


ANNUAL REPORT 2007

CONTENTS

Exel in brief 2
Year 2007 in brief 4
CEO's review 6
Business review – Exel Composites 8
Business review – Exel Sports Brands 12
Personnel, quality, environment and safety 14
Review by the Board of Directors 16
Consolidated financial statements. 24
Consolidated income statement. 24
Consolidated balance sheet 25
Consolidated statement of changes in shareholders' equity 26
Consolidated cash flow statement. 27
Notes to the consolidated financial statements . . . 28
Parent company financial statements 50
Parent company income statement 50
Parent company balance sheet 51
Parent company funds statement 52
Notes to the parent company financial statements. . 53
Computation formulae 61
Proposal for distribution of profit 62
Auditors' report 63
Board of Directors and Management Group 64
Exel corporate governance principles. 67
Risk management. 72
Summary of the stock exchange releases and notifications published in 2007 74
Vocabulary. 75
Investor information 76




ANNUAL REPORT 2007

exel

EXEL GROUP

Exel Composites	Exel Sports Brands
Exel Oyj Kiihtelysvaara, Finland Mäntyharju, Finland	**Exel Sports Oy** Vantaa, Finland
Exel GmbH Voerde, Germany	**Exel GmbH** Rohrdorf, Germany
Exel Composites N. V. Oudenaarde, Belgium	**Exel USA, Inc.** Georgia, USA
Exel Composites GmbH Kapfenberg, Austria	**International Gateway AB** Piteå, Sweden
Exel Composites Australia Melbourne, Australia Brisbane, Australia	**Nordic Sports Products (Beijing) Ltd** Beijing, China
Exel Composites China Nanjing, China	
Exel Composites UK Runcorn, UK	

PRODUCTION SITES

Introduction

Exel is a technology company which designs, manufactures and markets composite profiles and tubes for industrial applications and sports equipment. Exel's operations consist of two divisions: Exel Composites, the Industry Division of Exel, and Exel Sports Brands, the Sport Division of Exel.

The personnel's expertise and high level of technology play a major role in Exel's operations. The core of the operations is based on own, internally developed composite technology, product range based on it and the domination of selected market segments with a strong quality and brand image. The company's growth is based on permanent search of new applications and development in co-operation with customers. Exel concentrates on niche segments and on profitable growth. Exel is the leading composite profile manufacturer in the world.

Divisions

The Group operates in two divisions: Exel Composites and Exel Sports Brands.

Exel Composites is the largest division and accounts for 88% of the Group's turnover. Exel Composites is supplying profiles for over 1,000 applications. All applications are designed together with our clients and custom made for each client individually. The business is divided into two geographical business areas: Europe and Asia/Pacific and into 10 industrial segments: transportation, building/construction and infrastructure, energy, telecommunication, paper industry, electrical industry, cleaning and maintenance, sports and leisure industry, machine engineering and general industries. Applications in which the use of composite materials is growing most rapidly include building and construction, transportation industry, infrastructure, offshore industry and consumer products.

Exel Sports Brands accounts for 12% of the Group's turnover. The main product groups are poles for cross-country skiing, alpine skiing, and Nordic Walking; and in addition to that, floorball sticks and products for both recreational and professional use that are marketed under the Exel and Canadien brand names. Exel Sports Brands is the market leader in several product categories and the originator of the Nordic Walking concept.

Geographical presence

Exel Composites is the world's first and largest international pultrusion company, with manufacturing sites in seven countries. Exel Sports Brands has importers and distributors in around 30 countries.

Strategy

Exel's focus is on profitable growth of customized pultrusion composite business toward industrial end use. Exel's goal is to achieve a global presence and to be the global leader in the pultrusion and composite profiles business. Partnership with customers is prioritized.

Exel concentrates on growth in future-oriented segments both organically and via selective acquisitions while maintaining a healthy profitable basis of existing products and customers. Exel prioritizes the segments with the best structural attractiveness including profit, growth and competitive environment.

Vision

Exel's goal is to be the most profitable company in the industry and the market leader in carefully selected market segments based on its expertise in composite technology and application know-how.

The objective of Exel Composites is to further strengthen its position as the global leader in the pultrusion industry in terms of both market share and technologies. Exel Sports Brands aims to be the leading brand in select niche market segments and to form a strategic partnership to strengthen its market position. Exel Sports Brands is not a core activity of Exel.

Financial targets

Exel Group has set the following financial targets:

