segments and Exel's market position is strong. We are also excited by the prospects of new applications for example in the electrical industry. Due to the actions taken and our devotion to develop leading-edge applications, I believe we are well positioned to take advantage of a more challenging business environment and to capture growth opportunities.

I am convinced that with knowledgeable and committed employees, our customers' trust and our owners' support we will be able to continue to develop Exel to be the truly leading composite profile company. I wish to thank everyone who has contributed to the positive development we have experienced during the latter half of 2008. •

MARCH 2009
VESA KORPIMIES, PRESIDENT AND CEO

*"Due to the actions taken and our devotion to develop leading-edge applications, I believe that we are well positioned to take advantage of a more challenging business environment and to capture growth opportunities."*

VESA KORPIMIES, PRESIDENT AND CEO


Leading
the way

# Exel Composites
## – lasting performance and quality

Customer-focused product development results in unrivalled lightweight composite profiles that continuously challenge traditional materials, creating new opportunities for business.

| | |
|---|---|
| NET SALES | EUR 86.7 MILLION |
| OPERATING PROFIT | EUR 9.2 MILLION |
| AVERAGE NUMBER OF EMPLOYEES | 476 |

**Introduction**

Exel Composites is organized in two geographical areas, Europe and Asia/Pacific. The customers are in 10 market segments. The market segments include transportation, building/construction and infrastructure, energy industry, telecommunication, paper industry, electrical industry, cleaning and maintenance, sport and leisure industry, machine engineering, and general industries.

Exel specializes in the development, manufacture and marketing of rigid, durable and lightweight high performance composite profiles. There are already over 1,000 glass and carbon fiber profile applications, all of which are the result of customer-focused product development. Work on replacing other materials, such as aluminum, steel and wood, with composite materials is ongoing and new applications are regularly being found. The unrivalled lightweight and rigid qualities of composite materials make them unbeatable in terms of durability and functionality. Exel invests considerable financial and human resources with key partners in strategic areas of product development. It is Exel's main objective to create superior competitiveness for its customers.

Exel Composites' net sales decreased by 16.9 per cent to EUR 86.7 (104.3) million. Exel Composites' operating profit was EUR 9.2 (15.2) million including EUR -1.1 million one off items. The decrease in sales was primarily a result of the procurement model change in the wind energy segment and the divestment of the Plastics business in Germany. In addition, internal sales to Exel Sports Brands declined in 2008. The market for the new custom-shape composite profiles is growing and with its market leading position in this area, Exel is well placed to take advantage of this growth.

### EXEL COMPOSITES' APPLICATIONS AND MARKETS

**Transportation**

Exel provides external and internal body parts for trains and trams as well as buses and coaches. External body parts are typically adhesively bonded to the metal frames of buses and coaches. Products include cant rails, skirts and luggage door panels. Internal body parts include heating ducts, ceiling profiles, side walls and luggage rack parts. A wide variety of products is supplied also to the truck and trailer industry. Refrigerated trailers are a key application for composite products.

Several profiles for existing and new customers were brought into production during 2008. The quality requirements for these markets are increasingly getting more stringent with price levels under continuous pressure.

The train market is the most active in Europe with several governments investing in rail transportation and Exel customers

have acquired large contracts running over several years.

The Oudenaarde factory obtained ISO 9001 certification and Runcorn was certified for a new aeroplane application.

In 2008 Exel supplied all the customized central cable tray systems and lids for ULTra (Urban Light Transport) for Terminal 5 at Heathrow airport in London.

**Building, construction and infrastructure**

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

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

Several geographical areas and market segments have seriously suffered from reduced spending, such as the Spanish construction market and the German railway infrastructure. The number of large projects in the market has been low and new applications are being hampered by the economic crisis and general conservatism in the building environment.

Worldwide competition is fierce on the more standard and general type of construction applications.

Some niche applications such as the airport masts were performing well during 2008. The core of the sales was approach mast systems as in the previous years, but the effect of Aerodrome Design Manual Part 6 – which was published in 2006 – was clearly seen in other products. Frangible weather masts were sold more than in earlier years, and localizer supports as well as frangible airport fencing got their first deliveries in the course of 2008.

Changing regulations in energy savings and environmental issues open new opportunities for growth in water treatment and window & door profiles. New projects and customers have been acquired in several factories related to these segments. »

436 employees were working in Exel Composites at the end of 2008.

IN FINLAND, **KIM SJÖDAHL** AND HIS TEAM ARE DEVELOPING NEW SOLUTIONS TO MEET THE NEEDS OF MODERN INDUSTRIES.

# Continuous improvement

**What does your work include?** I am responsible for the development work within Exel Composites Finland. My work consists of development of new products as well as continuous improvement and follow-up of existing products and projects. We have a team of engineers working across several product groups applying current knowledge to new projects and developing novel, groundbreaking solutions.

**What does the customer get from the product development?** Many of our customers have special applications that are all individually designed for special purposes. We help our customers to obtain the best quality and cost-efficiency for reaching their goals.

**How do you respond to the different demands?** It's a team effort. People of different specialties use their best knowledge to provide customers with the best solutions possible. In order to do this, we like to be involved in the projects right from the start.

**Why is product development so important?** We are challenged every day in our work. Our products are used in so many different ways that we really have to work hard to keep up with the development. Today we are manufacturing products we didn't know we could produce six months ago.

**Any special case you remember?** The world's largest thin-walled pultruded tube for a telecommunication application was an interesting project – we faced many challenges as a team in that one. What made it special was that it was not only big, but it was also quite thin wall with only 2.5 mm wall thickness on a tube with a diameter more than 50 cm. Knowing that this was the biggest tube ever, and that we now do it on a regular basis, is quite satisfying. •

*"Versatility and possibility to have an effect on my job and tasks make it meaningful. We develop continuously our methods of working in order to achieve most flexible and efficient work stages."*

LIISA MYLLER, TOOLHANDLES AND TELESCOPES ASSEMBLER, EXEL OYJ

**Energy industry**

The search to provide new forms of supplying environmentally friendly and cost effective solutions of energy is increasing rapidly on a global scale. Exel is involved in all the major energy industries and applications and currently provides profiles for the wind and solar industries. A number of international projects are underway to harness the power of waves and tidal flows to provide energy, and in this area the use of composites can have many advantages. Their anti-corrosive properties combined with lightweight, strength and stiffness offer a cost effective, low maintenance solution.

In 2008 Exel provided British Petroleum with profiles for DELOS – Deep Ocean Environmental Long-term Observatory System – a system with which BP will perform long-term (25 years) environmental monitoring in the deep ocean.

**Telecommunication**

Products for the telecommunication industry include antenna radomes and tubes as well as optical cable tension members. Although various options are available for the protective covers on base station antennas, the most effective solution is the use of pultruded glass fiber composite profiles and tubes.

Exel leads the way in this market by producing profiles to a high specification. Exel's advanced technology allows us to manufacture thin wall profiles, yet still maintain maximum strength and rigidity which are essential criteria as the main antenna support. Other features ensure maximum wave transfer, good weatherability and UV stabilization.

Composite optical cable tension members provide the essential load protection to these vital signaling elements during the manufacturing, installation and service life of the fiber optic cable.

**Paper industry**

With over 10 years' experience with composites in paper industry applications Exel has developed a wide range of customer products. These include for example doctor blades and fabric guiding poles. New applications will be developed within the product group with extensive product development both for doctoring and other applications where characteristics specific to composites such as specific strength, controlled wearing properties, light weight or corrosion resistance are needed.

**Electrical industry**

Glass fiber composites have excellent electrical insulation properties.

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

**Cleaning and maintenance**

Cleaning and maintenance in industrial environments is demanding work especially where access may be severely re-

1,000

different glass and carbon fiber profile applications are a result of customer-focused product development.

# XTEL

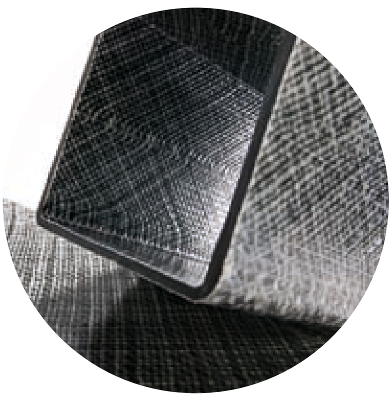
System™ telescope series was awarded the internationally acknowledged "red dot: best of the best" design award 2008.

stricted or in situations beyond normal reach. As health and safety issues are essential when working at heights, Exel provides with its range of composite telescopes a safe solution to complete the work safely from the ground. The Xtel System™ telescope series was awarded the internationally acknowledged "red dot: best of the best" design award 2008.

**Sports and leisure industry**
Exel designs and manufactures composite profiles, tubes and laminates for many sports and leisure applications. Exel has a long and successful history in manufacturing tubes for sports poles for skiing, Nordic Walking, trekking and inline skating. Furthermore, profiles are constantly used in windsurfing and sailing masts, archery and caravan awnings and tent structures, among many others. Exel laminates are widely used in skis, snowboards, ice hockey sticks, and skate and wakeboards.

**Machine industry**
Exel has over 30 years of experience in designing and manufacturing demanding, state of the art pultruded composite profiles for different segments of the machine industry. An increasing number of applications in mechanical engineering is benefiting from composites' advantages: textile machine parts, printing machines, robotic and manipulator parts, packing machines, processing machines and measuring devices.

**General industries**
Composite materials can be used in many different applications in different industries. The unique combination of excellent properties – high corrosion-resistance combined with light weight and high stiffness – are the properties that make composites the best choice compared to many traditional materials. Exel has a long experience in the development of products for the defense sector. These include sector umbrellas designed to give shelter to large, stationary objects, mine detecting probes and camouflage support poles. The general industries segment also includes System 30 Light Weight Structures which is a self-assembly system for building frameworks and other lightweight structures. The light weight, non-corroding structures can be utilized indoors and outdoors, e.g. for garages and boat covers, supermarket kiosks and promotion stands. Furthermore, the segment includes various applications within the agriculture and forest sectors.



**Personnel**
At the end of 2008, there were 436 persons employed by Exel Composites of whom 178 in Finland, 55 in the United Kingdom, 43 in Belgium, 35 in Germany, 33 in Austria, 47 in Australia and 46 in China. •

# Exel Sports Brands
## – streamlining for strength

Exel's floorball products have a steady and firm grip of the indoor sports market. The Outdoor business was sold to ESB Sports to increase the focus on our main business.

| | |
|---|---|
| NET SALES | EUR 10.0 MILLION |
| OPERATING PROFIT | EUR -9.0 MILLION |
| AVERAGE NUMBER OF EMPLOYEES | 33 |

**Introduction**

In May 2008 Exel signed an agreement to sell Exel Sports Brands' Outdoor business to ESB Sports. ESB Sports took over the Outdoor business, acquired the inventory and order backlog related to the Outdoor business through an asset deal. The transaction also included a long-term licensing agreement related to the use of the Exel brand together with other brands such as Nordic Walker™ and Nordic Blader™ for selected product groups. The employees of the Outdoor business in Finland (9 persons) and Germany (18 persons) were transferred to ESB Sports as existing employees. The business transfer streamlined the business structure of Exel Group and increased the focus on the core industrial activities.

Exel Sports Brands also ceased to import Björn Däehlie and Lars Kjus alpine skiing textiles, Tubbs snowshoes and Swany gloves.

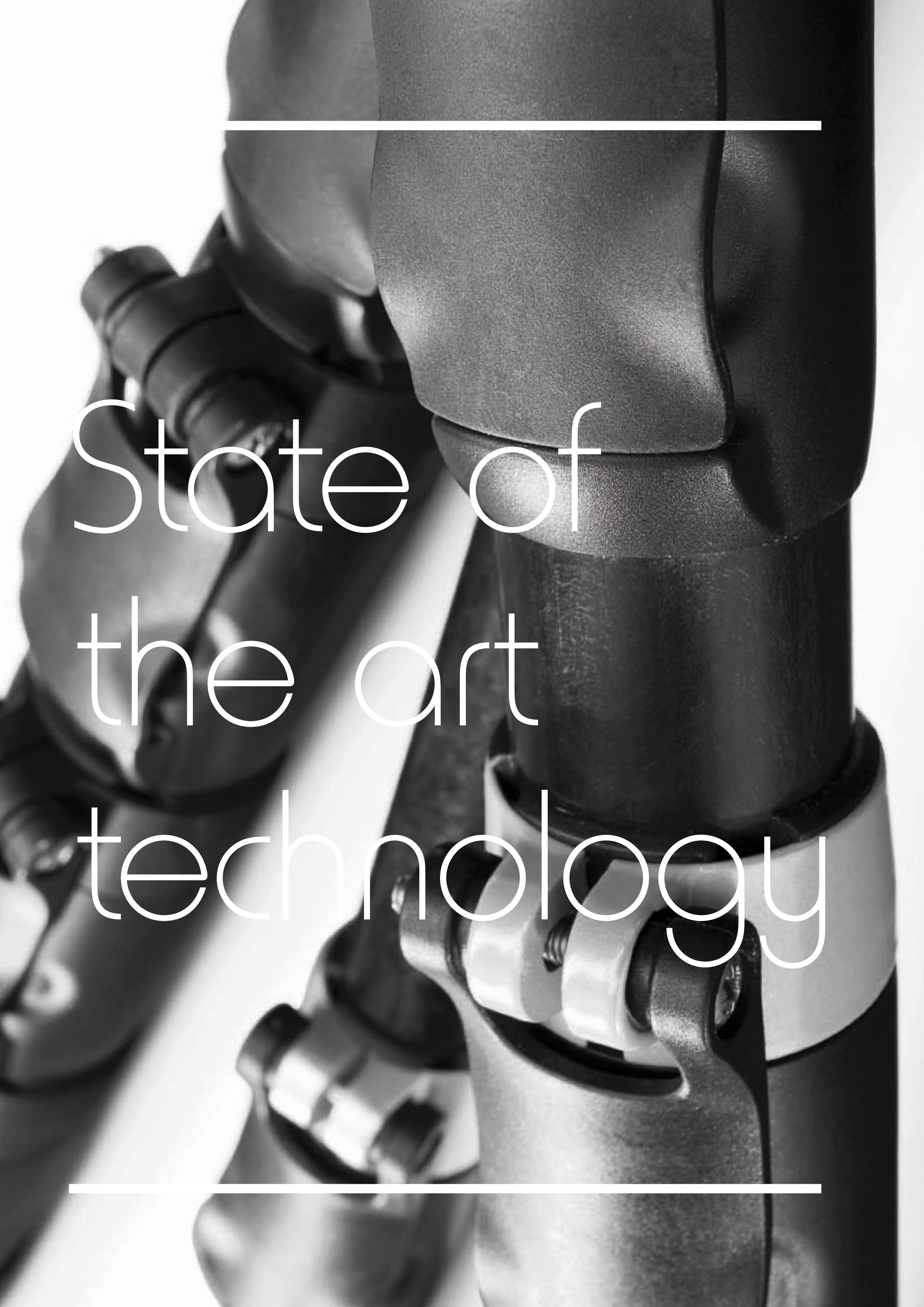
Exel Sports Brands' operating loss was EUR -9.0 including EUR -7.1 million of non-recurring items, compared to EUR -10.7 million, including EUR -3.5 million non-recurring items in 2007. Streamlining of Exel Sports Brands continued in 2008 and was implemented to a large extent including ceasing the operations of Exel USA, Inc. in the United States in May 2008 and the sale of shares of the China-based Nordic Sports Products (Beijing) Co., Ltd. to ESB Sports Oy in September 2008.

At present the operations of Exel Sports Brands consist solely of floorball products in which it has a strong brand name and market position. The floorball business' net sales are a stable EUR 5 million. Many national teams and top clubs use Exel floorball products and accessories such as team clothing and goalie´s equipment. Both internationally and domestically Exel is very visible in the floorball world championships and other tournaments. In Finland floorball is already the second most popular team sports with 390,000 players. Floorball is very popular in Sweden and there is a growing market e.g. in Switzerland and the Czech Republic.

Floorball products are marketed under the Exel, Canadien, Prostick and Precision brands.

**Personnel**

At the end of 2008, there were 19 persons in Exel Sports Brands of whom 14 in Finland and 5 in Sweden. •



# State of the art technology

# Skillful workforce in the key role

Motivated and knowledgeable personnel attains goals of quality, growth and profitability, laying the foundation for Exel's worldwide success.

*"Our customer's products' constant top quality is ensured by our functional laboratory with versatile and up-to-date testing equipment, providing also a pleasant working environment for laboratory workers."*

JANI LAISTE, LABORATORY ASSISTANT, EXEL OYJ

## ACTIVE PERSONNEL DEVELOPMENT INVIGORATES ROUTINES

**Personnel policy**

Highly skilled personnel and state-of-the-art technology play a key role in Exel's operations. A knowledgeable workforce is Exel's most important resource and the prerequisite for our existence, growth and development. The management sees to it that expertise and motivation are developed. Personnel development is indeed one of the primary cornerstones of Exel's personnel policy. Annual performance reviews and training needs analysis are used to clarify what skills are needed and to support personal development.

**Equality issues**

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

**Training programs**

Training in a new enterprise resource planning system that was taken into use in the Finnish units at the beginning of 2008 was given. Training was also given in emergency aid, emergency extinguishing and in quality and environmental matters at the Mäntyharju factory. Also, an accident rehearsal was carried out with the local fire department at the Kivara factory.

**Incentive programs**

Exel Oyj's performance-based incentive program covers all employees. Salaried employees receive a monthly salary and an annual bonus tied to the attainment of annually established goals emphasizing growth and profitability. Non-salaried employees are also eligible for incentive compensation, but their annual bonus is based on productivity. »

**TECHNICAL DIRECTOR JOHN HARTLEY TURNS CUSTOMER NEEDS INTO PRODUCTS THAT MEET THE DEMANDS.**

# Ideal development

**What does your work include?** My responsibilities are twofold, first for the managing of the Technical Department team for development work within Exel Composites UK on new and existing products, and secondly the coordination of the Sales Department and development of new business. I am also actively involved in a number of external research projects.

**What does the customer get from the product development?** Most new applications require some kind of product development to demonstrate compliance to specifications. This typically means development of different types of constructions or resin formulations to meet the customer demands. Many customers have unique applications where the composite brings additional benefits over and above traditional materials, particularly corrosion, conductivity or thermal resistance.

**How do you respond to the different demands?** The fundamental requirement is to understand what the customer needs. From there it is a case of turning those requirements into a suitable product. Some products require little, while others can take time to develop because of specific needs of the product in its end application.

**Why is product development so important?** Competition is now on a global scale. In order to stay ahead we have to keep developing new products and ideas, along with improving the products already in production.