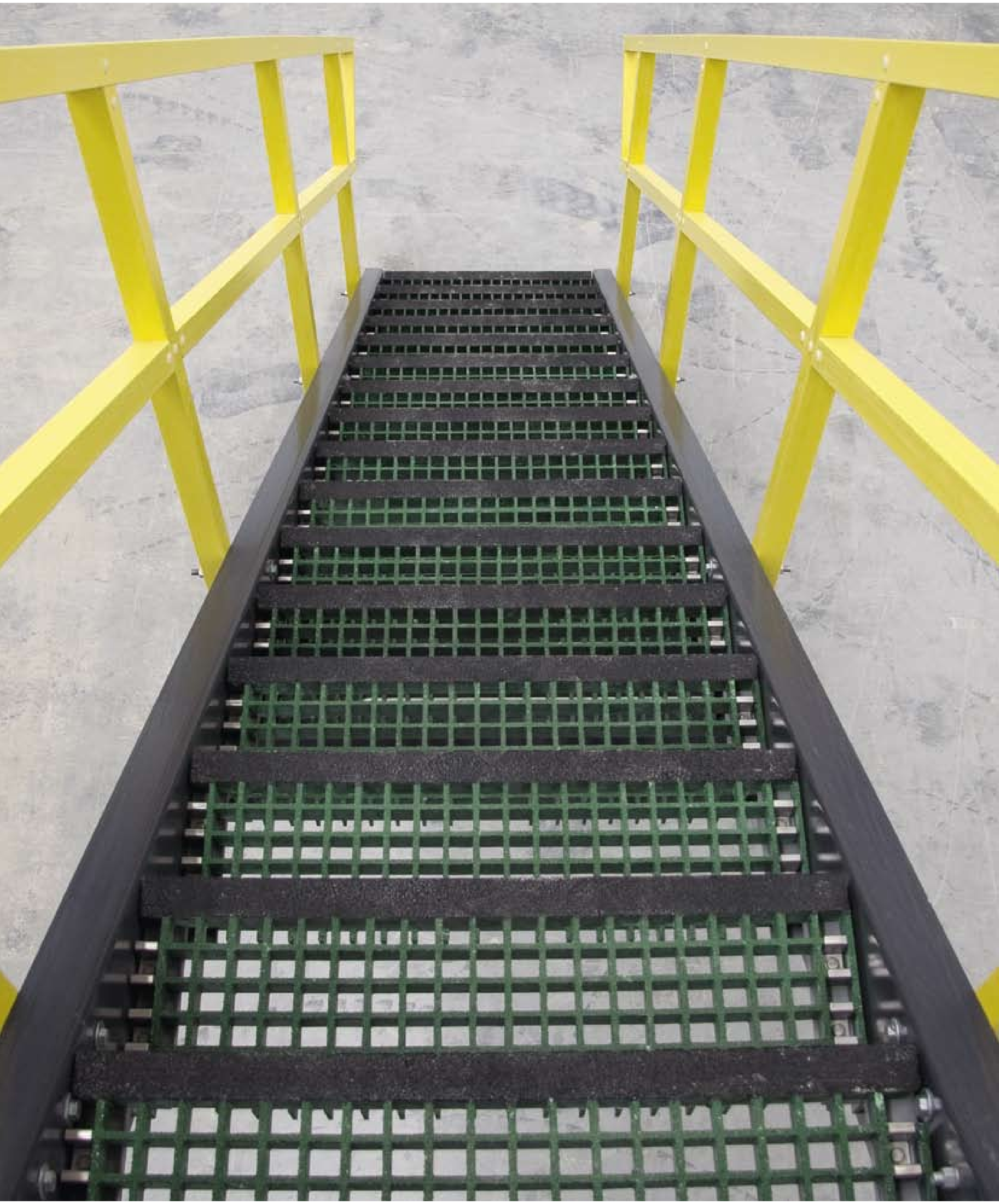
Higher growth than that of the market
- average annual growth 15% in core activities

Earnings per share (EPS)
- average annual growth 15%

Dividends
Exel aims to distribute at least 40% of net income in dividends

Net gearing (net interest-bearing debt/shareholders' equity)
- below 100%

In recent years Exel has not achieved the set profit targets mainly due to difficult circumstances in the sporting goods market.



Key ratios	2007	2006
Net sales, EUR millions	113.5	112.4
Operating profit, EUR millions	4.8	0.4
% of net sales	4.2	0.3
Profit for the period, EUR millions	2.0	-0.7
Return on capital employed (ROCE), %	7.3	1.2
Net gearing, %	118.4	112.8
Equity ratio, %	31.3	29.9
Earnings per share	0.17	-0.06
Equity/share	1.98	2.05

Financial results

Net sales for the Exel Group grew in 2007, ending the year at EUR 113.5 (112.4) million. This represents growth on the previous year of 1.0%.

Exel's profitability in 2007 was improving, but not yet on a satisfactory level. The Group reported operating profit of EUR 4.8 million. The impact of non-recurring costs amounted to EUR –5.3 million.

Exel Composites achieved all-time-high profit and strengthened its international position.

Main events in 2007

As from 1 January 2007 Exel Composites includes all production activities of the Exel Group. Therefore, the Sport Industry business and Mäntyharju operations in Finland, which earlier were part of Exel Sports Brands, were transferred to Exel Composites.

In April Exel announced that it reviews different structural alternatives for Exel Sports Brands and seeks a strategic partner with a long-term interest in developing the Exel Sports Brands company and contributing to its positive development.

In May Exel sold its Plastics operations which had operated under Exel GmbH in Rohrdorf, Germany.

As of 1 July 2007, the Industry Division was organized in two Business Areas: Europe and Asia/Pacific. Also, ten market segments were established to better focus on the global growth areas. A new function, Operations, was also established.

In July Tarmo Karhapää was appointed General Manager of Exel Industry Finland.

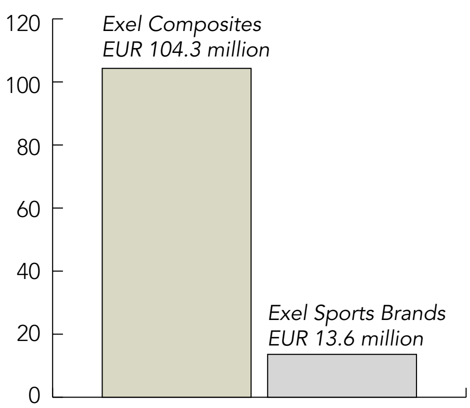
In October Exel disclosed that delays in deliveries from Exel Sports Brands' Chinese pole suppliers, quality problems linked to the production transfer to China as well as high costs to overcome late deliveries from suppliers as well as domestic forwarders had led to a continued negative result.

In November Exel announced that in order to make the necessary adjustments of Exel Sports Brands as effective as possible, Olli E. Juvonen was appointed Manageing Director of Exel Sports Brands as of 6 November 2007.

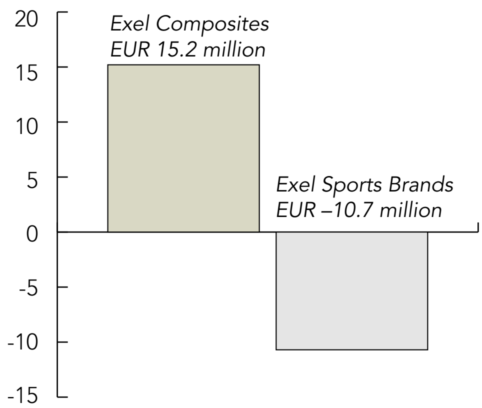
In November Ken Smith was appointed Managing Director of Exel Composites China.