**What particular challenges are you faced with?** Challenges generally come from our customers, which can be wide and varied. This is what makes developing a customized solution to meet the requirements of the customer interesting. •

The top management is additionally covered by a program designed to enhance their long-term commitment.

**Personnel**

At the end of 2008 the Group employed 472 (579) personnel. The average number of employees during the period was 526 (568). The number of employees in Finland was 208 (240) and in other countries 264 (327). Exel Composites employed 436 (511) personnel and Exel Sports Brands 19 (48) personnel at the end of 2008. The decrease both in Finland and abroad is due to the divestment of Exel Sports Brands' Outdoor business and the sale of shares of Nordic Sports Products (Beijing) Co., Ltd.

## CERTIFIED QUALITY IN ENVIRONMENTAL ISSUES

Quality, environment and safety are an essential part of management and are developed according to objectives based on the Exel Group's operating principles.

**Quality management system**

Exel Group has a multi-site ISO 9001 certificate admitted by Bureau Veritas Certification. The multi-site certificate covers all the sites of the Group. During 2008 the Belgian and Chinese units were approved to be joined to the multi-site certificate. Exel Group measures the performance of the sites with uniform indicators. The top management follows the indicators and defines the areas for improvement based on the indicator.

Enterprise Resource Planning (ERP) is a vital part of a quality system. It has an important role in managing the information flow inside and between the business processes. A new common ERP was taken in use in Exel Group at the beginning of 2008. The system was implemented at the Finnish sites during 2008 and the rollout has started at the sites outside of Finland.

**Environment and safety**

Exel Group's Finnish units, the Kivara and Mäntyharju factories, have an ISO 14001 environmental certificate. The procedures of the certified environmental management system are used as blueprint in implementation of the system at the other sites.

An organization has identified the significant environmental aspects and assessed risks. The environmental program is based on the identified risks and legislative requirements. Environmental monitoring and measuring are carried out at most of the sites. Regular audits and follow-up are an important part of measuring progresses in continuous improvement.

The occupational health and safety issues are part of normal management and the performance is measured by indicators. All sites have a safety organization with defined responsibilities. •

ISO 9001 certificate covers all the sites of the Group.

**EXEL OYJ IS A LEADING, INTERNATIONAL GROUP** specialized in composite technology, with a special focus on pultrusion, pull-winding and continuous lamination. Exel is a technology company which designs, manufactures and markets composite profiles and tubes for industrial applications. Exel's operations consisted of two business segments: Exel Composites and Exel Sports Brands.

## Financial performance

Net sales for the Exel Group decreased on the previous year, ending the year at EUR 94.9 (113.5) million. The weaker sales were primarily a result of the procurement model change in the wind energy business, the divestment of Exel Sports Brands' Outdoor business, the divestment of the Plastics business in Germany in May 2007 and generally weaker market conditions in Exel Composites.

The Group's main segment, Exel Composites, reported net sales in 2008 of EUR 86.7 (104.3) million, a decrease of 16.9 per cent. Exel Composites accounted for 90 (88) per cent of total Group sales in 2008. Net sales for Exel Sports Brands in 2008 fell by 26.6 per cent from the previous year to EUR 10.0 (13.6) million.

Exel's operating profit for the financial period decreased to EUR -0.4 million (including non-recurring items of EUR -7.8 million), compared to EUR 4.8 million (including non-recurring items of EUR -5.3 million) in the corresponding period last year. The decrease of the operating profit was due to the continued restructuring costs of Exel Sports Brands and decreasing sales of Exel Composites. The truck and trailer industry has been hit hard in the second half year with one customer going into administration leading to a significant write-off, EUR -0.3 million, in this segment.

A comprehensive rationalization program has been introduced to restore profitability to satisfactory levels by reducing operational costs.

The Group's net financial expenses in 2008 were EUR 3.4 (2.4) million. Currency losses due to weakening Australian dollar (AUD) were the main reason behind the increase as the debt from the acquisition of Pacific Composites Pty. Ltd. in February 2006 was denominated in AUD. The Group's profit before taxes was EUR -3.7 (-2.4) million and result after taxes EUR -3.0 (2.0) million.

Earnings per share were EUR -0.25 (0.17). Return on investment was 0.0 (7.3) per cent.

## Balance sheet and financial position

Directed measures were taken to reduce operative working capital during the year. Cash flow from business operations was positive at EUR +11.1 (+2.6) 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 8.0 (4.9) million.

Cash flow before financing but after capital expenditure amounted to EUR +9.4 (+2.1) million. The Company paid total dividends during the financial year of EUR 2.4 (2.4) million. Dividend per share was EUR 0.20 (0.20).

The Group's consolidated total assets at the end of the financial year were EUR 59.3 (75.2) million.

Equity at the end of the financial year was EUR 16.7 (23.5) million and equity ratio 28.2 (31.3) per cent. Interest-bearing liabilities amounted to EUR 28.7 (32.8) million, of which short-term liabilities accounted for EUR 6.6 (11.0) million. In June, a financial recapitalization was carried out, where the average maturity date of Exel's senior credit facility was extended from 22 to 38 months.

Net interest-bearing liabilities were EUR 20.7 (27.9) million, and the net gearing ratio was 123.9 (118.4) per cent.

### Capital expenditure and depreciation

The capital expenditure on fixed assets amounted to EUR 1.8 (2.5) million.

Total depreciation of non-current assets during the year under review amounted to EUR 4.0 including write-downs amounting to EUR 0.4 million.

### Personnel

The number of Exel Group employees on 31 December 2008 was 472 (579), of whom 208 (240) worked in Finland and 264 (327) in other countries. The average number of personnel during the financial year was 526 (568). The decrease both in Finland and abroad is due to the divestment of Exel Sports Brands' Outdoor business and reduction of personnel in Exel Composites, especially in Finland, the United Kingdom and China units.

### Research

Product development costs totaled EUR 1.9 (2.8) million, representing 2.0 (2.5) per cent of net sales. The main projects were connected with the development of new sales and customer applications, including transportation profiles, and the testing and development of the properties of vital raw materials, including polyester and epoxy resins, as well as glass and carbon fibers.

### Risk management

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

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

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

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

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

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

The most significant near-term business risks are related to market demand in certain market segments of Exel Composites, such as building and construction, telecommunication and wind energy. Raw material price, energy cost and other cost increases may put pressure on profitability. Currency rate changes, especially the weakening AUD and strengthening USD, and further intensified price competition may also have a negative effect on the result. The poor availability of bank financing may weaken the demand in Exel's market and may increase the credit loss risks and have an effect on the Exel Group.

### Environment

The continued attention to meeting all local regulatory environmental controls and ensuring the safe environment for our employees and neighbors at all of our Exel sites has been the priority.

Exel also continues to participate actively in utilizing composite waste as a part of the European Composite Recycling Services Company (ECRC). The company aims at developing new applications to utilize composite waste and influencing European legislation as a part of the European composite industry.

### Exel Composites

Net sales for Exel Composites decreased by 16.9 per cent over the previous year to EUR 86.7 (104.3) million. The decrease in sales was primarily a result of procurement model change in the wind energy segment and the divestment of the Plastics business in Germany. In addition, internal sales to Exel Sports Brands declined during the year.

The company was also faced with weaker market conditions in the segments that are facing difficult economic conditions globally, i.e. in transportation and building and construction segments. On the other hand, sales in energy and telecommunication segments were strong due to a successful launch of new applications.

Operating profit decreased by 39.1 per cent to EUR 9.2 (15.2) million including non-recurring items of EUR -1.1 (-0.7) million. The reduction in sales had a negative impact on the operating profit of Exel Composites.

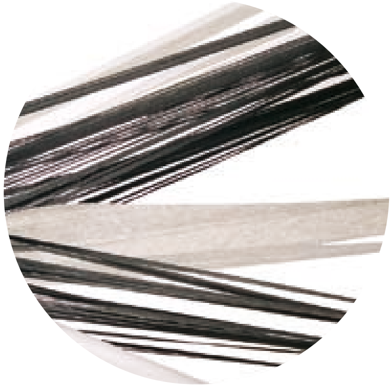
Costs, e.g. energy and raw materials were increasing. Exel was able to transfer a part of the increase in product prices. The company continues to increase the product prices to compensate for the higher costs.

**Exel Sports Brands**

The net sales of Exel Sports Brands decreased by 26.6 per cent to EUR 10.0 (13.6) million. The decrease in sales was due to the divestment of the Exel Sports Brands' Outdoor business to ESB Sports in June 2008. At present the company's operations consist solely of floorball products in which it has a strong brand name and market position.

Exel Sports Brands' operating loss was EUR -9.0 including EUR -7.1 million of non-recurring items, compared to EUR -10.7 million, including EUR -3.5 million non-recurring items the previous year. Streamlining of Exel Sports Brands continued in 2008, but the profitability was still unsatisfactory and actions were taken to improve profit level.

Timo Lepistö was appointed Managing Director of Exel Sports Oy on 4 June 2008.



**Changes in the Group structure**

In May 2008 Exel signed an agreement to sell Exel Sports Brands' Outdoor business to ESB Sports, who took over the Outdoor business, acquired the inventory and order backlog related to the Outdoor business through an asset deal. The transaction also included a long-term licensing agreement related to the use of the Exel brand together with other brands such as Nordic Walker™ and Nordic Blader™ for selected product groups. The employees of the Outdoor business in Finland (9 persons) and Germany (18 persons) were transferred to ESB Sports as existing employees. The business transfer streamlined the business structure of Exel Group and increased the focus on the core industrial activities.

The remaining floorball business of Exel Sports Oy is now operated as a separate unit.

The operations of Exel USA, Inc. in the United States were ceased in May 2008. The sale of shares of the China-based Nordic Sports Products (Beijing) Co., Ltd. to ESB Sports Oy was carried out in September 2008.

At the turn of the year the Group comprised the parent company Exel Oyj and its subsidiary Exel Sports Oy operating in Finland, plus seven subsidiaries operating abroad: Exel GmbH in Germany, Exel Composites N.V. in Belgium, Exel Composites GmbH in Austria, Exel Sports Sweden AB in Sweden, Exel Composites (Australia) Pty Ltd, Exel Composites (Nanjing) Ltd in China as well as Exel Composites UK. Exel Oyj owns directly or indirectly 100 percent of all subsidiaries. The parent company also owns a subsidiary called Pro Stick Oy, which remained inactive during the financial year.

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**Changes in Group management**

Vesa Korpimies was appointed President and CEO of Exel Oyj as from 10 April 2008.

**Incentive programs**

Exel Oyj's performance-based incentive program covers all employees. Salaried employees receive a monthly salary and an annual bonus tied to the attainment of annually established goals emphasizing growth and profitability. Non-salaried employees are also eligible for incentive compensation, but their annual bonus is based on productivity.

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

The Participants shall earn the reward under each of the subprograms if the financial performance targets as set by the Board of Directors for the subprogram have been met. The Board of Directors will decide on the targets related to the growth of the Exel Group's earnings per share (EPS) and return on capital employed (ROCE) for each subprogram separately before the beginning of the subprogram. The maximum amount of reward for each subprogram is decided by the Board of Directors and can be denominated as cash or a corresponding number of granted shares. The participant has to use the reward to buy Exel shares and keep them for two years' time. The cost of the program will be accounted for as operating expenses and accrued for in the financial statements. For 2008 the maximum reward was set to EUR 1 million. However, no reward was paid for 2008 as the performance criteria were not met and no costs were thus recorded in the financial statements.

**Shares and share capital**

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

The Annual General Meeting of Exel Oyj held on 10 April 2008 approved the Board's proposal to distribute a dividend of EUR 0.20 per share, representing a total of EUR 2.4 million for the financial year 2007.

The AGM authorized the Board of Directors to decide on a share issue. A maximum of 594,842 new shares may be issued and a maximum of 594,842 Company's own shares that are in the Company's possession may be conveyed. The AGM also authorized the Board to acquire the Company's own shares. By virtue of the authorization the Board is entitled to decide on acquiring a maximum of 594,842 Company's own shares.

The Annual General Meeting resolved to decrease the company's premium fund by the amount of EUR 8,487,699.84 and to transfer the amount to the invested non-restricted equity fund. After the decrease the amount of the premium fund is zero.

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

**Share performance and turnover**

During the financial year the highest share price quoted was EUR 12.20 (17.45) and the lowest EUR 2.41 (10.55). At the end of the year, the share price was EUR 2.72 (11.90). The average share price during the financial year was EUR 5.92 (14.14).

A total of 1,654,322 (4,907,765) shares were traded during the year, which represents 13.9 (41.3) per cent of the average number of shares. On 31 December 2008, Exel's market capitalization was EUR 32.6 (141.6) million.

**Shareholders and disclosures**

On 31 December 2008, 0.8 per cent of the shares and votes of Exel were owned or controlled, directly or indirectly by the President and CEO and the members of the Board.

Exel's largest shareholder is the Swedish investment company Nordstjernan AB, which owned 29.4 per cent of shares at the end of 2008. Other major shareholders included Ilmarinen Mutual Pension Insurance Company (5.8 per cent) and Berling Capital Oy (3.2 per cent). At the end of the year the Company had a total of 1,673 (1,675) shareholders.

During the year under review, Exel received no flagging announcements.

**Corporate Governance**

Exel complies with the general insider trading guidelines issued by the Helsinki Stock Exchange on 1 January 2006, as well as with the official regulations related to the governance of public joint stock companies with the exception related to the Board Committees. Exel's corporate governance principles are available on the company website at www.exel.net and the Group Annual Report.

**Board of Directors and Auditors**

On 10 April 2008 the Annual General Meeting appointed Kari Haavisto, Peter Hofvenstam and Vesa Kainu to continue on the Board of Directors. Göran Jönsson and Heikki Mairinoja were appointed as new members of the Board. Peter Hofvenstam was elected Chairman of the Board.

The Board of Directors convened nine times in 2008 and the average attendance rate at these meetings was 95 per cent. The fees paid to the Board of Directors totaled EUR 164 thousand in 2008.

The Board of Directors has reviewed the independence of Board members in accordance with item 18 of the Corporate Governance Recommendation. Kari Haavisto, Vesa Kainu and Heikki Mairinoja are independent Board members. Peter Hofvenstam is considered as independent from the company but non-independent from a major shareholder since he is the Vice President of Nordstjernan AB. Göran Jönsson is considered as non-independent from the company as former President and CEO of the company. The Board was considered to comply with the Corporate Governance independency rules.

The Company has a Nomination Committee comprising the Chairman and persons nominated by the four largest shareholders as of 1 November before the Annual General Meeting. In 2008 the Nomination Committee comprised Tomas Billing

as Chairman (Nordstjernan AB), Mikko Mursula (Ilmarinen Mutual Pension Insurance Company), Esa Karppinen (Berling Capital Oy) and Pertti Laine (Veikko Laine Oy). The committee met two times in 2008.

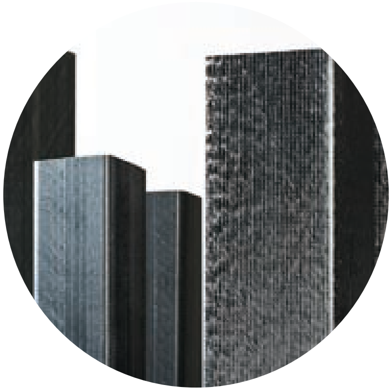
Ernst & Young, Authorized Public Accountants, with Eija Niemi-Nikkola, APA, as principal auditor, were elected to serve as company auditor in the AGM in 2008.

The fees paid to the auditors totaled EUR 206 thousand in 2008.

## Events after the reporting period

### New financial targets

Due to the financial turbulence and weaker market outlook for Exel's products, it is not realistic to set the financial targets for the near future, but for a normalized business cycle. The Exel Board of Directors has approved in a board meeting held on 12 February 2009 revised long-term financial targets over a business cycle.



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

*Operating profit:* Exel's target is the operating profit to exceed 10 per cent of net sales.

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

### Outlook for 2009

The pultrusion market is affected by the worldwide business slow-down. A weakened demand has been observed, especially in the building and construction and transportation segments.

Further actions will therefore be taken to manage the cash flow, to streamline the operating working capital and to amortize debt. Due to the poor visibility of the market development, the Group has developed contingency plans and comprehensive cost and capital reduction programs have been introduced to protect profitability and cash flow.

Exel will maintain a strong focus on developing sales and is constantly developing new applications to capture growth opportunities within the advanced composites industry.

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

## CONSOLIDATED INCOME STATEMENT

*for the year ended 31 December 2008*

| EUR 1,000 | Notes | 1.1. –31.12.2008 | 1.1. –31.12.2007 |
|---|---|---|---|
| NET SALES | 6 | 94,925 | 113,489 |
| Increase(+)/Decrease in inventories of finished goods and work in progress | | -5,689 | 1,868 |
| Production for own use | | 278 | 328 |
| Other operating income | 9 | 298 | 854 |
| Materials and services | | -40,376 | -55,114 |
| Employee benefit expenses | 11 | -22,598 | -25,360 |
| Depreciation and amortization | 13 | -3,686 | -4,162 |
| Impairment of non-current assets | | -281 | -1,956 |
| Other operating expenses | 10,12 | -23,255 | -25,167 |
| OPERATING PROFIT | | -384 | 4,780 |
| Financial income | 14 | 1,178 | 678 |
| Financial expenses | 15 | -4,529 | -3,038 |
| PROFIT BEFORE TAX | | -3,735 | 2,420 |
| Income taxes | 16 | 779 | -410 |
| PROFIT/LOSS FOR THE PERIOD | | -2,956 | 2,010 |
| ATTRIBUTABLE TO: | | | |
| Equity holders of the parent company | | -2,956 | 2,010 |
| Minority interest | | | 0 |
| Earnings per share for profit of the year Attributable to the equity holders of the parent company (EUR per share) | | | |
| Basic | 17 | -0.25 | 0.17 |
| Diluted | 17 | -0.25 | 0.17 |

## CONSOLIDATED BALANCE SHEET

*as at 31 December 2008*

| EUR 1,000 | Notes | 31.12.2008 | 31.12.2007 |
|---|---|---|---|
| **ASSETS** | | | |
| **NON-CURRENT ASSETS** | | | |
| Goodwill | 19 | 8,362 | 9,627 |
| Other intangible assets | 19 | 2,514 | 2,689 |
| Tangible assets | 20 | 11,823 | 14,796 |
| Other non-current assets | 21 | 68 | 76 |
| Deferred tax assets | 27 | 3,207 | 2,521 |
| **TOTAL NON-CURRENT ASSETS** | | **25,975** | **29,710** |
| **CURRENT ASSETS** | | | |
| Inventories | 22 | 12,408 | 22,155 |
| Trade and other receivables | 23 | 12,856 | 18,426 |
| Cash at bank and in hand | 24 | 8,035 | 4,901 |
| **TOTAL CURRENT ASSETS** | | **33,300** | **45,482** |
| **TOTAL ASSETS** | | **59,275** | **75,192** |
| **EQUITY AND LIABILITIES** | | | |
| **SHAREHOLDERS' EQUITY** | 33 | | |
| Share capital | | 2,141 | 2,141 |
| Restricted equity fund | | 5 | 8,492 |
| Non-restricted equity fund | | 8,488 | |
| Retained earnings | | 6,046 | 12,900 |
| **EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF PARENT COMPANY** | | **16,680** | **23,533** |
| Minority interest | | 0 | 0 |
| **TOTAL EQUITY** | | **16,680** | **23,533** |
| **NON-CURRENT LIABILITIES** | | | |
| Interest-bearing liabilities | 26, 31 | 22,057 | 21,755 |
| Non-current interest-free liabilities | | 348 | 345 |
| Deferred tax liabilities | 27 | 353 | 753 |
| **TOTAL NON-CURRENT LIABILITIES** | | **22,758** | **22,852** |
| **CURRENT LIABILITIES** | | | |
| Interest-bearing liabilities | 26 | 6,648 | 11,008 |
| Trade and other current liabilities | 25 | 12,968 | 17,152 |
| Income tax payable | | 220 | 647 |
| **TOTAL CURRENT LIABILITIES** | | **19,836** | **28,806** |
| **TOTAL EQUITY AND LIABILITIES** | | **59,275** | **75,192** |

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

*for the year ended 31 December 2008*

| EUR 1,000 | Share Capital | Share Premium | Non Restricted Equity fund | Translation Differences | Retained Earnings | Minority Interest | Total |
|---|---|---|---|---|---|---|---|
| BALANCE AT 1 JANUARY 2007 | 2,141 | 8,492 | 0 | -451 | 14,181 | 0 | 24,363 |
| Exchange rate differences | | | | -429 | | | -429 |
| Other items | | | | | -32 | | -32 |
| Profit for the period | | | | | 2,010 | 0 | 2,010 |
| Net income recognized directly in the equity | | | | | -32 | | -32 |
| Net income recognized in the profit for the period | | | | -429 | 2,010 | 0 | 1,581 |
| Dividend | | | | | -2,379 | 0 | -2,379 |
| BALANCE AT 31 DECEMBER 2007 | 2,141 | 8,492 | 0 | -880 | 13,780 | 0 | 23,533 |
| BALANCE AT 1 JANUARY 2008 | 2,141 | 8,492 | 0 | -880 | 13,780 | 0 | 23,533 |
| Exchange rate differences | | | | -1,513 | | | -1,513 |
| Other items | | | | | -5 | | -5 |
| Profit for the period | | | | | -2,956 | | -2,956 |
| Net income recognized directly in the equity | | | | | -5 | | -5 |
| Net income recognized in the profit for the period | | | | -1,513 | -2,956 | | -4,469 |
| Dividend | | | | | -2,379 | | -2,379 |
| Other items | | -8,488 | 8,488 | | | | 0 |
| BALANCE AT 31 DECEMBER 2008 | 2,141 | 5 | 8,488 | -2,393 | 8,440 | 0 | 16,680 |

## CONSOLIDATED CASH FLOW STATEMENT

*for the year ended 31 December 2008*

| EUR 1,000 | Notes | 1.1.–31.12.2008 | 1.1.–31.12.2007 |
|---|---|---|---|
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Profit for the period | | -2,956 | 2,010 |
| Adjustments to reconcile profit to net cash flow | 36 | 6,182 | 9,676 |
| Change in working capital | | 11,815 | -5,903 |
| Interest paid | | -1,876 | -1,687 |
| Interest received | | 259 | 137 |
| Other financial items | | -763 | -388 |
| Income taxes paid | | -1,572 | -1,250 |
| **NET CASH FLOW FROM OPERATING ACTIVITIES** | | **11,089** | **2,595** |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| Proceeds form sale of activities | | 25 | 672 |
| Purchase of non-current assets | | -1,765 | -2,469 |
| Proceeds from sale of non-current assets | | 90 | 1,306 |
| **NET CASH FLOW FROM INVESTING ACTIVITIES** | | **-1,650** | **-491** |
| **CASH FLOW BEFORE FINANCING** | | 9,439 | 2,104 |
| Proceeds from long-term borrowings | | 10,000 | |
| Repayments of long-term borrowings | | -8,973 | -1,600 |
| Change in short-term loans | | -4,563 | 958 |
| Repayments of finance lease liabilities | | -390 | -381 |
| Dividends paid | | -2,379 | -2,379 |
| **NET CASH FLOW FROM FINANCING** | | **-6,305** | **-3,402** |
| **CHANGE IN LIQUID FUNDS** | | **3,134** | **-1,298** |
| Liquid funds at the beginning of period | | 4,901 | 6,199 |
| Liquid funds at the end of period | | 8,035 | 4,901 |

*(All figures in EUR thousands unless otherwise stated)*

The consolidated financial statements of Exel Oyj for the year ended 31 December 2008 were authorized for issue in accordance with a resolution of the The Board of Directors on 12 February 2009.

## 1. CORPORATE INFORMATION

Exel Oyj is a Finnish company specialised in composite technology established in 1960. The Group's operations consist of industrial applications and sporting goods. Exel's best known products include industrial profiles, paper machine applications, toolhandles and lattice masts. The sporting goods include floorball products. The Group's factories are located in Finland, Germany, Belgium, Austria, United Kingdom, Australia and China. Exel's share is listed in the Small Cap segment of the NASDAQ OMX Exchange's Nordic list in the Materials sector. Exel Oyj is domiciled in Mäntyharju, Finland and its registered address is Uutelantie 24 B, 52700 Mäntyharju, Finland.

## 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, which are recognized 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 Oyj 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 2008. The notes to the consolidated financial statements are also in compliance with the Finnish Accounting and Companies Acts.

### Basis of Consolidation

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

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

All intra-group transactions, receivables, liabilities and unrealized profits, as well as intra-group profit distributions, are eliminated as part of the consolidation process.

When compiling the opening IFRS balance sheet, Exel 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.

Minority 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 minority's share of the accumulated losses is allocated to minority interest in the consolidated balance sheet up to the maximum of the investment. The Group had no minority interest at the end of 2008.

## 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies are consistent with those of the previous year. The Group has adopted the following mandatory amendments to the IAS and IFS standards and IFRIC interpretations that entered into force in 2008. The adoption of these standards and interpretations did not have any affect on the financial performance or the position of the Group.

IFRIC 11 – Group and Treasury Share Transactions provides guidance on whether share-based transactions involving treasury shares or involving group entities should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of parent company.

IFRIC 12 – Service Concession Arrangements
This interpretation is not relevant to the Group.

IFRIC 14/IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognized as an asset.

Below are listed the standards, interpretations and their amendments that have been issued before the publication date of the financial statements, but which have not yet been adopted by the Group. The Group will assess at a later date the impact that adopting these standards and interpretations will have on future financial statements.

IFRS 1 First-time adoption of International Financial Reporting Standards – Cost of an Investment in a subsidiary, Jointly Controlled Entity or Associate (Amendments).
The amendments will be effective for the financial years beginning on or after 1 January 2009. The Group has transferred to IFRS earlier and these amendments are not relevant to the Group.

IFRS 2 Share-based Payment (Revised)
The IASB issued an amendment to IFRS 2 in January 2008 that clarifies the definition of a vesting condition and prescribes the treatment for an award that is cancelled. This amendment will be effective for financial years beginning on or after 1 January 2009 and will be adopted by the Group in 2009.

IFRS 3 Business Combinations
The IASB issued the revised Business Combination standard in January 2008 which will be effective for financial years beginning on or after 1 July 2009. The standard introduces changes in the accounting for business combinations that will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and future reported results. The Group will adopt the standard from the next acquisition.

There are a number of minor amendments to IFRS 5 Non-current assets held for sale and discontinued operations, IFRS 7, Financial Instruments: Disclosures, IAS 8 Accounting policies, changes in accounting estimates and errors, IAS 10 Events after the reporting period, IAS 18 Revenue, IAS 19 Employee Benefits, IAS 28 Investments in associates, IAS 29 Financial Instruments: Recognition and measurement, IAS 34 Interim financial reporting, IAS 36 Impairment of assets, IAS 38 Intangible assets, which are part of the IASB's annual improvement project published in May 2008. These amendments are unlikely to have an impact on the Group's accounts and have not therefore been analyzed in detail.

IFRS 8 Operating Segments
The IASB issued IFRS 8 in November 2006 and it will be effective for the financial year beginning on or after 1 January 2009. IFRS 8 will replace IAS 14 Segment Reporting. The Group will adopt the standard in 2009. The Group will have only one segment from 1 January 2009.

IAS 1 Presentation of Financial Statements (Revised)
The IASB issued revised IAS 1 standard which will be effective for the financial year beginning on or after 1 January 2009. The Standard separates owner and non-owner changes in equity. The Group will adopt this revised standard in 2009.

IAS 23 Amendment – Borrowing Costs (Revised)
The IASB issued amendment to IAS 23 in April 2007. The revised IAS 23 requires capitalization of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. The revised IAS 23 will be effective for the financial year beginning on or after 1 January 2009. The Group will adopt the revised standard in 2009.

IAS 27 Consolidated and Separate Financial Statements – Cost of Investment in a Subsidiary, Jointly Controlled Entity or Associate (Amendments)
The amendments will be effective for the financial years beginning on or after 1 January 2010. The revised standard requires effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The Group will apply the amendments from 2010.

IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation
The amendment will be effective for the financial years beginning on or after 1 January 2009. The amended standards require entities to classify puttable financial instruments and instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions. The Group will adopt the standards in 2009.

IFRIC 13 Customer Loyalty Programs
The IASB issued the standard in June 2007. This interpretation requires customer loyalty credits to be accounted for as a separate component of the sales transaction in which they are granted. It will be effective for the financial year beginning on or after 1 January 2009. The Group has no customer loyalty program.

IFRIC 15 Agreements for the Construction of Real Estate
This interpretation will be effective for the financial years beginning on or after 1 January 2009. The interpretation clarifies whether IAS 18 Revenue or IAS 11 Construction contracts, should be applied to particular transactions. The interpretation is not relevant to the Group.

IFRIC 16 Hedges of a Net Investment in a Foreign Operation
The IASB issued IFRIC 16 in July 2008. This interpretation provides guidance on the accounting for a hedge of a net investment. This interpretation will be effective prospectively for financial years beginning on or after 1 October 2008. The Group will adopt this interpretation from 2009.

## 4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

#### Judgements

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

#### Estimates and assumptions

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

#### Impairment of non-financial assets

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

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details, including sensitivity analysis of key assumptions, are given in Note 19.

#### 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 27.

#### 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.

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Revenue recognition

Sales of products are recognized as income once the risks and benefits related to ownership of the sold products have been transferred to the buyer and the Group no longer has possession of, or control over, the products. Sales of services are recognized as income once the service has been rendered. Revenue of the Outdoor asset sale will be recognized based on the actual cash flow according to IFRS standard 8. Net sales comprise the invoiced value for the sale of goods and services net of indirect taxes, sales adjustment and exchange rate differences. Distribution costs for products to be sold are included in the income statement as other operating expenses. Interest income is recognized using the effective interest rate method and dividend income when the right to the dividend has been created.

#### Foreign currency translation

Figures that describe the result and financial position of Group units are measured in the currency of each individual unit's main operating environment (operating currency). The consolidated financial statements are presented in euros, which is the functional and presentation currency for the Group's parent company.

The income statements of independent foreign subsidiaries are translated into euros at the average exchange rates for the financial year and the balance sheets are translated at the exchange rate of the balance sheet date. Exchange differences arising from the translation of the net investment in foreign entities are recorded directly to equity. When a foreign operation is sold, such exchange differences are recognized in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising from the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Transactions in foreign currencies are recorded at the rates of exchange prevailing at the date of the transactions. Monetary items in foreign currencies are recorded at the rate of the balance sheet date. Non-monetary items in foreign currencies that have been adjusted according to fair value are recorded at the rate of the adjustment date. Otherwise non-monetary items are recorded at the rates of exchange prevailing at the date of the transactions. 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

#### Goodwill

In the case of companies acquired after 1 January 2004, goodwill represents the share of the acquisition cost in excess of the Group's share of the fair value of the acquiree's identified net assets, liabilities and conditional liabilities at the time of acquisition. The goodwill on the consolidation of business functions prior to this date corresponds to the carrying amount as per the previously employed accounting standards, which has been used as the assumed acquisition cost

Goodwill and the calculation of the fair value at the date of acquisition are considered the property of the acquired company and are recorded at the rates of exchange on the date of the acquisition. Goodwill is not amortized but is instead subjected to an annual impairment test. If the estimated future cash flow of a business is lower than its carrying amount on the balance sheet, the resulting impairment loss is recorded as an expense in the income statement.

#### Research and development

Research costs are expensed as incurred. Costs incurred from development projects, which are often connected with the design and testing of new or advanced products, are recorded in the balance sheet as intangible assets from the time that the product can be technically achieved, it can be utilized commercially, and the product is expected to create a comparable financial benefit. Other development costs are recorded as expenses. Activated development costs are amortized on a straight-line basis beginning from the commercial production of the product during the period they are effective, yet no longer than five years. There were no activated development costs during 2008.

#### 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 licences are capitalized in intangible assets and depreciated on a straight-line basis during their useful lives.

Intangible assets are recognized in the balance sheet only if an asset's acquisition cost can be reliably defined and if the expected financial benefit deriving from the asset is realized for the good of the company. Intangible assets are recognized in the balance sheet at historical costs less accumulated depreciation and impairment losses.

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

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

### Property, plant and equipment

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

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

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

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

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

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

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

Interest costs on borrowings to finance the construction of these assets and other liability costs are recognized as expenses.

### Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount is to be accrued primarily from the sale of the asset rather than from its continued use. The conditions for classification as held for sale are met if the sale is highly probable and the asset is available for immediate sale in its present condition on general and ordinary conditions, and when management is committed to a plan to sell and the sale is expected to take place within 12 months of classification.

Immediately before the initial classification of the asset as held for sale, the carrying amount of the asset will be measured in accordance with applicable IFRS standards. After classification as held for sale, non-current assets are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets that are classified as held for sale shall not be depreciated.

### 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 released to income in the form of minor depreciations during the useful life of the asset.

### Borrowing Costs

Borrowing costs are recognized as an expense when incurred.

### Financial assets

Financial assets are classified in accordance with the purpose underlying the acquisition of the financial asset. The assets are categorized on initial recognition. Transaction costs are included in the original carrying amount of financial assets when the item in question is not measured at fair value through profit or loss.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

"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 balance sheet 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.

"Held-for-sale financial assets" are assets that are not included in derivative assets and which have either been expressly designated for inclusion in this group or not classified into any other group. They are included in non-current assets, unless it is intended that they will be held for less than 12 months from the closing date, in which case they are included in current assets. Held-for-sale assets can comprise shares and interest-bearing investments, and they are measured at fair value. The fair value of assets in this category is generally defined on the basis of the publicly quoted price, which is the purchase price quoted on the closing date.

### Cash and short-term deposits

Cash and short-term deposits in the balance sheet comprise cash at bank 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 balance sheet, the use of Group account limits is included in current interest-bearing liabilities.

### Financial liabilities

Financial liabilities are originally booked at their fair value on the basis of the consideration received. Transaction costs have been included in the original carrying amount of financial liabilities. Finance lease liabilities are recognized at fair value. All financial liabilities are later valued at the periodisized acquisition cost using the effective interest rate method. Financial liabilities are included in non-current and current liabilities, and they may be either interest-bearing or non-interest-bearing.

### Derivative financial instruments and hedging

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

### 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. In addition, the recoverable amount is assessed annually for the following items regardless of whether there are indications of impairment: goodwill; intangible assets that have an unlimited economic lifespan; and semi-finished goods. Impairment is measured at the level of cash-generating units, which is the lowest level that is primarily independent of other units and whose cash flows can be distinguished from other cash flows.

The recoverable amount is the fair value of the asset item less selling costs or the value in use, whichever is higher. The recoverable amount of financial assets is either the fair value or the present value of future cash flows discounted at the original effective interest.

An impairment loss is recorded when an asset's carrying amount is greater than its recoverable amount. An impairment loss is recognized immediately on the income statement. If the impairment loss is allocated to a cash-generating unit, it is first allocated to reduce the goodwill allocated to the cash-generating unit and after this to the other asset items of the unit in equal proportions. An impairment booked on goodwill shall not be cancelled in any situation.

### Impairment of financial assets

The Group assesses on each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired. The significant and prolonged impairment of stock investments in which the fair value remains less than the acquisition cost, is an indication of the impairment of an available for sale stock.

### 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 instalment 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 instalments 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 instalments over the duration of the rental period.

### Inventories

Inventories are valued in the balance sheet either at the acquisition cost or at the net realisable 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 labour, other direct costs and the appropriate portion of the variable general costs of manufacture and fixed overhead at the ordinary rate of operations, but it does not include liability expenses. The net realisable 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.

**Income tax**

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

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

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

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

**Pension and other post-employment benefits**

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

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

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

**Share-based compensation**

**Long-term Incentive Scheme**

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

The Participants shall earn the reward under each of the subprograms if the financial performance targets as set by the Board of Directors for the subprogram have been met. The Board of Directors will decide on the targets related to the growth of the Exel Group's earnings per share (EPS) and return on capital employed (ROCE) for each subprogram separately before the beginning of the subprogram. The maximum amount of reward for each subprogram is decided by the Board of Directors and can be denominated as cash or a corresponding number of granted shares. The participant has to use the reward to buy Exel shares and keep them for two years' time. The cost of the program will be accounted for as operating expenses and accrued for in the financial statements. For 2008 the maximum reward was set to EUR 1 million. However, no reward was paid for 2008 as the performance criteria were not met and no costs were thus recorded in the financial statements.

### 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 materialisation 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 balance sheet 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 fulfil the obligations of the agreement.

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

### Dividends

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

### Earnings per share

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

## 6. SEGMENT INFORMATION

Segment information is presented according to the Group's business and geographical segment distribution. The Group's primary segment reporting form is based on business segments. Business segments are based on the Group's internal organizational structure and internal financial reporting.

Business segments consist of asset groups and businesses whose risks and profitability relative to products or services differ from other business segments. Geographical segments' 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 segments.

Transactions between segments are based on market prices. The assets and liabilities of segments include those kinds of operational items that each segment uses in its business operations or that can be allocated on reasonable grounds to segments. Unallocated items include tax and financial items, as well as items shared by the entire company. Investments include increases in tangible assets and intangible assets that are used for more than one financial period.