The integration of Pacific Composites was completed during the financial year.

Net sales by division 2007



Operating profit by division 2007



2007 has been a year with continued consolidation and internationalization. A number of adjustments of the present structure have been implemented. The Group is now operating as two separate business units: Exel Composites is responsible for production, marketing and selling of industrial products and Exel Sports Brands is focusing on marketing and selling of consumer sporting goods. By this, the Group will be better fitted for future opportunities and challenges.

For Exel Composites, the business development was very positive in 2007. An all-time-high result was achieved during 2007, even though the Division suffered from reduced off take from Exel Sports Brands and lowered activity for the antenna radomes customers. As a consequence of this, sales did not increase for Exel Composites, but due to productivity improvement earnings increased substantially. Especially worth mentioning is the positive development in the Belgian operation, which has suffered from low profitability for some years. The integration of Pacific Composites has also continued successfully and was concluded during the year. The Plastics operation in Rohrdorf Germany was sold in May 2007 as part of the concentration on the industrial composite profiles market.

In my review in 2006, I declared we would put efforts into restoring the profitability of the Group. However, due to the continued poor development in Exel Sports Brands this was unfortunately not the case. Delays in deliveries from new suppliers, quality problems and also logistic problems in Finland in connection to our outsourcing to China had a very negative impact on the outcome for the Division. All-in-all, Exel had underestimated the challenges of establishing sourcing operations in China. Together with lower than expected sales due to a mild winter season, these problems resulted in another financially very weak year for Exel Sports Brands. In addition, it was necessary to make substantial write-offs of excess inventory and impairment of assets. A number of measures were taken in 2007 to improve the quality and delivery situation, but they did not have full impact. Further rationalization was required to improve the supply situation and to align the organization with the present activity level. To achieve this, a new managing director of Exel Sports Brands was appointed in November 2007 and a new leaner, more hands-on management organization was introduced.

We reorganized Exel Composites into two geographical areas, Europe and Asia/Pacific in order to streamline the organization. Furthermore, a function for Operations was established with the objective to make better use of our production facilities worldwide to improve our productivity and purchasing capabilities. The Operations function is also in charge of all the quality assurance and environmental standards within the Group. We have also introduced a more market-oriented segment organization reinforcing the focus on the global development of prioritized end-use categories. This is an important step towards a Group-wide commercialization of all the know-how of products and applications available within the Group. Due to the international expansion over the past years, the Group has reached the critical mass to drive important product development projects more efficiently. The new organization also allows us to integrate bolt-on acquisitions into the Exel Group.

In 2008 the following measures will have high priority:
- Improved productivity through better site coordination
- Profitable growth of the prioritized market segments within Exel Composites
- Selective, bolt-on acquisitions supporting our industrial business
- Improvement of Exel Sports Brands' profitability and the release of capital employed

A new site structure will be developed to be well in line with the new international market-oriented segment organization. The Chinese operations will continue to expand and improving the competitiveness of our China- based activity will be a priority. We will continue our ambition to lead the consolidation of the industry. The streamlining and refining of our industrial activity will continue while we will also prioritize to rationalize and improve our Exel Sports Brands. However, we believe it will take some time and a significant amount of effort before Exel Sports Brands restores the profitability. We also foresee a softening of the international industrial market due to signs of a recession in the US economy.

The past year has been a year with a mixed picture: Exel Composites has had its best year ever and the ambition to internationalize the organization has materialized. On the other hand, Exel Sports Brands has had another unexpectedly bad year. We are, however, despite the difficulties, convinced that Exel Sports Brands still has a strong brand and we believe that the measures under implementation will help to improve the results. We will closely monitor the development during the year and assess different structural alternatives to maximize the returns of the operations.

The journey to transform Exel to the global champion of advanced composites has started and the structure and the necessary tools are essentially in place. Exel Composites now accounts for 88% of the Group's turnover and our strategic focus on key industrial applications is clear. It is therefore time for me, with great pleasure and confidence, to hand over the management responsibility of the Exel Group to my well-qualified and within Exel long-term experienced Executive Vice President, Vesa Korpimies. Vesa Korpimies is one of the key contributors to the successful development of Exel Composites over the last decade. With Vesa Korpimies at the helm and a new organizational platform in place, I am convinced Exel will continuously and successfully strengthen its position as the truly leading global pultrusion composite company.

March 2008

Göran Jönsson
President and CEO

EXEL COMPOSITES 2007	
Net sales	EUR 104.3 million
Operating profit	EUR 15.2 million
Average number of employees	500

Introduction

Exel Composites, the Industry Division of Exel, is organized in two geographical areas, Europe and Asia/Pacific, and in 10 market segments. The segments include transportation, building/construction and infrastructure, energy industry, telecommunication, paper industry, electrical industry, cleaning and maintenance, sport and leisure industry, machine engineering, and general industries. Exel specialises in the development, manufacture and marketing of rigid, durable and lightweight composite profiles. There are already over 1,000 glass and carbon fibre 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.

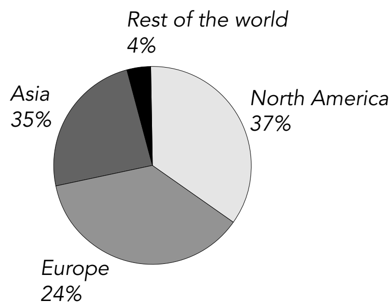
Exel Composites' net sales decreased by 0.7% to EUR 104.3 (105.0) million. Exel Composites' operating profit was EUR 15.2 (9.0) million. The telecommunication segment continued to be slow. The transportation, energy and building/construction and cleaning and maintenance markets, in particular, were strong. Growth was mainly due to the acquisition of the Pacific Composites Group and new profile applications in the European units. 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.