### Business segments

The Group's business segments are Exel Composites and Exel Sports Brands. The company has no discontinued operations. Exel Composites includes all production activities in the Company as from 1 January 2007. Exel Sports Brands segment includes the only floorball business since the outdoor business was divested on 1 June 2008. From 1 January 2009 onwards the Group will consist of only one segment as the floorball business will be integrated as part of the Composites business.

### Geographical segments

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

## PRIMARY REPORTING FORMAT – BUSINESS SEGMENT INFORMATION

*1 January – 31 December 2008*

| EUR 1,000 | Exel Composites | Exel Sports Brands | Others and eliminations | Group |
|---|---|---|---|---|
| External net sales | 84,929 | 9,996 | | 94,925 |
| Internal net sales | 1,746 | 8 | -1,754 | 0 |
| **TOTAL SALES** | **86,675** | **10,004** | **-1,754** | **94,925** |
| Operating profit of the segment | 9,243 | -8,977 | -650 | -384 |
| Net financing costs | | | | -3,351 |
| Income taxes | | | | 779 |
| Profit for the financial year | | | | -2,956 |
| Segment's assets | 47,425 | 2,852 | -3,666 | 46,611 |
| Unallocated assets | | | | 12,664 |
| **TOTAL ASSETS** | | | | **59,275** |
| Segment's liabilities | 26,867 | 4,327 | -17,409 | 13,785 |
| Non-allocated liabilities | | | | 28,810 |
| **TOTAL LIABILITIES** | | | | **42,595** |
| Capital expenditure | 1,525 | 0 | 240 | 1,765 |
| Depreciation | -3,527 | 0 | -159 | -3,686 |
| Impairment and write-down | -281 | | | -281 |

## PRIMARY REPORTING FORMAT – BUSINESS SEGMENT INFORMATION

*1 January – 31 December 2007*

| EUR 1,000 | Exel Composites | Exel Sports Brands | Others and eliminations | Group |
|---|---|---|---|---|
| External net sales | 99,872 | 13,617 | | 113,489 |
| Internal net sales | 4,390 | 17 | -4,407 | 0 |
| **TOTAL SALES** | **104,261** | **13,634** | **-4,407** | **113,489** |
| Operating profit of the segment | 15,170 | -10,651 | 261 | 4,780 |
| Net financing costs | | | | -2,360 |
| Income taxes | | | | -410 |
| Profit for the financial year | | | | 2,010 |
| Segment's assets | 61,194 | 9,160 | -3,231 | 67,123 |
| Unallocated assets | | | 8,068 | 8,068 |
| **TOTAL ASSETS** | | | | **75,192** |
| Segment's liabilities | 13,455 | 4,065 | 124 | 17,644 |
| Non-allocated liabilities | | | 34,014 | 34,014 |
| **TOTAL LIABILITIES** | | | | **51,658** |
| Capital expenditure | 2,344 | 125 | | 2,469 |
| Depreciation | -3,937 | -224 | | -4,162 |
| Impairment and write-down | -690 | -1,266 | | -1,956 |

Segment assets include other assets except liquid assets and tax assets and other non-current assets.
Segment liabilities include other non-interest-bearing liabilities except tax liabilities.

## SECONDARY REPORTING FORMAT

### NET SALES OUTSIDE THE GROUP ACCORDING TO LOCATION OF CUSTOMERS

| EUR 1,000 | 2008 | 2007 |
|---|---|---|
| Nordic countries | 22,456 | 21,701 |
| Other European countries | 57,947 | 71,936 |
| Other countries | 14,522 | 19,852 |
| TOTAL | 94,925 | 113,489 |

### TOTAL ASSETS ACCORDING TO SECONDARY SEGMENT

| EUR 1,000 | 2008 | 2007 |
|---|---|---|
| Nordic countries | 19,347 | 25,923 |
| Other European countries | 12,916 | 21,413 |
| Other countries | 14,347 | 19,787 |
| TOTAL | 46,611 | 67,123 |

### CAPITAL EXPENDITURE ACCORDING TO SECONDARY SEGMENT

| EUR 1,000 | 2008 | 2007 |
|---|---|---|
| Nordic countries | 1,058 | 1,112 |
| Other European countries | 503 | 0,663 |
| Other countries | 204 | 0,694 |
| TOTAL | 1,765 | 2,469 |

## 7. BUSINESS COMBINATIONS

The Group did no acquisitions in 2007 or 2008.

## 8. EXCHANGE RATES

The income statements of subsidiaries, whose measurement and reporting currency are not euros, are translated into the Group reporting currency using the average exchange rate, whereas the balance sheet of the subsidiaries are translated using the exchange rates on the balance sheet date. The balance sheet rates are based on exchange rates published by the European Central Bank for the closing date. The average exhange rate is calculated as an average of each month's average rates from the European Central Bank. Key exchange rates for Exel Group applied in the accounts are:

| Country | Currency | Average rate 2008 | Average rate 2007 | Balance sheet rate 2008 | Balance sheet rate 2007 |
|---|---|---|---|---|---|
| Australia | AUD | 1.74160 | 1.6356 | 2.02740 | 1.67570 |
| United Kingdom | GBP | 0.79654 | 0.6846 | 0.95250 | 0.73335 |
| China | RMB | 10.22471 | 10.4189 | 9.49560 | 10.75240 |
| Sweden | SEK | 9.61688 | 9.2521 | 10.87000 | 9.44150 |
| USA | USD | 1.47059 | 1.3706 | 1.39170 | 1.47210 |

## 9. OTHER OPERATING INCOME

| EUR 1,000 | 2008 | 2007 |
|---|---|---|
| Rental income | 6 | 9 |
| Other operating income | 267 | 275 |
| Profit from sales of non-current assets | 25 | 570 |
| TOTAL | 298 | 854 |

## 10. OTHER OPERATING EXPENSES

| EUR 1,000 | 2008 | 2007 |
|---|---|---|
| Rental expenses | 1,504 | 1,625 |
| Non-current asset write-offs | 0 | 545 |
| Other operating expenses | 21,751 | 22,997 |
| TOTAL | 23,255 | 25,167 |

## 11. EMPLOYEE BENEFIT EXPENSES

| EUR 1,000 | 2008 | 2007 |
|---|---|---|
| Wages and salaries | 19,243 | 22,216 |
| Pension costs – defined contribution schemes | 2,038 | 1,947 |
| Pension costs – defined benefit schemes | 41 | 167 |
| Other employee benefits | 1,277 | 1,030 |
| TOTAL | 22,598 | 25,360 |
| **Average number of personnel** | | |
| Industry Division | 476 | 500 |
| Sport Division | 33 | 49 |
| Other | 17 | 20 |
| TOTAL | 526 | 568 |

## 12. RESEARCH AND DEVELOPMENT EXPENDITURE

The income statement includes research and development costs entered as costs amounting to EUR 1,918 thousand in 2008 (EUR 2,824 thousand in 2007). These costs are included in the income statement under Salaries and Other Operating Expenses.

## 13. DEPRECIATION, AMORTIZATION AND IMPAIRMENT

| Depreciation of assets EUR 1,000 | 2008 | 2007 |
|---|---|---|
| Intangible assets | 496 | 601 |
| Tangible assets | | |
| Buildings | 525 | 469 |
| Machinery and equipment | 2,665 | 3,092 |
| TOTAL | 3,686 | 4,162 |
| **Impairment and write-down of assets EUR 1,000** | | |
| Intangible assets | 0 | 691 |
| Goodwill | 0 | 458 |
| Tangible assets | | |
| Buildings | 9 | 6 |
| Machinery and equipment | 273 | 802 |
| TOTAL | 281 | 1,956 |

## 14. FINANCE INCOME

| EUR 1,000 | 2008 | 2007 |
|---|---|---|
| Interest income | 391 | 136 |
| Dividend income | 2 | 2 |
| Foreign exchange gains | 704 | 435 |
| Change in fair value of financial assets recognized at fair value (from derivatives) | 79 | 42 |
| Other finance income | 2 | 63 |
| TOTAL FINANCE INCOME | 1,178 | 678 |

## 15. FINANCE EXPENSES

| EUR 1,000 | 2008 | 2007 |
|---|---|---|
| Interest expenses | 1,731 | 1,669 |
| Foreign exchange losses | 2,777 | 1,044 |
| Change in fair value of financial assets recognized at fair value (from derivatives) | 0 | 245 |
| Other finance expenses | 21 | 80 |
| TOTAL FINANCE EXPENSES | 4,529 | 3,038 |

Exchange differences for sales (exchange rate loss EUR -2 thousand) and purchases (exchange rate profit EUR 43 thousand) are entered in the income statement in the appropriate sales and purchase accounts.

## 16. INCOME TAXES

| EUR 1,000 | 2008 | 2007 |
|---|---|---|
| Income tax based on taxable income for the financial year | -277 | 1,284 |
| Income taxes from previous financial periods | -111 | -260 |
| Deferred taxes | 1,167 | -614 |
| TOTAL INCOME TAXES REPORTED IN THE INCOME STATEMENT | 779 | 410 |

| **Income tax reconciliation** | | |
|---|---|---|
| Profit(+)/Loss(-) before taxes | -3,735 | 2,420 |
| Tax calculated at domestic tax rate 26% | -971 | 629 |
| Difference between the domestic and foreign tax rates | 274 | -235 |
| Expenses not deductible for tax purposes | 81 | 16 |
| Other | -163 | 0 |
| Tax charge | -779 | 410 |
| Effective tax rate | 20.9% | 16.9% |

## 17. EARNINGS PER SHARE

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

| | 2008 | 2007 |
|---|---|---|
| Profit for the financial year (EUR 1,000) attributable to shareholders of the parent company, continued operations | -2,956 | 2,010 |
| Weighted average number of outstanding shares during the financial year (1,000 shares) | 11,897 | 11,897 |
| Undiluted earnings per share (EUR/share), continued operations | -0.25 | 0.17 |
| Weighted average number of shares, 1,000 | 11,897 | 11,897 |
| Weighted average number of shares for diluted earnings per share, 1,000 | 11,897 | 11,897 |
| Diluted earnings per share (EUR/share), continued operations | -0.25 | 0.17 |

## 18. DIVIDENDS PER SHARE

The Annual General Meeting held on 10 April 2008 approved the Board's proposal to distribute a dividend for the 2007 financial year of EUR 0.20 per share, amounting to a total dividend payment of EUR 2,379 thousand.

In 2007 a dividend of EUR 0.20 per share was distributed, or a total of EUR 2,379 thousand.

## 19. INTANGIBLE ASSETS

The Group has no internally created intangible assets.

| Goodwill EUR 1,000 | 2008 | 2007 |
|---|---|---|
| Acquisition cost at 1 Jan. | 13,731 | 13,760 |
| Additions | 0 | 0 |
| Exchange rate differences | -1,265 | -29 |
| Acquisition cost at 31 Dec. | 12,466 | 13,731 |
| Accumulated amortization at 1 Jan. | -4,104 | -3,653 |
| Impairment charge | 0 | -451 |
| Accumulated amortization at 31 Dec. | -4,104 | -4,104 |
| Book value at 1 Jan. | 9,627 | 10,107 |
| Book value at 31 Dec. | 8,362 | 9,627 |

Goodwill is allocated to cash-flow generating business units as follows:

| Distribution of goodwill, EUR 1,000 | 2008 | 2007 |
|---|---|---|
| Sport Division | 0 | 0 |
| Industry Division, Finland | 135 | 135 |
| Industry Division, Germany | 1,305 | 1,305 |
| Industry Division, Belgium | 209 | 209 |
| Industry Division, Austria | 688 | 688 |
| Industry, Pacific Composites | 6,026 | 7,291 |
| **TOTAL** | **8,362** | **9,627** |

**IMPAIRMENT TESTS ARE MADE ANNUALLY** on goodwill and intangible assets with an unlimited economic lifespan. On the closing date the Exel Group had no other intangible assets with an unlimited economic lifespan than goodwill.

The Group has allocated goodwill to cash-generating units. The impairment of cash-generating units is tested by comparing the recoverable amounts to the carrying amounts. The recoverable amount of cash-generating units is determined based on calculations of value in use, which are based on discounted future cash flows. Future cash flows are based on the continual use of the item and forecasts made by management for the next five years. Forecasts for periods further ahead in the future have been calculated on the assumption of no annual growth in the long term. The level of sales margins in these forecasts is expected to remain on average at the current level.

Discount rates are defined separately for each business sector in order to reflect the effect of the different business risks on the expected return on equity. The cost of liabilities is defined according to the existing credit portfolio. The calculation of the average cost of capital takes into account the Group's targeted capital structure, as well as the effect of debt on the cost of Group equity. The discount rate before taxes used in the calculations varied between 7.2–8.9% depending on the cash-generating unit.

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

On the basis of the impairment test, the amount of money that can be accrued by all cash-generating units exceed the corresponding balance sheet values. In 2007 an impairment loss totalling EUR 451 has been recorded in Exel Sports Brands. The main causes of the impairment loss in 2007 were the decline in sales volumes for poles and the transfer of assembly and finishing of poles to subcontractors in China due to the competitive situation. After these impairment losses Exel Sports Brands business has no goodwill in the balance sheet. In 2008 no impairment losses were booked.

| Other intangible assets, EUR 1,000 | 2008 | 2007 |
|---|---|---|
| Acquisition cost at 1 Jan. | 4,617 | 3,893 |
| Additions | 10 | 37 |
| Decreases | 0 | -16 |
| Transfers between asset groups | 7 | 716 |
| Exchange rate differences | -528 | -13 |
| Acquisition cost at 31 Dec. | 4,106 | 4,617 |
| Accumulated amortization at 1 Jan. | -2,174 | -1,085 |
| Amortization for the period | -323 | -411 |
| Impairment charge and write-downs | 0 | -691 |
| Decreases | 0 | 6 |
| Exchange rate differences | 166 | 7 |
| Accumulated amortization at 31 Dec. | -2,331 | -2,174 |
| Book value at 1 Jan. | 2,443 | 2,806 |
| Book value at 31 Dec. | 1,775 | 2,443 |

All intangible assets are other than internally created.

| Other long-term expenses, EUR 1,000 | 2008 | 2007 |
|---|---|---|
| Acquisition cost at 1 Jan. | 2,276 | 2,205 |
| Additions | 210 | 72 |
| Decreases | 0 | -12 |
| Transfers between asset groups | 456 | 11 |
| Translation differences | 0 | 0 |
| Acquisition cost at 31 Dec. | 2,942 | 2,276 |
| Accumulated amortization at 1 Jan. | -2,029 | -1,851 |
| Amortization for the period | -173 | -190 |
| Decreases | 0 | 0 |
| Translation differences | 0 | 12 |
| Accumulated amortization at 31 Dec. | -2,202 | -2,029 |
| Book value at 1 Jan. | 246 | 352 |
| Book value at 31 Dec. | 739 | 246 |

## 20. PROPERTY, PLANT AND EQUIPMENT

| Land and water areas, EUR 1,000 | 2008 | 2007 |
|---|---|---|
| Acquisition cost at 1 Jan. | 853 | 910 |
| Additions | 8 | 0 |
| Decreases | 0 | -102 |
| Transfers between asset groups | 0 | 95 |
| Exchange rate differences | -63 | -50 |
| Acquisition cost at 31 Dec. | 797 | 853 |
| Impairment charge and write-downs | -20 | -5 |
| Exchange rate differences | -1 | -6 |
| Book value at 1 Jan. | 842 | 905 |
| Book value at 31 Dec. | 776 | 842 |

| Buildings and structures, EUR 1,000 | | |
|---|---|---|
| Acquisition cost at 1 Jan. | 6,175 | 6,250 |
| Additions | 0 | 96 |
| Decreases | -18 | -699 |
| Transfers between asset groups | 0 | 617 |
| Exchange rate differences | -112 | -89 |
| Acquisition cost at 31 Dec. | 6,045 | 6,175 |
| Accumulated amortization at 1 Jan. | -2,695 | -2,475 |
| Amortization for the period | -365 | -307 |
| Decreases | 0 | 82 |
| Exchange rate differences | 28 | 5 |
| Accumulated amortization at 31 Dec. | -3,032 | -2,695 |
| Book value at 1 Jan. | 3,481 | 3,777 |
| Book value at 31 Dec. | 3,014 | 3,481 |

| Machinery and equipment, EUR 1,000 | | |
|---|---|---|
| Acquisition cost at 1 Jan. | 29,912 | 29,324 |
| Additions | 901 | 1,721 |
| Decreases | -122 | -1,667 |
| Transfers between asset groups | 195 | 661 |
| Exchange rate differences | -509 | -127 |
| Acquisition cost at 31 Dec. | 30,377 | 29,912 |
| Accumulated amortization at 1 Jan. | -21,333 | -18,991 |
| Amortization for the period | -2,632 | -2,936 |
| Impairment charge and write-downs | -173 | -117 |
| Decreases | 3 | 669 |
| Translation differences | 279 | 42 |
| Accumulated amortization at 31 Dec. | -23,856 | -21,333 |
| Book value at 1 Jan. | 8,577 | 10,331 |
| Book value at 31 Dec. | 6,519 | 8,577 |

| Advance payments and construction in progress, EUR 1,000 | | |
|---|---|---|
| Acquisition cost at 1 Jan. | 725 | 1,581 |
| Additions | 671 | 543 |
| Transfers between asset groups | -718 | -1,399 |
| Decreases | 0 | 0 |
| Exchange rate differences | -41 | |
| Acquisition cost at 31 Dec. | 636 | 725 |
| Book value at 1 Jan. | 725 | 1,581 |
| Book value at 31 Dec. | 636 | 725 |

| Finance lease arrangements | | |
|---|---|---|
| BUILDINGS | | |
| Acquisition cost at 1 Jan.1. | 1,677 | 1,677 |
| Additions | 0 | 0 |
| Acquisition cost at 31 Dec. | 1,677 | 1,677 |
| Accumulated amortization at 1 Jan. | -639 | -479 |

| | 2008 | 2007 |
|---|---|---|
| Amortization for the period | -160 | -160 |
| Accumulated amortization at 31 Dec. | -799 | -639 |
| Book value at 1 Jan. | 1,038 | 1,198 |
| Book value at 31 Dec. | 878 | 1,038 |

**Finance lease arrangements**

| MACHINERY AND EQUIPMENT | | |
|---|---|---|
| Acquisition cost at 1 Jan. | 1,760 | 1,760 |
| Additions | 0 | 0 |
| Decreases | 0 | 0 |
| Exchange rate differences | 0 | 0 |
| Acquisition cost at 31 Dec. | 1,760 | 1,760 |
| Accumulated amortization at 1 Jan. | -1,626 | -786 |
| Amortization for the period | -33 | -156 |
| Impairment charge and write-down | -101 | -684 |
| Decreases | 0 | 0 |
| Exchange rate differences | 0 | 0 |
| Accumulated amortization at 31 Dec. | -1,760 | -1,626 |
| Book value at 1 Jan. | 133 | 973 |
| Book value at 31 Dec. | 0 | 133 |

The Group had no assets for sale.

## 21. OTHER NON-CURRENT ASSETS

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

| EUR 1,000 | 2008 | 2007 |
|---|---|---|
| Book value at 1 Jan. | 76 | 76 |
| Decreases | 0 | 0 |
| Change in fair value | -8 | 0 |
| Book value at 31 Dec. | 68 | 76 |

## 22. INVENTORIES

| EUR 1,000 | 2008 | 2007 |
|---|---|---|
| Raw materials | 6,417 | 9,797 |
| Work in progress | 797 | 1,366 |
| Finished products and goods | 5,195 | 10,992 |
| TOTAL INVENTORIES | 12,408 | 22,155 |

During the 2008 financial year an expense of EUR 1.5 million was recognized to reduce the book value of inventories to their net realisable value (EUR 2.8 million in 2007).

## 23. TRADE AND OTHER RECEIVABLES

| EUR 1,000 | 2008 | 2007 |
|---|---|---|
| Trade receivables | 10,667 | 16,235 |
| Deferred income | 1,656 | 1,591 |
| Other receivables | 533 | 600 |
| TOTAL RECEIVABLES | 12,856 | 18,426 |

During the 2008 financial year credit losses of EUR 1,117 thousand were recorded (EUR 118 thousand in 2007), consisting of actual credit losses amounting to EUR 423 thousand and bad debt provision amounting to EUR 694 thousand covering all overdue trade receivables which are over 90 days overdue.

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

**Past due but not impaired**

| | Total | Neither past due nor impaired | < 30 days | 30–60 days | 61–90 days | 91–180 days | 181–365 days | Over 1 year |
|---|---|---|---|---|---|---|---|---|
| 2008 | 10,667 | 8,021 | 1,835 | 689 | 123 | 0 | 0 | 0 |
| 2007 | 16,235 | 10,896 | 3,703 | 1,078 | 298 | 185 | 76 | 0,000 |

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

## 24. CASH AND CASH EQUIVALENTS

Cash assets consist of cash-in-hand and bank reserves amounting to EUR 8,034 (4,901) thousand.

## 25. TRADE AND OTHER NON-INTEREST-BEARING LIABILITIES

| EUR 1,000 | 2008 | 2007 |
|---|---|---|
| Trade payables | 5,777 | 10,095 |
| Accrued expenses | 5,646 | 4,551 |
| Advance payments | 27 | 90 |
| Other current interest-free liabilities | 1,739 | 2,416 |
| Non-current interest-free liabilities | 348 | 345 |
| TOTAL | 13,537 | 17,497 |

## 26. INTEREST-BEARING LIABILITIES

| Non-current interest-bearing liabilities, EUR 1,000 | 2008 | 2007 |
|---|---|---|
| | Book values | Book values |
| Loans from financial institutions | 20,074 | 19,412 |
| Pension loans | 469 | 428 |
| Finance lease liabilities | 1,515 | 1,915 |
| Other | 0 | 0 |
| TOTAL | 22,057 | 21,754 |
| **Current interest-bearing liabilities, EUR 1,000** | | |
| Short-term loans from financial institutions | 1,496 | 5,796 |
| Current portion of long-term debt (repayments) | 4,752 | 4,815 |
| Finance lease liabilities | 401 | 396 |
| TOTAL | 6,648 | 11,008 |
| **Maturity of non-current interest-bearing liabilities, EUR 1,000** | | |
| 2008 | | 4,815 |
| 2009 | 4,752 | 7,538 |
| 2010 | 4,314 | 4,674 |
| 2011 | 7,914 | 7,200 |
| 2012 | 714 | 0 |
| 2013 | 714 | 0 |
| later | 6,418 | 0 |
| TOTAL | 24,826 | 24,227 |

| Maturity of finance lease liabilities, EUR 1,000 | 2008 | 2007 |
|---|---|---|
| Finance lease liabilities – total value of minimum lease payments | | |
| Not later than 1 year | 444 | 444 |
| 1–5 years | 879 | 1,323 |
| Later than 5 years | | |
| | | |
| Finance lease liabilities – present value of minimum lease payments | | |
| Not later than 1 year | 423 | 375 |
| 1–5 years | 845 | 1,266 |
| Later than 5 years | 0 | 0 |
| | | |
| Future finance charges | 101 | 154 |
| TOTAL FINANCE LEASE LIABILITIES | 1,916 | 2,311 |

Among non-current liabilities, EUR 3,667 thousand has been converted to fixed interest rates through interest rate swap agreements.

## 27. DEFERRED INCOME TAXES

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

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

| Deferred tax assets, EUR 1,000 | 1.1.2007 | Recognized in income statement | Recognized in shareholders' equity | Exchange rate differences | 31.12.2007 |
|---|---|---|---|---|---|
| Intercompany profit in inventory | 479 | -77 | | | 402 |
| Losses | 1,445 | -438 | | | 1,007 |
| Other temporary differences | 947 | 1,109 | | | 2,056 |
| Offset with deferred tax liabilities | -671 | -273 | | | -944 |
| NET DEFERRED TAX ASSETS | 2,200 | 321 | | | 2,521 |

| Deferred tax liabilities, EUR 1,000 | 1.1.2007 | Recognized in income statement | Recognized in shareholders' equity | Exchange rate differences | 31.12.2007 |
|---|---|---|---|---|---|
| Accumulated depreciation | | | | | |
| Other temporary differences | 1,762 | -65 | | | 1,697 |
| Offset with deferred tax assets | -671 | -273 | | | -944 |
| NET DEFERRED TAX LIABILITIES | 1,091 | -338 | | | 753 |

The Group had taxable net losses on 31 December 2008 of EUR -4,702 thousand (EUR 4,615 thousand), of which the company has recorded deferred tax assets of EUR 855 thousand (EUR 1,007 thousand).

## 28. 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 unfavourable 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 Swedish crown (SEK). Foreign exchange risks are generated by commercial transactions, from monetary items in the balance sheet and from net investments in foreign subsidiaries. The objective of foreign exchange risk management is to protect the operating result and shareholders' equity against foreign exchange rate fluctuations.

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

Currency positions are assessed at their net amount in each currency generally for the following 12-month period. Currency flows are partly protected by forward agreements and currency options. The Group´s transaction exposure is in USD amounting to USD 6 million on the 31 December 2008.

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

| Net investment, EUR 1,000 | 31 Dec. 2008 | 31 Dec. 2007 |
|---|---|---|
| AUD | 7,451 | 8,504 |
| GBP | 4,897 | 5,963 |
| RMB | 3,379 | 3,197 |
| USD | -1,844 | -1,531 |
| SEK | -115 | 139 |

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

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

| 31 December 2007 | AUD | GBP | RMB | USD | SEK |
|---|---|---|---|---|---|
| Increase in currency rate vs EUR | 5% | 5% | 5% | 5% | 5% |
| Effect on profit before tax in EUR | | | | 373 | |
| Effect on equity EUR | -425 | -298 | -160 | 77 | -7 |

### Interest rate risk

The Group's currency-denominated borrowings are in the domestic currencies of Group companies. The nominal values of interest-bearing liabilities on 31 December 2008 were divided to the currencies as follows:

| Currency | Amount EUR 1,000 | % |
|---|---|---|
| EUR | 28,164 | 98.1 |
| AUD | 345 | 1.2 |
| USD | 196 | 0.7 |
| **TOTAL** | **28,706** | **100.0** |

Non-current loans have adjustable rates of interest, but they are partially protected against interest rate risks by converting them to fixed interest rates through interest rate swaps. At the balance sheet date the Group had interest swap contract worth 3,667 thousand, where the Group pays 3,52–3.75% fixed interest and contract worth. Additionally the Group has made interest swaps worth 9,643 thousand where the interest rate has been lowered by 0.248%. 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 2008 was EUR 286 thousand.

### Liquidity and funding risk

The Group aims to ensure adequate liquidity under all circumstances and to optimize the use of liquid assets in financing business operations. In addition, the objective is to minimize net interest costs and bank charges. 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 2008 amounting to EUR 22 million of which EUR 9 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. 2008 | On demand | Less than 3 months | 3–12 months | 1–5 years | > 5 years | Total |
|---|---|---|---|---|---|---|
| Interest bearing liabilities | 541 | 2,019 | 4,033 | 13,656 | 6,071 | 26,322 |
| Trade and other current payables | | 13,162 | | | | 13,162 |

| Year ended 31 Dec. 2007 | On demand | Less than 3 months | 3–12 months | 1–5 years | > 5 years | Total |
|---|---|---|---|---|---|---|
| Interest bearing liabilities | 496 | 6,058 | 3,958 | 19,511 | 0 | 30,023 |
| Trade and other current payables | | 17,062 | | | | 17,062 |

### 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 fulfil 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 2008 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 the Note 23.

### Capital management

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

The Group monitors capital using a net gearing ratio, which is net interest-bearing debt divided by shareholders equity. The Group´s target is to keep net gearing ratio below 100%. The Group includes in net interest bearing debt the loans and borrowings less cash and cash equivalents.

| EUR 1,000 | 2008 | 2007 |
|---|---|---|
| Interest bearing liabilities | 28,706 | 32,762 |
| Cash and cash equivalents | 8,035 | 4,901 |
| Net Interest bearing liabilities | 20,671 | 27,861 |
| Shareholders´ equity | 16,680 | 23,533 |
| Net gearing % | 123,9 | 118,4 |

## 29. PENSION AND OTHER POST-EMPLOYMENT OBLIGATIONS

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

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

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

| **Amounts recognized in the income statement, EUR 1,000** | **2008** | **2007** |
|---|---|---|
| Service cost for the financial year | 2,038 | 1,686 |
| Differences in benefit schemes | 41 | 428 |
| TOTAL INCLUDED IN PERSONNEL EXPENSES | 2,079 | 2,113 |

| **Amounts recognized in the balance sheet, EUR 1,000** | | |
|---|---|---|
| At the beginning of financial period | 428 | 260 |
| Pension expenses in the balance sheet | 41 | 167 |
| AT THE END OF FINANCIAL PERIOD | 468 | 428 |

## 30. PROVISIONS

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

## 31. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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

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

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

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

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

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

| **EUR 1,000** | **2008 Net fair value** | **2008 Nominal value** | **2007 Net fair value** | **2007 Nominal value** |
|---|---|---|---|---|
| Trade and other receivables | 12,856 | 12,856 | 18,426 | 18,426 |
| Cash and cash equivalents | 8,035 | 8,035 | 4,901 | 4,901 |
| Interest rate swap agreements | 46 | 13,310 | 4 | 333 |
| Purchased interest-rate options | | | 34 | 4,667 |
| Forward contract | 33 | 1,770 | 18 | 8,372 |
| Purchased currency options | | | -103 | 5,078 |
| Sold currency options | | | -172 | 4 297 |
| Sold currency swaps | | | 7 | 1,352 |
| Purchased currency swaps | | | -5 | 265 |
| Bank loans | 24,551 | 24,481 | 24,354 | 24,277 |
| Finance leasing | 1,268 | 1,323 | 1,641 | 1,765 |
| Non-current loan facilities | 1,496 | 1,496 | 5,796 | 5,796 |
| Trade and other payables | 13,189 | 13,189 | 17,152 | 17,152 |

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

## 32. CONTINGENT LIABILITIES

| EUR 1,000 | 2008 | 2007 |
|---|---|---|
| COMMITMENTS ON OWN BEHALF | | |
| Mortgages | 2,783 | 2,783 |
| Guarantees | 12,500 | 12,500 |
| | | |
| GUARANTEES ON BEHALF OF OTHERS | | |
| Not later than one year | 492 | 726 |
| 1–5 years | 1,756 | 2,299 |
| Later than 5 years | | |
| **OTHER LIABILITIES** | **92** | **552** |

## 33. SHARE CAPITAL

| EUR 1,000 | Number of shares (1,000) | Share capital | Share premium | Total |
|---|---|---|---|---|
| 1 January 2007 | 11,897 | 2,141 | 8,492 | 10,633 |
| Share issue | | | | |
| 31 December 2007 | 11,897 | 2,141 | 8,492 | 10,633 |
| Share issue | | | | |
| 31 December 2008 | 11,897 | 2,141 | 5 | 2,146 |

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 10 April 2008 the Annual General Meeting authorized the Board to increase the share capital by one or more rights issues in such a way that the Company's share capital may be increased by a maximum 1,189.684 shares.

On 10 April 2008 the Annual General Meeting authorized the Board to acquire and/or convey the Company's own shares using funds available for distribution of profits so that the total accounting per value of the own shares held by the Company or its subsidiary organizations, or the number of votes they carry after the acquisition, corresponds to no more than 1,189.684 shares.

The authorizations are valid until 10 April 2009. These authorizations have not been exercised during the year.

Following the balance sheet date the Board of Directors has proposed that no dividend will be distributed.

## 34. LONG-TERM INCENTIVE PROGRAMS

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

The Participants shall earn the reward under each of the subprograms if the financial performance targets as set by the Board of Directors for the subprogram have been met. The Board of Directors will decide on the targets related to the growth of the Exel Group's earnings per share (EPS) and return on capital employed (ROCE) for each subprogram separately before the beginning of the subprogram. The maximum amount of reward for each subprogram is decided by the Board of Directors and can be denominated as cash or a corresponding number of granted shares. The participant has to use the reward to buy Exel shares and keep them for two years' time. The cost of the program will be accounted for as operating expenses and accrued for in the financial statements. For 2008 the maximum reward was set to EUR 1 million. However, no reward was paid for 2008 as the performance criteria were not met and no costs were thus recorded in the financial statements.

## 35. DISTRIBUTABLE FUNDS, 31 DECEMBER 2008

The parent company's distributable funds on 31 December 2008 were EUR 14,626 thousand.

## 36. CASH FLOW FROM BUSINESS OPERATIONS

| Adjustments to the result for the financial year, EUR 1,000 | 2008 | 2007 |
|---|---|---|
| Depreciation, impairment charges and write-offs | 3,968 | 6,662 |
| Taxes | -779 | 410 |
| Financial expenses | 4,529 | 3,038 |
| Financial income | -1,178 | -678 |
| Other adjustments | -358 | 244 |
| **TOTAL** | **6,182** | **9,676** |

## 37. RELATED PARTY TRANSACTIONS

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

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

**Management remuneration**

| Senior management salaries, fees and bonuses, EUR 1,000 | 2008 | 2007 |
|---|---|---|
| President & CEO | 226 | 239 |
| Members of the Board of Directors | 164 | 123 |
| Pension costs in the income statement | | |
| **TOTAL** | **390** | **362** |

| Salaries and fees per person | EUR 1,000 |
|---|---|
| Vesa Korpimies, President & CEO (from 10 April) | 166 |
| Göran Jönsson, President & CEO (until 10 April) | 60 |
| Peter Hofvenstam, Chairman of the Board (from 10 April) | 49 |
| Ove Mattsson, Chairman of the Board (until 10 April) | 15 |
| **Members of the Board** | |
| Kari Haavisto | 30 |
| Göran Jönsson (from 10 April) | 21 |
| Vesa Kainu | 26 |
| Esa Karppinen (until 10 April) | 6 |
| Heikki Mairinoja (from 10 April) | 19 |

## 38. EVENTS AFTER THE BALANCE SHEET DATE

**New financial targets**

The Exel Board of Directors has approved in a board meeting held on 12 February 2009 revised long-term financial targets over a business cycle. The Group's new financial targets are as follows:

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

*Profitability:* Exel's target is the operating profit to exceed 10 per cent of net sales.

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

On 9 January 2009 Exel received a flagging notification from Veikko Laine Oy stating that the holdings of Veikko Laine Oy had exceeded 1/20 of the voting rights and share capital in Exel Oyj. •

## PARENT COMPANY INCOME STATEMENT, EUR 1,000

| | Notes | 1.1.–31.12.2008 | 1.1.–31.12.2007 |
|---|---|---|---|
| NET SALES | 1 | 46,143 | 44,957 |
| Increase(+)/Decrease(-) in inventories of finished goods and work in progress | | -1,254 | -192 |
| Other operating income | | 242 | 459 |
| Materials and services | | -20,501 | -16,620 |
| External services | | -700 | -126 |
| Personnel expenses | 2 | -10,347 | -10,386 |
| Depreciation and write-down | | | |
| Planned depreciation | 3 | -1,434 | -1,737 |
| Other operating expenses | 4 | -11,167 | -8,137 |
| OPERATING PROFIT | | 983 | 8,219 |
| Financial income and expenses | 5 | | |
| Interest paid and other financial expenses | | -2,273 | -173 |
| PROFIT BEFORE EXTRAORDINARY ITEMS | | -1,289 | 8,046 |
| Group subsidy | 6 | -3,500 | -7,800 |
| PROFIT BEFORE APPROPRIATIONS AND TAXES | | -4,789 | 246 |
| Direct taxes | 7 | -158 | -21 |
| PROFIT FOR THE PERIOD | | -4,948 | 225 |

## PARENT COMPANY BALANCE SHEET, EUR 1,000

| | Notes | 31.12.2008 | 31.12.2007 |
|---|---|---|---|
| **ASSETS** | | | |
| **NON-CURRENT ASSETS** | 8 | | |
| Intangible assets | | | |
| Intangible rights | | 92 | 130 |
| Other capitalized expenditure | | 755 | 236 |
| | | 847 | 367 |
| **TANGIBLE ASSETS** | | | |
| Land and water | | 116 | 116 |
| Buildings | | 1,511 | 1,754 |
| Machinery and equipment | | 1,744 | 2,537 |
| Construction in progress | | 630 | 684 |
| | | 4,001 | 5,091 |
| **INVESTMENTS** | | | |
| Holdings in Group companies | | 21,031 | 15,833 |
| Other shares and holdings | | 61 | 61 |
| **TOTAL NON-CURRENT ASSETS** | | **25,940** | **21,352** |
| **CURRENT ASSETS** | | | |
| Inventories | | | |
| Raw-materials and consumables | | 3,359 | 4,551 |
| Work in progress | | 678 | 1,217 |
| Finished products | | 1,061 | 1,776 |
| | | 5,098 | 7,544 |
| Current receivables | 10 | | |
| Trade receivables | | 3,827 | 3,610 |
| Receivables from Group companies | | 8,662 | 19,722 |
| Other receivables | | 223 | 159 |
| Prepaid expenses and accrued income | | 1,912 | 808 |
| Cash in hand and at bank | | 3,496 | 3,564 |
| **TOTAL CURRENT ASSETS** | | **49,157** | **56,758** |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | |
| **EQUITY** | 11 | | |
| Share capital | | 2,141 | 2,141 |
| Share premium reserve | | 0 | 8,488 |
| Non-restricted equity fund | | 8,488 | 0 |
| Retained earnings | | 11,086 | 13,241 |
| Profit for the financial period | | -4,948 | 225 |
| **TOTAL EQUITY** | | **16,767** | **24,094** |
| **LIABILITIES** | | | |
| **NON-CURRENT LIABILITIES** | 12 | | |
| Loans from financial institutions | | 19,729 | 18,338 |
| **CURRENT LIABILITIES** | 13 | | |
| Loans from financial institutions | | 4,752 | 8,515 |
| Accounts payable | | 10 | 50 |
| Trade payables | | 1,989 | 2,025 |
| Liabilities to Group companies | | 1,473 | 19 |
| Other liabilities | | 1,143 | 535 |
| Accrued liabilities and deferred income | | 3,296 | 3,182 |
| **TOTAL LIABILITIES** | | **32,390** | **14,326** |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | | **49,157** | **56,758** |