Composite market and operating environment

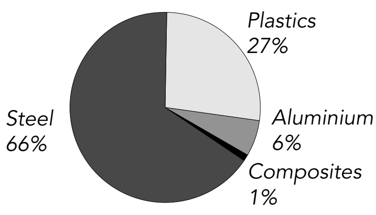
Composites is a young but rising industry dominated by few markets in North America, Europe and Asia.

Today the usage of composite materials constitutes a small part of the material needs in the world. Many manufacturing technologies, such as hand lay up, spray up, resin infusion and filament winding exist in the composites industry. Pultrusion technology constitutes 3% of the global composites market which in turn is only 1% among other competing materials such as steel, aluminum etc. Superior material properties, such as light weight and corrosion resistance are expected to grow the composite industry by 4% annually; fastest growth within composite industry coming from the pultrusion technology (Source: E-Composites). Exel's core know-how and competitive advantage is in continuous pultrusion technology.

Composites shipment 2004 (million lbs)
Source: E-Composites



Competing materials (US market example)
Source: E-Composites



The recent increase in the price of metals, especially aluminum and stainless steel, has further stimulated interest among designers and engineers in composite profiles and solutions.

Carbon fiber raw materials remained in short supply during the first half of the year and slowed down sales of some new applications. Signs of improvement in the carbon fiber supply situation could be seen from the spring onwards. At the end of the year there was shortage only of some special types of carbon fibre.

Industrial segments

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 e.g. heating ducts, ceiling profiles, side walls and luggage rack parts. A wide array of products is supplied also to the truck and trailer industry. Refrigerated trailers are a key application for composite products.

Building, construction and infrastructure
Lasting performance is a prerequisite for any application in building, construction and infrastructure applications. 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.

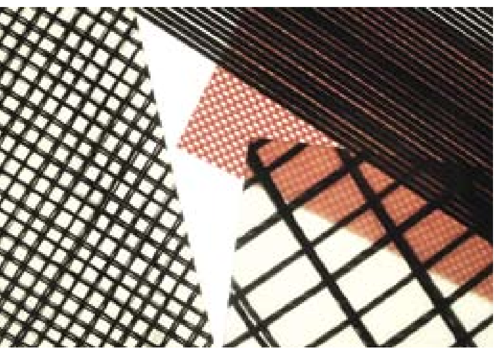
Energy industry
The search to provide new forms of supplying environmentally friendly and cost effective solutions of energy is increasing rapidly on a global scale. Exel is involved in all the major energy industries and applications and currently provides profiles for the wind and solar industries. 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.

Telecommunication
Products for the telecommunication industry include antenna radomes and tubes as well as 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 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
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
Maintenance and cleaning in industrial environments is demanding work especially where access may be severely restricted or in situations beyond normal reach. Exel provides a wide range of composite tool handles and telescopes to complete the demanding work. Xtel System™ is the latest innovation. It is a complete system covering applications from a 2-part floor cleaning telescope handle to a 20-metre mast construction.

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 all kinds of sports poles for skiing, Nordic Walking, trekking and inline skating. Furthermore, they 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 manufacturing experience of demanding state of the art pultruded composite profiles used in different segments of the machine industry. An increasing number of applications in mechanical engineering is benefiting from composites' advantages: textile machine parts, printing machines, robotic and manipulator parts, packing machines, processing machines and measuring devices.

General industries
Composite materials can be used in many different applications in different industries. The unique combination of excellent properties – high corrosion-resistance combined with light weight and high stiffness - are the properties that make composites the best choice compared to many traditional materials. Exel has a long experience in the development of products for the defense sector. These include 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

There were at the end of 2007 511 persons employed by Exel Composites.

Outlook for 2008

The global pultrusion market is expected to grow also in 2008, although it may be affected by a potential worldwide business slow-down. Growth opportunities for Exel Composites are available in some important segments such as transportation, building/construction and infrastructure, and new applications are being sought for continuously. The Division will, however, have a weak development in the important antenna radome business due to new technologies as well as in wind energy where a change of purchasing pattern will Impact the sales and profitability negatively. Price competition has increased putting pressure on margins.

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EXEL SPORTS BRANDS 2007	
Net sales	EUR 13.6 million
Operating profit	EUR -10.7 million
Average number of employees	49

Introduction

Exel Sports Brands has a strong history and solid know-how in floorball products, floorball accessories, skiing and Nordic Walking poles. The company has a good market position in these main categories. Together with own production and extensive research and development of shaft-raw material, Exel Sports Brands has a good base to operate on the market.

The development of Exel Sports Brands was highly unsatisfactory in 2007. Sales declined and a continued big loss was recorded. Net sales decreased 29.2% to EUR 13.6 (19.3) million. Exel Sports Brands experienced logistics problems and was unable to deliver orders in time to its customers. The lower sales figure is partly due to the mild winter, which also had a negative impact on reorders. Sports Brands was not yet able to adapt the overhead costs to match with the lower sales level.

Exel Sports Brands' operating loss was EUR -10.7 (-5.9 before non-recurring items) compared with EUR -9.4 million (-6.7 before non-recurring items) last year. Lower sales due to a poor delivery performance and low prices sales of old inventory had a negative impact on the margins. A project to reduce costs and capital tied up in inventory was started during the third quarter, but the effects had not materialized before year end.

The Board appointed Olli E. Juvonen Managing Director of Exel Sports Oy and Exel Sports Brands as from 6 November 2007.

Product lines

Poles
Many top athletes and persons interested in taking care of their personal physical condition have for years found Exel cross-country skiing, alpine, trekking and Nordic Walking poles to be a trusted choice. Constant R&D has led to launching lighter and more consumer-friendly products. The winter was mild in several Exel Sports Brands' markets throughout the year in the beginning and at the end of 2007, which delayed sales and caused price reductions. However, more and more consumers seem to use other Exel products, which can be used the whole year regardless of weather conditions.

Exel Sports Brands was the company to launch Nordic Walking.

Floorball
Exel has traditionally a strong position in floorball. 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 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 and Canadien brands.

Accessories
In the company strategy Exel Sports Brands supports the sales of hard goods with equally highly appreciated brands in accessories. Exel Sports Brands has been selling top brands in both cross-country and alpine clothing. Lars Kjus collection represents the technical top clothing in alpine skiing and Björn Dählie collection the same in cross-country skiing. During 2007 Exel Sports Brands extended the sales representation of Björn Dählie collection to Germany and Austria, where it has been well received.

Personnel

There were at the end of 2007 48 presons employed by Exel Sports Brands.

Outlook for the future

The profitability of Exel Sports Brands is highly unsatisfactory. Corrective actions have been implemented for Exel Sports Brands to mitigate the negative development. Additional measures will be required to align the organization to the present sales level, improve the sourcing and reduce costs and capital employed. The development of Exel Sports Brands will be closely monitored in 2008 and structural alternatives will be assessed.

Personnel

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 where knowledge is needed and to support personal development.

Equality issues
Together with employee representatives, an equality program has been created for Exel that emphasises 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 Finland at the beginning of 2008 was given.

Training in new state-of-the-art 3D simulation Design package software has been carried out at three sites. This provides added value for our customers and a speedier "right first time" design.

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 emphasising growth and profitability. Non-salaried employees are also eligible for incentive compensation, but their annual bonus is based on productivity. The top management is additionally covered by a program designed to enhance their long-term commitment.

Personnel
At the end of 2007 the Group employed 579 (555) personnel. The average number of employees during the period was 568 (600). The number of employees in Finland was 240 (237) and in other countries 327 (318). Exel Composites employed 511 (477) personnel and Exel Sports Brands 48 (59) personnel at the end of 2007. There was an increase from last year due to the acquisition of Pacific Composites. At the same time, there was a reduction of personnel due to the restructuring of Exel Sports Brands and sporting goods production, the closure of Clacton operation in the UK in 2006 and the divestment of the Plastics operations in Germany in 2007.

Quality, environment and safety

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 system
Exel Group has signed a quality certification agreement with Bureau Veritas Certification. With this agreement the several quality systems of the companies that have joined the Group were certified as one entity. The Group certificate covers, in addition to the Finnish units, the units in the UK, Austria and Australia. In March 2008 the Belgian plant is to be assessed to the standard. The China unit is scheduled to be assessed in June 2008.

Environment and safety

Bureau Veritas Certification has admitted Exel Group's Finnish units, the Kivara and Mäntyharju factories, an ISO 14001 environmental certificate. Exel is the first known pultrusion company in the world to be granted this certificate.

ISO 14001 is an international standard of environmental management systems. An organization implementing the standard recognizes important environmental aspects and risks, and sets up an environmental program including targets for continual, systematic improvement. Regular audits and follow-up are an important part for measuring progress.

Exel also participates 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 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 and sports equipment. Exel's operations consist of two divisions: Exel Composites and Exel Sports Brands.

Financial performance

Net sales for the Exel Group remained on the previous year's level, ending the year at EUR 113.5 (112.4) million.

The Group's main line of business, Exel Composites, reported net sales in 2007 of EUR 104.3 (105.0) million, a decrease of 0.7%. A changed production model of poles and floorball sticks where Exel Composites manufactures only shafts to Exel Sports Brands, resulted in a decline in internal sales of EUR 7.4 million. Sales also decreased due to the divestment of the Plastics operations in Germany. Excluding the sales to Exel Sports Brands, sales increased by 6.4% in 2007. Exel Composites accounted for 88% (83%) of total Group sales in 2007.

Net sales of Exel Sports Brands in 2007 fell by 29.2% from the previous year to EUR 13.6 (19.3) million. Furthermore, Exel Sports Brands experienced serious delays in deliveries from its Chinese suppliers and in addition had extensive quality problems linked to the production transfer. Furthermore, a weak sporting goods market impacted sales negatively.

In combination with high costs to overcome late deliveries from suppliers as well as domestic forwarders, the Division showed a continued negative result. The lower than expected sales also led to an overstock situation, which required write-offs of inventory in the third quarter as well as impairment of intangible and tangible assets in the third and fourth quarter. In addition, related manufacturing equipment in Exel Composites was written down. The profit level was highly unsatisfactory.

Exel's operating profit for the financial period increased to EUR 4.8 million (including non-recurring items of EUR -5.3 million), compared to EUR 0.4 million (including non-recurring items of EUR -6.7 million) in the corresponding period last year. The improvement of the underlying operating profit has been a result of the restructuring measures taken in the problem units in 2006 and 2007, especially Mäntyharju, Belgium and the German Sport unit, the contribution of the Pacific Composites acquisition and the gain from the sale of properties.

Short supply of certain carbon fiber types continued throughout the first half of 2007. The lack of supply also increased raw material price levels, although it was possible to transfer some of the increase to product prices. Signs of improvement in the carbon fiber supply situation started to emerge towards the summer. At the end of the reporting period there was shortage only of some special types of carbon fiber.

The Group's net financial expenses in 2007 were EUR 2.4 (1.1) million. The main reasons for the increased financial items were the higher interest rates, EUR 0.4 million, and currency exchange net losses, EUR 0.7 million. The Group's profit before taxes was EUR 2.4 (-0.7) million and profit after taxes EUR 2.0 (-0.7) million.

Earnings per share were EUR 0.17 (-0.06). Return on investment was 7.3% (1.2%).

Balance sheet and financial position

Cash flow from business operations was positive at EUR +2.6 (+5.2) million.

Operative 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 4.9 (6.2) million.

Cash flow before financing but after capital expenditure amounted to EUR +2.1 (-15.7) million. The company paid total dividends during the financial year of EUR 2.4 (4.7) million. Dividend per share was EUR 0.20 (0.40).