## PARENT COMPANY CASH FLOW STATEMENT, EUR 1,000

| | 2008 | 2007 |
|---|---|---|
| CASH FLOW FROM BUSINESS OPERATIONS | | |
| Profit for the year | -4,948 | 225 |
| Profit for the year adjustments | 12,286 | 9,414 |
| Change in net working capital | 8,405 | 4,913 |
| Interest paid and other financial expenses | -2,472 | -1,819 |
| Interest received | 920 | 831 |
| Income taxes paid | -746 | 169 |
| CASH FLOW FROM BUSINESS OPERATIONS | 13,445 | 13,733 |
| NET CASH FLOW FROM INVESTMENTS | | |
| Disposal of business | 25 | 0 |
| Capital expenditure | -1,004 | -1,002 |
| Investments in subsidiaries' shares | -5,663 | -4,200 |
| Proceeds from sale of fixed assets | 30 | 617 |
| NET CASH FLOW FROM INVESTMENTS | -6,612 | -4,585 |
| CASH FLOW BEFORE FINANCING | 6,833 | 9,148 |
| CASH FLOW | | |
| Withdrawals of non-current loans | 10,000 | 0 |
| Repayments of non-current loans | -8,673 | -1,600 |
| Net withdrawals of/repayment of current loans | -2,850 | 700 |
| Group subsidies | -3,000 | -11,300 |
| Dividend paid | -2,379 | -2,379 |
| CASH FLOW FROM FINANCING | -6,902 | -14,579 |
| CHANGE IN LIQUID FUNDS | -69 | -5,431 |
| Liquid funds on January 1 | 3,564 | 8,995 |
| LIQUID FUNDS ON DECEMBER 31 | 3,496 | 3,564 |

## 1. NET SALES, EUR 1,000

| | Parent Company 2008 | Parent Company 2007 |
|---|---|---|
| BY MARKET AREA | | |
| Nordic Countries | 17,952 | 19,094 |
| Other European Countries | 24,842 | 22,951 |
| Other Countries | 3,349 | 2,912 |
| TOTAL | 46,143 | 44,957 |

## 2. PERSONNEL EXPENSES

| Management salaries and remunerations, EUR 1,000 | Parent Company 2008 | Parent Company 2007 |
|---|---|---|
| Presidents | 226 | 239 |
| Members of the Board | 164 | 123 |
| TOTAL | 390 | 362 |
| Average personnel employed by the Group and the parent company | | |
| Salaried employees | 66 | 64 |
| Non-salaried employees | 142 | 155 |
| TOTAL | 208 | 219 |

## 3. DEPRECIATION

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

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

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

| Planned depreciation, amortization and impairment, EUR 1,000 | Parent Company 2008 | Parent Company 2007 |
|---|---|---|
| Intangible rights | 44 | 23 |
| Other capitalized expenditure | 147 | 186 |
| Buildings | 243 | 249 |
| Machinery and equipment | 1,000 | 1,279 |
| TOTAL | 1,434 | 1,737 |

## 4. OTHER OPERATING EXPENSES, EUR 1,000

| | Parent Company 2008 | Parent Company 2007 |
|---|---|---|
| Rents | 664 | 730 |
| Marketing expenses | 312 | 352 |
| Other expenses | 10,191 | 7,055 |
| TOTAL | 11,167 | 8,137 |

| | Parent Company 2008 | Parent Company 2007 |
|---|---|---|
| Auditor's fee | 37 | 24 |
| Tax counseling | 3 | 1 |
| Other fees | 51 | 44 |
| TOTAL | 91 | 70 |

## 5. FINANCIAL INCOME AND EXPENSES, EUR 1,000

| | Parent Company 2008 | Parent Company 2007 |
|---|---|---|
| OTHER INTEREST AND FINANCIAL INCOME | | |
| From Group companies | 1,075 | 1,673 |
| From others | 318 | 64 |
| TOTAL | **1,394** | **1,737** |
| INTEREST AND OTHER FINANCIAL EXPENSES | | |
| To Group companies | -8 | 0 |
| To others | -3,666 | -1,910 |
| TOTAL | **-3,674** | **-1,910** |
| TOTAL FINANCIAL INCOME AND EXPENSES | **-2,273** | **-173** |

## 6. EXTRAORDINARY ITEMS, EUR 1,000

| | Parent Company 2008 | Parent Company 2007 |
|---|---|---|
| Group subsidy | 3,500 | 7,800 |

## 7. DIRECT TAXES, EUR 1,000

| | Parent Company 2008 | Parent Company 2007 |
|---|---|---|
| Income tax on actual operations | 158 | 22 |

## 8. INTANGIBLE AND TANGIBLE RIGHTS, EUR 1,000

| | Parent Company 2008 | Parent Company 2007 |
|---|---|---|
| **INTANGIBLE RIGHTS** | | |
| Acquisition cost Jan. 1 | 637 | 527 |
| Increase 1.1.–31.12. | 0 | 110 |
| Decrease 1.1.–31.12. | -1 | 0 |
| Reclassification between items | 7 | 0 |
| Acquisition cost Dec. 31 | 643 | 637 |
| Accumulated planned depreciation Jan. 1 | -506 | -483 |
| Planned depreciation 1.1.–31.12. | -44 | -23 |
| Planned depreciation of decrease 1.1.–31.12. | 1 | 0 |
| Accumulated planned depreciation 31 Dec. | -549 | -506 |
| Book value Dec. 31 | 92 | 130 |
| **CAPITALIZED EXPENDITURE** | | |
| Acquisition cost Jan. 1 | 2,171 | 2,101 |
| Increase 1.1.–31.12. | 672 | 82 |
| Decrease 1.1.–31.12. | 0 | -12 |
| Reclassification between items | -7 | 0 |
| Acquisition cost Dec. 31 | 2,836 | 2,171 |
| Accumulated planned depreciation Jan.1 | -1,934 | -1,760 |
| Planned depreciation 1.1.–31.12. | -147 | -186 |
| Planned depreciation of decrease 1.1.–31.12. | 0 | 12 |
| Accumulated planned depreciation Dec. 31 | -2,081 | -1,934 |
| Book value Dec. 31 | 755 | 236 |
| **LAND AND WATER** | | |
| Acquisition cost Jan. 1 | 116 | 123 |
| Decrease 1.1.–31.12. | 0 | -7 |
| Acquisition cost Dec. 31 | 116 | 116 |
| Book value Dec. 31 | 116 | 116 |
| **BUILDINGS** | | |
| Acquisition cost Jan. 1 | 4,284 | 4,549 |
| Increase 1.1.–31.12. | 0 | 11 |
| Decrease 1.1.–31.12. | 0 | -276 |
| Acquisition cost Dec. 31 | 4,284 | 4,284 |
| Accumulated planned depreciation Jan. 1 | -2,530 | -2,376 |
| Planned depreciation 1.1.–31.12. | -243 | -250 |
| Planned depreciation of decrease 1.1.–31.12. | 0 | 96 |
| Accumulated planned depreciation Dec. 31 | -2,773 | -2,530 |
| Book value Dec. 31 | 1,511 | 1,754 |
| **MACHINERY AND EQUIPMENT** | | |
| Acquisition cost Jan. 1 | 17,952 | 17,317 |
| Increase 1.1.–31.12. | 384 | 896 |
| Decrease 1.1.–31.12. | -553 | -261 |
| Acquisition cost Dec. 31 | 17,783 | 17,952 |
| Accumulated planned depreciation Jan. 1 | -15,415 | -14,281 |
| Planned depreciation 1.1.–31.12. | -1,000 | -1,279 |
| Planned depreciation of decrease 1.1.–31.12. | 375 | 145 |
| Accumulated planned depreciation Dec. 31 | -16,040 | -15,415 |
| Book value Dec. 31 | 1,744 | 2,537 |
| Undepreciated acquisition cost of production machinery and equipment | 1,703 | 2,439 |

| Shares | Parent Company 2008 | Parent Company 2007 |
|---|---|---|
| GROUP COMPANIES | | |
| Acquisition cost Jan. 1 | 15,833 | 11,633 |
| Increase 1.1.–31.12. | 5,663 | 4,200 |
| Decrease 1.1.–31.12. | -465 | 0 |
| Acquisition cost Dec. 31 | 21,031 | 15,833 |
| OTHER SHARES AND HOLDINGS | | |
| Acquisition cost Jan. 1 | 61 | 61 |
| Acquisition cost Dec. 31 | 61 | 61 |

## 9. COMPANIES OWNED BY PARENT COMPANY

| Shares in subsidiaries<br>Name of company | Owned by the parent company % |
|---|---|
| Exel Sports Oy, Finland | 100 |
| Exel GmbH, Germany | 100 |
| Exel Composites N.V., Belgium | 100 |
| Exel Composites GmbH, Austria | 100 |
| Exel USA, Inc., USA | 100 |
| Exel Sports Sweden AB, Sweden | 100 |
| Exel Composites (Nanjing) Ltd, China | 100 |
| Exel Composites Materials (Shenzhen) Ltd, China | 100 |
| Pacific Composites (Australia) Pty Ltd, Australia | 100 |
| Pacific Composites Ltd, Australia | 100 |
| Pacific Composites (Europe) Ltd, UK | 100 |
| Fibreforce Composites Ltd, UK | 100 |
| Pacific Composites (Clacton) Ltd, UK | 100 |
| Pacific Composites Ltd, New Zealand | 100 |
| Pro Stick Oy, Finland | 100 |

## 10. RECEIVABLES

| Current receivables, EUR 1,000 | Parent Company 2008 | Parent Company 2007 |
|---|---|---|
| RECEIVABLES FROM GROUP COMPANIES | | |
| Trade receivables | 7 | 1,018 |
| Loan receivables | 5,820 | 16,339 |
| Prepaid expenses and accrued income | 2,834 | 2,365 |
| TOTAL | 8,662 | 19,722 |
| RECEIVABLES FROM OTHERS | | |
| Trade receivables | 3,827 | 3,610 |
| Other receivables | 223 | 159 |
| Prepaid expenses and accrued income | 1,912 | 808 |
| TOTAL | 5,962 | 4,577 |
| TOTAL CURRENT RECEIVABLES | 14,623 | 24,299 |

Deferred tax assets amounting to EUR 371 (310) thousand have not been booked from cumulative depreciation exceeding the maximum tax depreciations by EUR 1.3 (1.2) million.

## 11. EQUITY, EUR 1,000

| | Parent Company 2008 | Parent Company 2007 |
|---|---|---|
| Share capital Jan. 1 | 2,141 | 2,141 |
| SHARE CAPITAL DEC. 31 | 2,141 | 2,141 |
| Premium fund Jan. 1 | 8,488 | 8,488 |
| Transfer to non-restricted equity fund | -8,488 | 0 |
| SHARE PREMIUM RESERVE DEC. 31 | 0 | 8,488 |
| Non-restricted equity fund Jan. 1 | 0 | 0 |
| Transfer from non-restricted equity fund | 8,488 | 0 |
| NON-RESTRICTED EQUITY FUND DEC. 31 | 8,488 | 0 |
| Retained earnings | 13,465 | 15,620 |
| Dividend paid | -2,379 | -2,379 |
| Retained earnings | 11,086 | 13,241 |
| Operating loss for the financial year | -4,948 | 225 |
| TOTAL EQUITY | 16,767 | 24,094 |
| CALCULATION OF FUNDS DISTRIBUTABLE AS PROFIT DEC. 31 | | |
| Retained earnings | 11,086 | 13,241 |
| Operating loss for the financial year | -4 948 | 225 |
| TOTAL NON-CURRENT LIABILITIES | 6,138 | 13,465 |

## 12. NON-CURRENT LIABILITIES, EUR 1,000

| | Parent Company 2008 | Parent Company 2007 |
|---|---|---|
| Liabilities to others | | |
| Loans from financial institutions | 19,729 | 18,338 |
| Total non-current liabilities | 19,729 | 18,338 |
| Liabilities falling due in a period longer than five years | 6,071 | 0 |

## 13. CURRENT LIABILITIES, EUR 1,000

| | Parent Company 2008 | Parent Company 2007 |
|---|---|---|
| **LIABILITIES TO GROUP COMPANIES** | | |
| Trade payables | 120 | 19 |
| Accrued liabilities and deferred income | 1,353 | 0 |
| **TOTAL** | **1,473** | **19** |
| **LIABILITIES TO OTHERS** | | |
| Loans from financial institutions | 4,752 | 8,515 |
| Advance payments | 10 | 50 |
| Trade payables | 1,989 | 2,025 |
| Other liabilities | 1,143 | 535 |
| Accrued liabilities and deferred income | 3,296 | 3,182 |
| **TOTAL** | **11,190** | **14,307** |
| **TOTAL CURRENT LIABILITIES** | **12,661** | **14,326** |
| **BREAKDOWN OF ACCRUED LIABILITIES AND DEFERRED INCOME** | | |
| Salaries, wages and holiday pay, including social security expenses | 2,144 | 2,158 |
| Other accrued liabilities and deferred income | 1,152 | 1,024 |
| **TOTAL** | **3,296** | **3,182** |

## 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 2007–2009.

| **EUR 1,000** | **Face value** | **Fair market value** |
|---|---|---|
| Interest swaps (NPV) | | |
| Interest swaps | 9,810 | 22 |
| Purchased interest rate options | 3,500 | 25 |
| Foreign exchange forward contracts | 1,770 | 33 |

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

| | | |
|---|---|---|
| Financial institute loans | 24,480 | 26,853 |
| Mortgages given on land and buildings | 2,783 | 2,783 |
| Corporate mortgage given | 12,500 | 12,500 |
| Collateral for Group companies | | |
| Credit limit guarantee | 196 | 322 |

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

## 15. LEASING, RENTAL AND OTHER LIABILITIES, EUR 1,000

| | Parent Company 2008 | Parent Company 2007 |
|---|---|---|
| LEASING LIABILITIES | | |
| Falling due in 2009 | 352 | 387 |
| Falling due later | 867 | 1,166 |
| | | |
| Rental liabilities | | |
| Falling due in 2009 | 195 | 195 |
| Falling due later | 568 | 763 |
| | | |
| Other liabilities | 11 | 874 |

## 16. SHARE OWNERSHIP

| Distribution of share ownership on 31 December 2008 | % |
|---|---|
| Private companies | 14.9 |
| Financial and insurance institutions | 21.1 |
| Public sector entities | 14.7 |
| Non-profit organizations | 4.1 |
| Households | 13.4 |
| Foreign | 29.6 |
| Of which, nominee registration | 2.3 |

**Distribution of share ownership on 31 December 2008**

| Shares | Number of shareholders | Percentage of shareholders | Total number of shares | Percentage of total number of shares |
|---|---|---|---|---|
| 1–1,000 | 1,390 | 83.08 | 453,637 | 3.81 |
| 1,001–10,000 | 223 | 13.33 | 660,400 | 5.55 |
| 10,001–50,000 | 25 | 1.49 | 562,117 | 4.73 |
| over 50,000 | 35 | 2.09 | 10,220,689 | 85.90 |

## 17. SHAREHOLDERS

**Information on shareholders on 31 December 2008**

| Shareholder | Number of shares | Percentage of shares and votes |
|---|---|---|
| Nordstjernan AB | 3,496,506 | 29.4 |
| Ilmarinen Mutual Pension Insurance Company | 689,400 | 5.8 |
| Berling Capital Oy | 381,210 | 3.2 |
| OP-Suomi Small Cap Investment Fund | 380,900 | 3.2 |
| Veikko Laine Oy | 378,800 | 3.2 |
| Varma Mutual Pension Insurance Company | 363,600 | 3.1 |
| Ulkomarkkinat Oy | 346,600 | 2.9 |
| Alfred Berg Finland Investment Fund | 343,325 | 2.9 |
| Fondita Nordic Small Cap Investment Fund | 330,000 | 2.8 |
| Nominee registration | 267,951 | 2.3 |
| Other | 4,918,551 | 41.3 |
| TOTAL | **11,896,843** | **100.0** |

## 18. MANAGEMENT INTERESTS

The aggregate holding of the members of the Board of Directors and the President was 105,300 shares on 31 December 2008. This accounts for 0.88% of corporate shares and 0.88% of the votes carried by all shares. The members of the Board of Directors and the President do not have any unsubscribed option rights.

## 19. SHARE ISSUE AND OPTION PROGRAMMES

On10 April 2008 the Annual General Meeting authorized the Board to decide to on a share issue by 10 April 2009. A maximum of 1,189,684 shares may be issued in virtue of the authorization. The authorization was not used during the year.