The Group's consolidated total assets at the end of the financial year were EUR 75.2 (81.9) million.

Equity at the end of the financial year was EUR 23.5 (24.4) million and equity ratio 31.3% (29.9%). Interest-bearing liabilities amounted to EUR 32.8 (33.7) million, of which short-term liabilities accounted for EUR 11.0 (7.9) million. Net interest-bearing liabilities were EUR 27.9 (27.5) million, and the net gearing ratio was 118.4% (112.8%).

Capital expenditure and depreciation

During the year the Group concentrated on the consolidation of the previous year's main acquisition. The capital expenditure on fixed assets amounted to EUR 2.5 (19.9) million.

Total depreciation of non-current assets during the year under review amounted to EUR 4.2 (4.6) million. Write-downs were made amounting to EUR 2.0 million relating to both intangible and tangible assets. Additionally other operating expenses include 0.7 million write-downs of tangible assets.

Personnel

The number of Exel Group employees on 31 December 2007 was 579 (555), of whom 240 (237) worked in Finland and 327 (318) in other countries. The average number of personnel during the financial year was 568 (600). The increase from last year outside Finland is mainly due to the acquisition of Pacific Composites. At the same time, there was a reduction of personnel due to the restructuring of Exel Sports Brands and sporting goods production, the closure of Clacton operation in the UK in 2006 and the divestment of Plastics operations in Germany in 2007.

Research

Product development costs totalled EUR 2.8 (2.2) million, representing 2.5% (1.9%) of net sales. The main projects are connected with the development of new customer applications, including transportation profiles, and the testing and development of the properties of vital raw materials, including polyester and epoxy resins, as well as glass and carbon fibers.

Risk management

The central short-term goal of Exel 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 realisation 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 market situation in different industrial customer segments and consumer behaviour especially in 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 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.

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 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.

During 2007 unit level risk assessment and risk identification have been made. The main risks in 2008 lie in the market demand and price competition in Exel Sports Brands and in specific segments in Exel Composites, i.e. sporting goods, antenna radomes and wind energy. Signs of recession can be seen especially in the United States and if it materializes it will have a negative impact on the sales and earnings development. The restructuring of Exel Sports Brands segment is ongoing but its success including sourcing from China and the logistics situation for Exel Sports Brands in Finland is still a risk. There may as well be a shortage of certain types of carbon fiber. In the long term new technolo-

gies, raw material price compared to competitive materials and overall global growth rate will create additional threat to the pultrusion business.

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.

This has been on two levels; immediate need and mid to long-term issues. We have used both internal experts and consultants to ensure we stay on top of the latest legislation.

This has been further enhanced in 2007 by internal audits by our own trained experts. This will continue in 2008 and any needs analysis will be used as a platform to gain recognized certification.

The Finnish factories have achieved the internationally recognized ISO 14001 environmental certificate and this will be used as a blueprint for our other global operations.

Waste management was again developed significantly in 2007 with a focus on dust re-cycling and prevention.

At other Exel factories the emphasis in environmental matters continues to be focused on reducing waste both by making manufacturing processes more efficient and by improving operating methods.

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 0.7% over the previous year to EUR 104.3 (105.0) million. The main reason for the decline was a lowered off-take of shafts and assembling of products from our production unit in Mäntyharju by Exel Sports Brands. Deliveries for industrial profiles continued to be affected by shortage of carbon fiber. The telecommunication sector continued to be slow. The transportation, energy and building/construction and cleaning and maintenance markets, in particular, were strong resulting to overall external sales to grow by 6.4%. Operating profit grew by 69.5% to EUR 15.2 (9.0) million. The profitability was good in all units. The restructuring of the Belgian operations gave good results even in the traditionally slower summer months. In addition, the development in the Chinese unit was also positive.

Through the acquisition of Pacific Composites, Exel established itself as the world's first truly international pultrusion company. The acquisition extended the product range and reinforced Exel's leading position in the Pacific Rim/Far East. New commercial applications include for example profiles for aerospace applications. Exel can now serve its international customers globally. The integration of Pacific Composites was successfully completed during the year and added experienced management and important international competence to the Group.

Exel Sports Brands

The development of Exel Sports Brands was highly unsatisfactory in 2007. Sales declined and a continued loss was recorded. Net sales decreased 29.2% to EUR 13.6 (19.3) million. Exel Sports Brands experienced logistics problems and was unable to deliver orders in time to its customers. The lower sales figure is partly due to the mild winter, which also had a negative impact on reorders. Sports Brands was not yet able to adapt the overhead costs to match with the lower sales level.

Exel Sports Brands' operating loss was EUR -10.7 (-5.9 before non-recurring items) compared with EUR -9.4 million (-6.7 before non-recurring items) last year. Lower sales due to a poor delivery performance and low priced sales of old inventory had a negative impact on the margins. A project to reduce capital tied up in inventory was started during the third quarter, but the effects had not materialized before year end.

The Board appointed Olli E. Juvonen Managing Director of Exel Sports Oy and Exel Sports Brands as from 6 November 2007.

Changes in the Group structure

In April 2007 Exel signed an agreement to sell its Plastics operations focusing on extrusion technology which operated under Exel GmbH in Rohrdorf, Germany. The operations were sold to a new established company, CPS GmbH, where the former management of the Plastics business is a co-owner. The business transfer took place from the beginning of May. By selling the Plastics operations Exel continues to concentrate on its core business operations, pultrusion and the production of composite profiles. The sale of business did not directly impact the Exel Group profit.

The Group comprised at the turn of the year the parent company Exel Oyj and its subsidiary Exel Sports Oy operating in Finland, plus ten subsidiaries operating abroad: Exel GmbH in Germany, Exel USA, Inc. in the United States, Exel Composites N.V. in Belgium, Exel Composites GmbH in Austria, International Gateway AB in Sweden, Nordic Sports Products (Beijing) Ltd. in China, Exel Composites Australia, Exel Composites China as well as Exel Composites UK. Exel Oyj owns 100 percent of all subsidiaries except Nordic Sports Products (Beijing) Ltd., of which it owns 80 percent. The parent company also owns a subsidiary called Pro Stick Oy, which remained inactive during the financial year.