## 20. SHARE PRICE AND TRADING

| **Share price (EUR)** | **2004** | **2005** | **2006** | **2007** | **2008** |
|---|---|---|---|---|---|
| Average price | 18,04 | 12,73 | 12,86 | 14,14 | 5,92 |
| Lowest price | 11,75 | 11,35 | 10,50 | 10,55 | 2,41 |
| Highest price | 24,00 | 14,80 | 15,13 | 17,45 | 12,20 |
| Share price at end of financial year | 23,00 | 13,05 | 13,60 | 11,90 | 2,72 |
| | | | | | |
| Market capitalization, EUR million | 127,0 | 150,0 | 161,8 | 141,6 | 32,4 |
| | | | | | |
| **Share trading** | | | | | |
| Number of shares traded | 3,962,470 | 4,114,242 | 5,172,938 | 4,907,765 | 1,653,992 |
| **% OF TOTAL** | **73.2** | **35.7** | **43.5** | **41.3** | **13.9** |
| | | | | | |
| **Number of shares adjusted for share issues** | | | | | |
| Average number | 5,412,764 | 11,549,554 | 11,846,725 | 11,896,843 | 11,896,843 |
| Number at end of financial year | 5,520,800 | 11,498,900 | 11,896,843 | 11,896,843 | 11,896,843 |

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

## 21. KEY INDICATORS

Key indicators illustrating financial trends.

| **Figures given in EUR 1,000 (unless otherwise stated)** | **2004** | **2005** | **2006** | **2007** | **2008** |
|---|---|---|---|---|---|
| Net sales | 83,857 | 91,288 | 112,395 | 113,489 | 94,925 |
| Operating profit | 13,702 | 12,388 | 386 | 4780 | -384 |
| % of net sales | 16.3 | 13.6 | 0.3 | 4.2 | -0.4 |
| Profit before extraordinary items | 13,236 | 12,046 | -681 | 2,420 | -3,735 |
| % of net sales | 15.8 | 13.2 | -0.6 | 2.1 | -3.9 |
| Profit before provisions and income taxes | 13,236 | 12,046 | -681 | 2,420 | -3,735 |
| % of net sales | 15.8 | 13.2 | -0.6 | 2.0 | -3.9 |
| Total assets | 46,253 | 54,621 | 81,924 | 75,192 | 59,275 |
| Return on equity, % | 47.8 | 37.3 | -2.9 | 8.4 | -14.7 |
| Return on investment, % | 45.2 | 34.0 | 1.2 | 7.3 | 0.0 |
| Solvency ratio, % | 44.9 | 50.0 | 29.9 | 31.3 | 28.2 |
| Net gearing, % | 36.0 | 30.2 | 112.8 | 118.4 | 123.9 |
| Gross investment in fixed assets | 5,803 | 4,119 | 19,863 | 2,469 | 1,765 |
| % of net sales | 6.9 | 4.5 | 17.7 | 2.2 | 1.9 |
| R&D expenses | 1,956 | 2,323 | 2,169 | 2,824 | 1,918 |
| % of net sales | 2.3 | 2.5 | 1.9 | 2.5 | 2.0 |
| Average personnel | 441 | 467 | 600 | 568 | 527 |
| Personnel at year end | 419 | 466 | 555 | 579 | 470 |
| **Share data** | | | | | |
| Earnings per share (EPS), EUR | 0.84 | 0.78 | -0.06 | 0.17 | -0.25 |
| Adjusted earnings per share (EPS), EUR* | 0.80 | 0.76 | -0.06 | 0.17 | -0.25 |
| Equity per share, EUR | 1.84 | 2.34 | 2.05 | 1.98 | 1.40 |
| Dividend per share, EUR | 0.35 | 0.40 | 0.20 | 0.20 | 0 |
| Payout ratio, % | 41.5 | 53.0 | -322.70 | 118.40 | 0 |
| Effective yield of shares, % | 3.04 | 3.07 | 1.47 | 1.68 | 0 |
| Price/earnings (P/E), % | 13.64 | 16.65 | -219.41 | 70.44 | -6.54 |

* Adjusted for the dilution of option rights

Return on equity %

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

Return on investment %

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

Solvency ratio %

$$\frac{\text{equity + minority interest + voluntary provisions and depreciation difference less deferred tax liabilities}}{\text{total assets less advances received}} \text{x100}$$

Gearing %

$$\frac{\text{net interest-bearing liabilities (=interest-bearing liabilities less liquid assets)}}{\text{equity}} \text{x100}$$

Earnings per share (EPS) EUR

$$\frac{\text{profit before extraordinary items, provisions and income taxes less income taxes +/- minority interest}}{\text{average adjusted number of shares in the financial period}} \text{x100}$$

Equity per share EUR

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

Divident per share EUR

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

Payout ratio %

$$\frac{\text{dividend per share}}{\text{earnings per share (EPS)}} \text{x100}$$

Effective yield of shares %

$$\frac{\text{dividend per share x 100}}{\text{adjusted average share price at year end}} \text{x100}$$

Price/earnings (P/E) %

$$\frac{\text{adjusted average share price at year end}}{\text{earnings per share}} \text{x100}$$

Exel Oyj's distributable funds total EUR 14,625,649.07, of which loss for the financial period accounts for EUR -4,947,868.37.

The Board proposes that:

- no dividend be paid for the financial year 1.1.–31.12.2008
- distributable funds be carried over as equity

Vantaa, 12 February 2009

Peter Hofvenstam
Chairman

Kari Haavisto

Göran Jönsson

Vesa Kainu

Heikki Mairinoja

Vesa Korpimies
President and CEO

Our auditors´ report has been issued today.

Vantaa, 17 February 2009
Ernst & Young Oy
Authorized Public Accountants

Eija Niemi-Nikkola
Authorized Public Accountant

**To the Annual General Meeting of Exel Oyj**

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Exel Oyj for the year ended on 31 December, 2008. The financial statements comprise the consolidated balance sheet, income statement, cash flow statement, statement of changes in equity and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

**The responsibility of the Board of Directors and the Managing Director**

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

**Auditor's responsibility**

Our responsibility is to perform an audit in accordance with good auditing practice in Finland, and to express an opinion on the parent company's financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. Good auditing practice requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements and the report of the Board of Directors are free from material misstatement and whether the members of the Board of Directors and the Managing Director have complied with the Limited Liability Companies Act.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

The audit was performed in accordance with good auditing practice in Finland. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion on the consolidated financial statements**

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

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

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

Vantaa, February 17, 2009

Ernst & Young Oy
Authorized Public Accountants

Eija Niemi-Nikkola
Authorized Public Accountant





*Upper row from the left:*
*Peter Hofvenstam, Kari Haavisto and Göran Jönsson.*
*Lower row from the left:*
*Vesa Kainu and Heikki Mairinoja.*

## BOARD OF DIRECTORS

**CHAIRMAN**

**Peter Hofvenstam** | born 1965

- M.Sc. (Econ.)
- Vice President, Nordstjernan AB
- Member of the Board since 2001
- No Exel holdings
- Swedish citizen
- Remuneration paid by the Company in 2008: EUR 48,500

*Previous main positions*

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

*Principal Board memberships*

- Chairman of the Board, Ramirent Plc.
- Member of the Board, Salcomp Plc
- Member of the Board of various subsidiaries in the Nordstjernan Group

**Kari Haavisto** | born 1941

- Lc.Sc. (Econ.)
- Member of the Board since 2000
- Holdings: 32,000 Exel shares
- Finnish citizen
- Remuneration paid by the Company in 2008: EUR 30,000

*Previous main positions*

- CFO, Metsäliitto Group
- Executive Vice President, Metsä-Serla Plc
- Group Controller, Oy Nokia Ab

*Principal Board memberships*

- Member of the Board, Aspo Plc

**Göran Jönsson** | born 1947

- M.Sc. (Econ.)
- Member of the Board since 2008
- Holdings: 3,000 Exel shares
- Swedish citizen
- Remuneration paid by the Company in 2008: EUR 20,500

*Previous main positions*

- President and CEO, Exel Oyj
- Partner, Senior Partners
- General Manager of Industrial Coatings, Akzo Nobel

**Vesa Kainu** | born 1947

- B.Sc. (Eng.)
- Member of the Board since 2000
- No Exel holdings
- Finnish citizen
- Remuneration paid by the Company in 2008: EUR 26,000

*Previous main positions*

- Managing Director, Metso Ventures
- Executive Vice President, Metso Minerals Oy
- Executive Vice President, Metso Paper, Inc.
- President, Metso Paper, Inc. Services

*Principal Board memberships*

- Member of the Board, Tamfelt Corporation

**Heikki Mairinoja** | born 1947

- M.Sc. (Eng.), B.Sc. (Econ.)
- Member of the Board since 2008
- No Exel holdings
- Finnish citizen
- Remuneration paid by the Company in 2008: EUR 18,500

*Previous main positions*

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

*Principal Board memberships*

- Member of the Board, EMG-Group Oy
- Member of the Board, Ensto Oy
- Member of the Board, Komas Oy
- Member of the Board, Lindström Oy
- Member of the Board, Suominen Corporation




*Upper row from the left:*
*Vesa Korpimies and Grant Pearce.*
*Lower row from the left:*
*Callum Gough and Ilkka Silvanto.*

## EXEL OYJ MANAGEMENT GROUP

**Vesa Korpimies** | born 1962
- M.Sc. (Econ.)
- President and CEO
- Joined the Company in 1987
- Holdings: 70,300 Exel shares
- Finnish citizen

*Areas of responsibility*
- Managing and developing the Group's business operations to achieve profitable growth
- Developing the corporate strategy
- Implementing the Board of Directors' decisions
- Developing and maintaining a well-functioning organization
- Customer and investor relationships
- Other responsibilities of the President and CEO

**Callum Gough** | born 1960
- M.Sc.
- Senior Vice President, Operations
- Joined the Company in 2006
- Holdings: 1,500 Exel shares
- British citizen

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

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

**Grant Pearce** | born 1960
- MBA
- Senior Vice President and Business Area Manager Asia/Pacific
- Joined the Company in 2006
- Holdings: 1,500 Exel shares
- Australian citizen

*Areas of responsibility*
- Managing and development of Exel Asia and Pacific operations
- Ensuring the profitability of business operations
- Searching for new market areas and segments

*Previous main positions*
- Managing Director, Pacific Composites Pty. Ltd.
- Managing Director, Fibreforce Composites UK Ltd.
- General Manager, Richardson Pacific Australia

**Ilkka Silvanto** | born 1951
- M.Sc. (Econ.), Master of Laws
- Senior Vice President, CFO and Administrative Director
- Joined the Company in 2004
- Holdings: 1,000 Exel shares
- Finnish citizen

*Areas of responsibility*
- Controlling and finance functions
- Administration and legal matters
- Maintenance and development of IT systems
- Secretary to the Company's Board of Directors

*Previous main positions*
- CFO, Finnforest Oyj
- Director Finance and Controlling, Metsä-Serla, Mechanical Wood Industry
- Controller, Huhtamäki Oy Marli

## Managing Directors and General Managers of Subsidiaries

**Callum Gough**
• Exel Composites UK

**Grant Pearce**
• Exel Composites Australia

**Ken Smith**
• Exel Composites China

**Josef Lanzmaier**
• Exel Composites GmbH

**Tarmo Karhapää**
• Exel Composites Finland

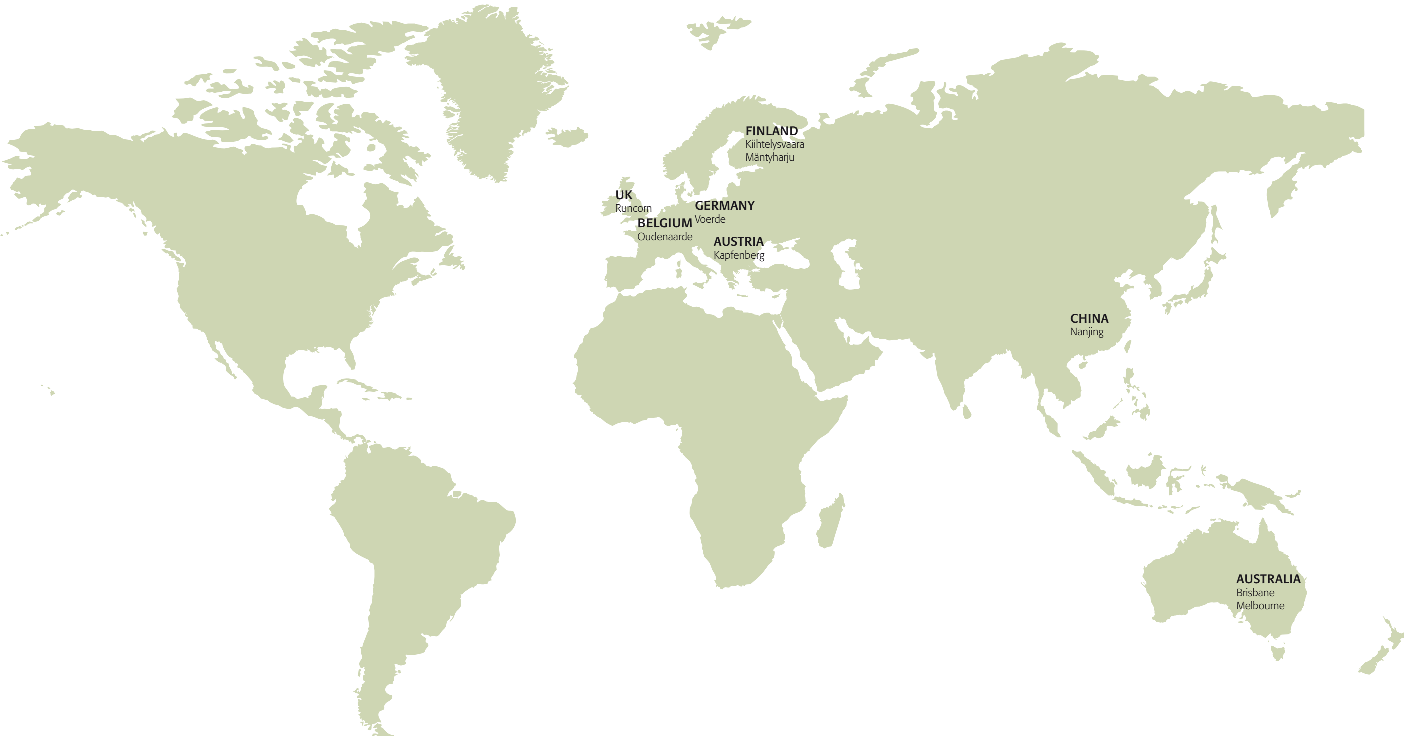
**Michael Lorenz**
• Exel Kunststoff GmbH

**Eric Moussiaux**
• Exel Composites N.V.

**Richard Thomas**
• Exel Composites UK

**Timo Lepistö**
• Exel Sports Oy

**Joacim Bergström**
• Exel Sports Sweden AB




EXEL Composites is the world's first and largest international pultrusion company.

**EXEL PLC ("EXEL OR THE "COMPANY"),** the parent company of Exel Group, is a Finnish public limited company. Exel's registered office is in Mäntyharju, Finland.

### Applicable laws and regulations

Exel's corporate governance complies with the Finnish Companies Act, the legislation covering the securities markets and other official regulations related to the governance of public joint stock companies. The principles set out here complement the applicable legislation.

Furthermore, Exel complies with the Corporate Governance Recommendation for Listed Companies published jointly by the Helsinki Stock Exchange, the Central Chamber of Commerce of Finland and the Confederation of Finnish Industries EK, which entered into force on 20 October 2008 (Corporate Governance Recommendation) with the exception relating to the Board Committees. Explanations for the deviations from the Corporate Governance Recommendation are provided in connection with relevant subject hereafter.

The administrative bodies of Exel plc are the General Meeting, the Board of Directors and the President and CEO. The Management Group assists the President and CEO in the operative management of the Company.

### General Meetings

The highest decision-making power in the Company is exercised by shareholders at General Meetings (GM) convened by Exel's Board of Directors. These meetings consist of Annual General Meetings and, if necessary, Extraordinary General Meetings. The General Meetings shall be held either in Mäntyharju, Helsinki or Vantaa, Finland.

The Annual General Meeting (AGM) will be held on a date before the end of June, as determined by the Board. The AGM shall consider matters presented for its attention in the Articles of Association, including approving the financial statements, deciding on the distribution of dividends, amending the Articles of Association and electing the members of the Board of Directors and the auditors. The AGM also confirms the remuneration paid to members of the Board as well as handles other proposals made to the General Meeting.

When considered necessary, an Extraordinary General Meeting is convened to handle a specific proposal made to a General Meeting.

Usually, a General Meeting handles the matters placed on the agenda by the Board of Directors. According to the Finnish Companies Act, a shareholder may, however, present a written request to the Company's Board of Directors to place a matter on the agenda of the next General Meeting. If a shareholder, or shareholders, holding a minimum of 10 per cent of all shares, or the Company's auditor, request in writing for the handling of a specified matter at a General Meeting, the Board of Directors shall without delay convene an Extraordinary General Meeting to handle the requested matter.

### Advance information

The GM invitation is published no earlier than two months and no later than 17 days before the GM, in newspapers designated by the Board.

Candidates for the Board of Directors proposed for election by the Shareholders' Nomination Committee are disclosed in the AGM invitation or in another way before the AGM, provided that the candidates have given their consent for their election. In addition, other candidates proposed to the Board who are supported by at least 10 per cent of the holders of the shares of the Company and who have given their consent for their election, shall be disclosed in the AGM invitation. The candidates proposed after the delivery of the AGM invitation are disclosed separately. In addition, the proposal for the election of the external auditor proposed by a majority shareholder is disclosed in the AGM invitation.

The Board's proposals to the General Meeting, as well as the required financial information will be available for the shareholders at least one week prior to the General Meeting on the Company's website.

*Attendance of shareholders*

Shareholders must notify the Company of their intention to attend the AGM at the latest on the day given in the notice of the AGM, which may be no earlier than ten days before the meeting.

*Attendance of the members of the Board and the President and CEO*

The Company's aim is that all members of the Board of Directors and the President and CEO attend the General Meetings unless there are well-founded reasons for their absence. Furthermore, the Company's aim is that person proposed for the first time as the member of the Board attends the General Meeting that decides on his/her election unless there are well-founded reasons for the absence.

*Decision making*

Exel has only one class of shares. In the General Meeting, all shares carry equal voting rights. The Articles of Association of Exel have no redemption clauses. The Company is not aware of any shareholder agreements concerning either the ownership of the Company's shares or the exercise of the associated voting rights.

### Nomination Committee

When needed, the General Meeting can resolve to appoint a Nomination Committee to prepare proposals concerning Board members for the following Annual General Meeting. The Nomination Committee comprises the Chairman of the Board and the persons selected by the four largest shareholders (as of the shareholder register situation on 1 November preceding the Annual General Meeting).

Deviation from the Corporate Governance Recommendation: Unlike stated in Recommendation 33 of the Corporate Governance Recommendation, the Board of Directors has not established a Nomination Committee to assist the Annual General Meeting in the nomination process of Board members. Instead of that, the shareholders have considered it essential, that the Annual General Meeting establishes a Shareholders' Nomination Committee for preparation of a proposal for election of Board members to be presented to the Annual General Meeting.

**Board of Directors**

*Composition and term*

According to the Articles of Association, the Board comprises at least three and no more than eight full members, elected by the Annual General Meeting for one year at a time. The AGM nominates one member of the Board to serve as Chairman.

At its meeting on 26 April 2004, Exel's Board of Directors confirmed written rules of procedure that specify the Board's duties, matters to be handled, meeting practice and decision-making process. The rules of procedure are reviewed and updated annually in the first meeting following the election of the Board in the AGM.

Board meetings are attended by the President and CFO, who acts as the meeting secretary.