Changes in Group management

In July 2007 the Industry Division was organized in two Business Areas; Europe and Asia/Pacific. Business Area Europe is headed by Vesa Korpimies. In addition he maintains his duties as Executive Vice President of the Exel Group. Business Area Asia/Pacific is headed by Grant Pearce. A new function, Operations, was also established. It is headed by Callum Gough. Olli E. Juvonen was appointed Managing Director of Exel Sports Oy and Exel Sports Brands as from 6 November 2007.

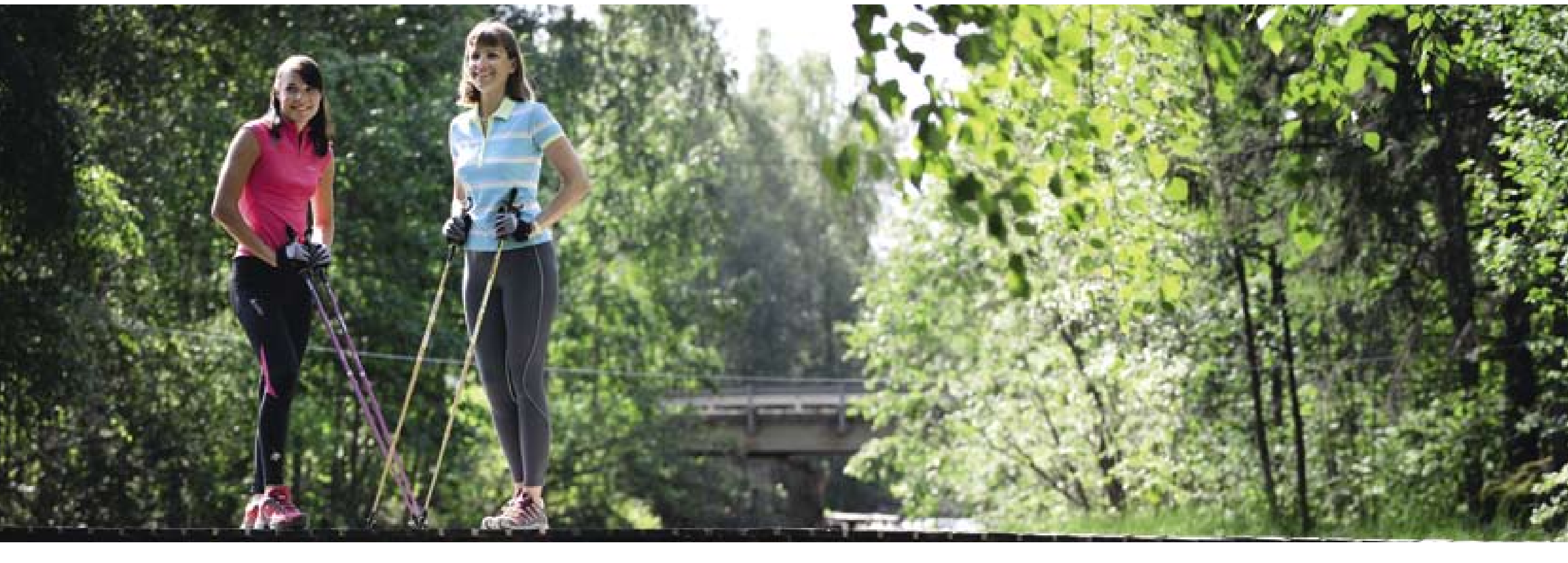
The Management Group of Exel has, with the above changes, the following members: Göran Jönsson, President and CEO; Vesa Korpimies, Executive Vice President and Business Area Manager Europe; Grant Pearce, Senior Vice President and Business Area Manager Asia/Pacific; Ilkka Silvanto, Senior Vice President and CFO; and Callum Gough, Senior Vice President Operations.

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 emphasising 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 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.



Shares and share capital

Exel's share is listed in the Small Cap segment of the OMX Exchange's Nordic list in the Materials sector.

The Annual General Meeting of Exel Oyj held on 19 April 2007 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 2006.

The AGM amended the Company's Articles of Association to correspond to the new Finnish Companies Act.

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.

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 17.45 (15.13) and the lowest EUR 10.55 (10.50). At the end of the year, the share price was EUR 11.90 (13.60). The average share price during the financial year was EUR 14.14 (12.86).

A total of 4,907,765 (5,172,983) shares were traded during the year, which represents 41.3% (43.5%) of the average number of shares. On 31 December 2007, Exel's market capitalisation was EUR 141.6 (161.8) million.

Shareholders and disclosures

On 31 December 2007, 3.8% 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% of shares at the end of 2007. Other major shareholders included Ilmarinen Mutual Pension Insurance Company (5.8%) and Berling Capital Oy (3.5%). At the end of the year the company had a total of 1,675 (2,197) shareholders.

During the year under review, Exel received no disclosures under Chapter 2, section 9 of the Securities Market Act.

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 19 April 2007 the Annual General Meeting appointed Kari Haavisto, Peter Hofvenstam, Vesa Kainu, Esa Karppinen and Ove Mattsson to continue on the Board of Directors. Ove Mattsson was re-elected Chairman of the Board.

The Board of Directors convened 13 times in 2007 and the average attendance rate at these meetings was 95%. The fees paid to the Board of Directors totalled EUR 121 thousand in 2007.

The Board of Directors has reviewed the independence of

Board members in accordance with item 18 of the Corporate Governance Recommendation. The members of the Board are considered to be independent of the company. Ove Mattsson, Kari Haavisto and Vesa Kainu are independent of major shareholders. Peter Hofvenstam and Esa Karppinen are not independent of major shareholders since Peter Hofvenstam is the Vice President of Nordstjernan AB and Esa Karppinen is the Managing Director of Berling Capital Oy.