According to the Corporate Governance Recommendation, the majority of the Board shall be independent of the Company. In addition, at least two of the members of the Board representing this majority shall be independent of significant shareholders of the Company.

*Duties*

The Board of Directors is responsible for the management of the Company and the proper organization of its activities in accordance with the Finnish Companies Act and the Company's Articles of Association. The Board's principal duties include confirmation of the corporate strategy and budget by function, and decisions on funding agreements, major investments and the purchase or sale of assets. The Board draws up interim reports, the financial statements and the report on operations, appoints the President and CEO and the Deputy Managing Director and decides on the President and CEO's salary. The Board monitors the Company's financial position with the help of information provided by the Management Group.

The Board shall review its work and working practices yearly at the first meeting following the AGM.

The Board shall, at the first meeting following the AGM, estimate the independence of each member of the Board.

*Meetings, remuneration and other benefits*

The Board of Directors convenes approximately 10 times a year. The AGM shall determine the remuneration of the Board members.

**2008**

*Evaluation of independence*

Exel's Board of Directors has evaluated the Board members' independence of the Company in accordance with item 18 of the Corporate Governance Recommendation. The members of the Board are considered to be independent of the Company. Kari Haavisto, Göran Jönsson, Vesa Kainu and Heikki Mairinoja are independent of the significant shareholders. Peter Hofvenstam is not independent of the major shareholders as he is Vice President of Nordstjernan AB.

On 10 April 2008 the Annual General Meeting appointed Kari Haavisto, Peter Hofvenstam and Vesa Kainu to continue on the Board of Directors. Göran Jönsson and Heikki Mairinoja were appointed as new members to the Board. Peter Hofvenstam was elected Chairman of the Board.

The 2008 information on the members of the Board (biographical details and holdings) is presented separately under the heading "Members of the Board".

The Board convened 16 times in 2008 and the average attendance rate at these meetings was 95 per cent.

Based on a decision made at the AGM, the monthly and meeting fees paid in 2008 to the Board members were:

Annual fee for the Chairman EUR 32,000
Annual fee for each Board member EUR 14,000
Remuneration per meeting for the Chairman EUR 1,500
Remuneration per meeting for each Board member EUR 1,000

Remuneration paid to the Board members in 2008 for their duties in the Group totaled EUR 164 thousand. In addition, travel expenses and other out-of-pocket expenses arising from the Board work were compensated in accordance with the Company's established practice and travel rules.

The 2008 breakdown of fees by Board member is presented separately under the heading "Members of the Board".

Exel has no such incentive program, by which the Company rewards the Board members with option rights or Company shares.

**Board of Directors' committees**

The Board has set up among its members one permanent committee, the Compensation Committee. It is supervised by the Board. The Board has approved a written charter for it. The Nomination Committee comprises the Chairman and persons nominated by the four largest shareholders as of 1 November before the Annual General Meeting.

In 2008 the Nomination Committee comprised Tomas Billing as Chairman (Nordstjernan AB), Mikko Mursula (Ilmarinen Mutual Pension Insurance Company), Esa Karppinen (Berling Capital Oy) and Pertti Laine (Veikko Laine Oy). The committee met two times in 2008.

*President and CEO, and Management Group*
The President and CEO is appointed by the Board to run the Company on a day-to-day basis in compliance with existing laws and regulations, as well as instructions and decisions given by the Board. The areas of responsibility of the President and CEO include, in addition to the above mentioned legal requirements, implementing the Board's decisions, specifically also securing growth of the business, acquisitions and strategic projects, the increase in shareholder value, profitability and efficiency of operations, and investments within the limits defined by the Board.

The President and CEO has a managing director contract approved by the Board that defines the responsibilities, powers, remuneration and termination procedure applying to the position. The President and CEO has no separate pension agreement. In addition to monthly salary and fringe benefits, the President and CEO is eligible for a performance-based bonus on an annual basis and a long-term incentive program.

The President and CEO is aided by the Management Group and is also a member of it. The Management Group includes, in addition to the President and CEO, the Business Area Manager Asia/Pacific, the CFO, and the Senior Vice President, Operations. The President and CEO chooses the members of the Management Group and directs its activities. The Group meets 6 to 10 times a year. Its duties include, in addition to daily running of the business and development of all areas of the business, also drawing up business and strategic plans and implementing them.

**2008**

Vesa Korpimies, M.Sc. (Econ.) is Exel's President and CEO.

*Salaries, bonuses and fringe benefits*
In 2008, the salaries, bonuses and fringe benefits paid to Vesa Korpimies, President and CEO, totaled EUR 166 thousand. In addition to salary in money he has a phone benefit and a car benefit which is included in the above mentioned sum.

The 2008 information on the President and CEO (biographical details and holdings) is presented separately under the heading "Members of the Management Group".

*Top management compensation and incentive schemes*
The Board of Directors makes a decision on the President and CEO's remuneration.

The President and CEO presents the remuneration of the other members of the Management Group Team to Board of Directors. The Board of Directors decides on the remuneration.

Exel's Board of Directors has approved the principles of a performance-based bonus system for the Group's top management.

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

The Participants shall earn the reward under each of the subprograms as and when the financial performance targets as set by the Board of Directors for the subprogram have been met. The Board of Directors will decide on the targets related to the growth of the Exel Group's earnings per share (EPS) and return on capital employed (ROCE) for each subprogram separately before the beginning of the subprogram. The maximum amount of reward for each subprogram is decided by the Board of Directors and can be denominated as cash or a corresponding number of granted shares. The participant has to use the reward to buy Exel shares and keep them for two years' time. The cost of the program will be accounted for as operating expenses and accrued for in the financial statements. For 2008 the maximum reward was set to EUR 1 million. However, no reward was paid for 2008 as the performance criteria were not met and no costs were thus recorded in the financial statements.

*Auditors and audit system*
The Company has one auditor elected by the Annual General Meeting. The auditor must be an Authorized Public Accountant approved by the Central Chamber of Commerce. The term of office of the auditor shall expire at the end of the first Annual General Meeting following the election.

Ultimate responsibility for accounting and financial management lies with the Board. The auditor gives a statutory report to the shareholders in connection with the closing of the Company accounts each year. The purpose of the auditing process throughout the year is to ensure that the financial statements give a true and fair view of the Group's financial performance and status during the financial year. Foreign subsidiaries are included in the yearly audit programs. The Board meets the auditor at least once a year.

Apart from this, the auditor carries out supervisory audits as he deems necessary and as agreed on with the Company.

**2008**

Ernst & Young, Authorized Public Accountants, with Eija Niemi-Nikkola, APA, as principal auditor, were elected to serve as Company auditor in the AGM in 2008. The fees paid in 2008 to the external auditor for auditing Exel Group companies totaled EUR 206 thousand, while the fees paid for non-audit services totaled EUR 170 thousand.

*Internal control, risk management and internal audit*
The business operations of Exel are managed and supervised

in line with the governance and management system described above.

The ultimate responsibility for the appropriate arrangement of the control of the Company accounts and finances falls on the Board of Directors. The President and CEO is responsible that the accounts are in compliance with the law and that the financial affairs have been arranged in a reliable manner.

*Financial reporting and control of the Group*

Implementation and control of financial and other business targets are monitored through Group-wide financial reporting, and through constant management meetings in each of the business units. The financial reports include actual results, plans and up-to-date forecasts for the current year. The management meeting business reviews include financial reports, follow-up of business plans, monitoring of new plans, follow-up of internal and external projects, quality and personnel issues.

**Risk management**

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

The task of Exel's risk management is also to support in adapting to the changes in business and risk environment.

The Management Group of the Company has adopted the risk management guidelines based on the principles approved by the Board. The business units are responsible for implementing risk management and identification of risks. The Management Group monitors the development of risks and risk concentrations.

Risks relative to assets, interruption and liability risks arising from business operations have been provided for with appropriate insurances.

Based on the effective operation of the group financial control, including the established controller function, the Company does not have a separate internal audit function.

**Updating corporate governance**

The updated Exel corporate governance statement can be read on Exel's website. Exel's website is published in Finnish and English. •

*Last update: 26 February 2009*

**THE CENTRAL SHORT-TEM GOAL OF EXEL** is to distinctly improve the profitability and competitiveness and to secure the financial position of business demands. The primary task of Exel's enterprise risk management concept is to support the realization of these goals. As part of corporate governance, risk management is a systematic tool for the Board of Directors and the operative management to monitor and assess the realization of the goals, threats and opportunities affecting the Company operations.

The task of Exel's risk management is also to support in adapting to the changes in business and risk environment.

### Principles of risk management

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

The business units and the corporate functions identify and assess their risks.

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

Exel only considers taking risks after careful assessment of the risk in relation to its gain. The aim of risk management is to systematically identify and evaluate risks and to manage them in a cost-effective way by:

- Ensuring that all identified risks affecting personnel, customers, products, reputation, property, intellectual property and operation are always managed as required by law and otherwise in accordance to best knowledge and justifiable taking into consideration the prevailing financial situation.
- Fulfilling the expectations of stakeholders (owners, customers, personnel, suppliers and the community)
- Securing the management of the total risk exposure and minimizing the total risk
- Secure continuous operation without interruptions
- Promoting the effective utilization of possibilities and profit potentials

Exel's Board of Directors has confirmed this risk management policy. The risk management policy is reviewed annually to ensure that it corresponds to the current conditions and changes that have occurred in the business environment.

In 2007 Exel identified and made the assessment of the risks. The risks affecting our business activities can be categorized as: strategic, operational, finance and hazard risks; they can result from factors both external and internal to the organization. Some specific risks can have both external and internal drivers.

Strategic and operational business risks are reviewed on unit, division and group level.

### Strategic risks

Regarding strategic risks Exel is exposed to market situation and consumer behaviour especially in consumer goods market where sporting goods are sold. The key raw materials, especially carbon fiber, are supplied by only a few suppliers and the balance between supply and demand may cause long periods of scarcity. There are also risks related to the acquisitions where the realized level of benefits and synergies may differ from the planned.

### Operational risks

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

### Financial risks

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

### Currency risk

Most invoicing and purchases are carried out in euros. Possible changes in the exchange rates of the USD, GBP, AUD and SEK may affect the Company's result. The Company seeks to hedge itself against exchange rate risks by means of currency clauses in purchase and sales agreements, as well as hedging instruments.

### Interest rate risk

Exel's financing policy involves using a small number of banks as partners to secure its long-term needs for borrowed capital. Exel's liquidity is based on long-term financial arrangements and on short-term financial products, such as lines of credit and credit accounts. To balance interest rate risk the Company strives to use both changing and fixed interest loans. Additionally, the Company uses interest swap agreements.

### Credit risk

Exel is exposed to credit risk mainly through accounts receivable. The Company has a global customer base, and there are no significant risk concentrations. Exel normally uses credit insurance.

### Hazard risks

Hazard risks include occupational health and safety-related risks, personnel security risks, environmental risks, fire and other disasters, natural events and security risks. Exel has taken measures against these risks by using safety guidelines, certification principles, rescue planning and security instructions. The materialization of risks has been taken into account in the insurance policies.

### Internal control, risk management and internal audit

The ultimate responsibility for internal control falls on the Board of Directors.

The Management Group of the Company has adopted the risk management guidelines based on the principles approved by the Board. The business units are responsible for implementing risk management and identification of risks. The Management Group monitors the development of risks and risk concentrations.

Risks relative to assets, interruption and liability risks arising from operations have been provided for with appropriate insurances. •

**4 January 2008 at 14.00**
Co-determination negotiations started at Exel Oyj's Mäntyharju factory

**22 February 2008 at 13.45**
Co-determination negotiations concluded at Exel Oyj's Mäntyharju factory

**27 February 2008 at 11.00**
Exel Oyj's Q4 performance and financial statements bulletin 2007

**27 February 2008 at 11.05**
Vesa Korpimies to be appointed Exel Oyj's President and CEO

**27 February 2008 at 11.20**
Proposals by Exel's Nomination Committee to the AGM

**13 March 2008 at 8.15**
Notice of Exel plc Annual General Meeting

**13 March 2008 at 13.00**
Exel Oyj's Annual Summary 2007

**14 March 2008 at 13.00**
Change in publication date of Exel's January-March 2008 Interim Report

**7 April 2008 at 9.00**
Exel will have a weak first quarter 2008

**10 April 2008 at 14.00**
Decisions of the Annual General Meeting of Exel Oyj

**2 May 2008 at 13.30**
Exel sells its Outdoor business to Karhu Sports

**2 May 2008 at 13.30**
Exel interim report for January 1 – March 31, 2008

**30 May 2008 at 16.00**
Completion of the sale of Exel Sports' Outdoor business to Karhu Sports

**24 July 2008 at 11.00**
Exel interim report for January 1 – June 30, 2008

**30 October 2008 at 11.00**
Co-determination negotiations started at Exel Sports Oy and Exel Sports Sweden AB.
Temporary lay-offs at Mäntyharju factory.

**30 October 2008 at 11.00**
Exel interim report for January 1 – September 30, 2008

**21 November 2008 at 15.15**
Exel Sports Oy concluded co-determination negotiations

**23 December 2008 at 10.15**
Exel Oyj's Annual General Meeting and financial calendar in 2009

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

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

**COMPOSITE PROFILE** A composite product structure produced with the pultrusion method, custom-made for each customer.

**DOCTOR BLADE** Product used in the control of paper web and maintenance of paper machine rolls.

**ECRC** (European Composite Recycling Services Company)
A company which aims at developing new applications to utilize composite waste and influencing European legislation as a part of the European composite industry.

**FABRIC GUIDING POLE** A pole used upon changing and placing the fabric of a paper machine.

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

**GLIDE PATH TOWER** Part of the Instrument Landing System with which aircrafts can be guided for landing during poor visibility.

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

**LATTICE MAST** A composite product patented by Exel used mostly as support structure for airport approach lighting masts.

**LOCALIZER SUPPORT** Part of the Instrument Landing System with which aircrafts can be guided for landing during poor visibility.

**PULL-WINDING** A continuously working production method developed by Exel, combining the pultrusion and continuous winding methods.

**PULTRUDER** A company manufacturing products with pultrusion technology.

**PULTRUSION** The pultrusion process is a proven continuous manufacturing method for obtaining high quality composite profiles with consistently repeatable mechanical properties. Pultruded products are essentially composed of high performance fibers (glass, carbon, or aramid) individually or in combination, embedded in a polymer matrix (polyester, vinylester, epoxy or phenolic). The pultrusion process starts by pulling/drawing continuous reinforcements through a resin impregnation system. The coated fibers are passed through preforming guides to align reinforcement and preform the part to the desired shape before entering the heated die. The fully cured section can be cut to length downstream of the pulling mechanism by a circular saw or, if size and shape permit, be wound onto a drum as a continuous length. The only limitations on length for cut sections are storage and transportation.

**RESPONSIBLE CARE** The chemical industry's self-initiated worldwide environmental and safety program.

**SELECT NICHE MARKET** A narrow market segment; specialization in carefully selected narrow special areas where the aim is to become market leader.

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

### Annual General Meeting

The Annual General Meeting of Exel Oyj will be held on Thursday 16 April 2009 at 10.00 a.m. at Kansallissali, Aleksanterinkatu 44, Helsinki, Finland.

To attend the Annual General Meeting, shareholders must inform the Company of this by 4.00 p.m. on 9 April 2009 at the latest, either in writing to Exel Oyj, P.O. Box 29, 52701 Mäntyharju, Finland, by telephone +358 20 7541 225, by fax +358 20 7541 202, or by e-mail investor@exel.fi. When registering for the meeting in writing, the letter must reach the Company before the end of the registration period. Any proxies should be sent to the same address alongside the registration.

### Dividend

The Board of Directors has decided to propose to the Annual General Meeting that no dividend be paid for 2008.

### Changes of address

We request shareholders to send information on any changes of address or personal data to the book-entry register maintaining their account.

### Financial reports 2009

In addition to this Annual Report for 2008, Exel will issue three interim reports during the year: on 7 May, 23 July and 29 October 2009. The annual report, interim reports and stock exchange releases will be available in Finnish and English on the internet at www.exel.net. Stock exchange releases, annual and interim reports can be obtained in electronic format by joining our mailing lists on the Exel website. •

**Headquarters**
**Exel Oyj**
Uutelantie 24 B, PO Box 29
52701 Mäntyharju, Finland
Tel. +358 20 7541 200
Fax +358 20 7541 202
E-mail: investor@exel.fi

**Exel Oyj**
**Kivara factory**
Muovilaaksontie 2
82110 Heinävaara, Finland
Tel. +358 20 7541 200
Fax +358 20 7541 330
E-mail: profiles@exel.fi

**Exel Oyj**
**Vantaa office**
Mäkituvantie 5
01510 Vantaa, Finland
Tel. +358 20 7541 200
Fax +358 20 7541 201
E-mail: investor@exel.fi

**Exel GmbH, Voerde**
Alte Hünxer Strasse 139
46562 Voerde, Germany
Tel. +49 281 16412 10
Fax +49 281 16412 20
E-mail: office.voerde@exel.net

**Exel Composites N.V.**
Industriepark De Bruwaan 2
9700 Oudenaarde, Belgium
Tel. +32 55 33 30 11
Fax +32 55 33 30 40
E-mail: office.oudenaarde@exelcomposites.com

**Exel Composites GmbH**
Industriestrasse – West 8
8605 Kapfenberg, Austria
Tel. +43 3863 33 180
Fax +43 3863 33 180 25
E-mail: office.kapfenberg@exel.net

**Exel Composites**
**Melbourne**
991 Mountain Highway
Boronia, Victoria 3155, Australia
Tel. +61 (9)3 8727 9600
Fax +61 (0)3 8727 9688
E-mail: office.melbourne@exel.net

**Exel Composites**
**Brisbane**
15 Ada Street, Coopers Plains
Queensland 4108, Australia
Tel. +61 (0)7 3274 1099
Fax +61 (0)7 3274 2041
E-mail: office.brisbane@exel.net

**Exel Composites**
No 2120 Cheng Xin Da Dao
Science Park, Jiangning
Nanjing 31112, China
Tel. +86 25 52 1216 4669
Fax +86 25 5216 4993
E-mail: office.nanjing@exel.net

**Exel Composites UK**
Fairoak Lane, Whitehouse
Runcorn, Chesire WA7 3DU
United Kingdom
Tel. +44 1928 701 515
Fax +44 1928 713 572
E-mail: office.runcorn@exel.net

**Exel Sports Oy**
Valimotie 5
01510 Vantaa, Finland
Tel. +358 20 7541 200
Fax +358 20 7541 214
E-mail: exelsports@exel.fi
www.exelsports.net

**Exel Sports Sweden AB**
Furunäsvägen 105
941 52 Piteå, Sweden
Tel. +46 911 66 501
Fax +46 911 66 142
E-mail: info@gateway.se