The Board of Directors has been assisted by a Compensation Committee comprising Ove Mattsson, Peter Hofvenstam and Vesa Kainu. This committee met 3 times in 2007.

In addition, the Company has a Nomination Committee comprising the Chairman and persons nominated by the three largest shareholders and the fifth largest shareholder as as of 1 November before the Annual General Meeting. In 2007 the Nomination Committee comprised Tomas Billing (Nordstjernan AB) as Chairman, Mikko Mursula (Ilmarinen Mutual Pension Insurance Company), Esa Karppinen (Berling Capital Oy), Pertti Laine (Veikko Laine Oy) and Ove Mattsson. The committee met 3 times in 2007.

Furthermore, the Board of Directors has been assisted by an Audit Committee comprising the Chairman of the Board and Kari Haavisto. The Audit Committee had 2 meetings in 2007.

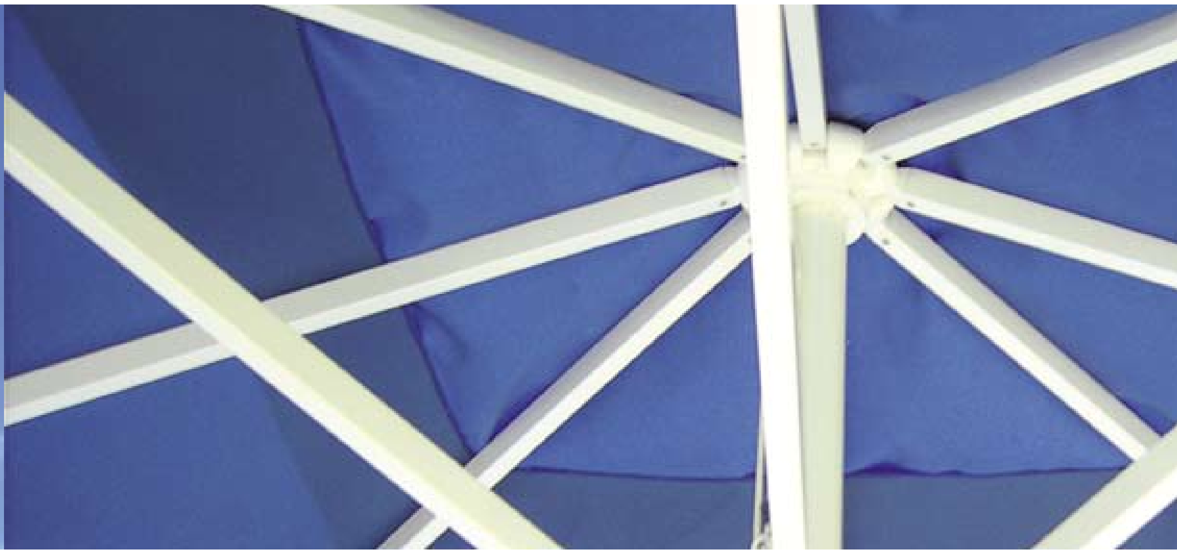
Ernst & Young, Authorised Public Accountants, with Eija Niemi-Nikkola, APA, as principal auditor, were elected to serve as company auditor in the AGM in 2007.

The fees paid to the auditor totalled EUR 351 thousand in 2007.

Significant events after the financial year

In January 2008 Exel announced to commence a co-determination process in the Mäntyharju unit. The negotiations were finalized late February. As a result the personnel will be reduced by 13 persons. Additionally a warning was given for temporary lay-offs which can cover 12 persons at a time.

The Board has appointed Vesa Korpimies as Exel Oyj's President and CEO. He will assume his position as of 10

April 2008 when Göran Jönsson resigns. Göran Jönsson has been nominated to become member of Exel Oyj's Board of Directors. Vesa Korpimies is currently Executive Vice President of Exel Oyj and Head of Exel Composites. He has been with the Company since 1987 and responsible for the development of Exel Composites since 1998 during which period sales have increased from about EUR 10 million to above EUR 100 million.

Outlook for 2008

The global pultrusion market is expected to grow also in 2008, although it may be affected by a potential worldwide business slow-down. Growth opportunities for Exel Composites are available in some important segments such as transportation, building/construction and infrastructure, and new applications are being sought for continuously. The division will, however, have a weak development in the important antenna radome business due to new technologies as well as in wind energy where a change of purchasing pattern will impact the sales and profitability negatively. Price competition has increased putting pressure on margins.

The profitability of Exel Sports Brands is highly unsatisfactory. Corrective actions have been implemented for Exel Sports Brands to mitigate the negative development. Additional measures will be required to align the organization to the present sales level, improve the sourcing and reduce costs and capital employed. The development of Exel Sports Brands will be closely monitored in 2008 and structural alternatives will be assessed.

Due to the development in 2007 and the ongoing restructuring of Exel Sports Brands it is expected that the sales will not be higher than in 2007, but that the profitability will be improved.

All in all, Exel expects the profit before taxes to improve in 2008.

Board proposal for dividend distribution

Exel's strategic goals include distributing dividends equal to at least 40% of the profit for the financial year unless otherwise required by growth and liquidity.

On 31 December 2007 the parent company's distributable funds totaled EUR 13,465 thousand.

The Board proposes to the Annual General Meeting that a dividend be paid for the 2007 financial year of EUR 0.20 (0.20) per share.

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

The proposed record date for dividends is 15 April 2008. If the Annual General Meeting approves the Board's proposal, it is estimated that dividend payments will commence on 22 April 2008.

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2007

EUR 1,000	Notes	1.1.–31.12.2007	1.1. –31.12.2006
Net sales	**6**	**113,489**	**112,395**
Increase(+)/Decrease(-) in inventories of finished goods and work in progress		1,868	2,504
Production for own use		327	500
Other operating income	9	854	145
Materials and services		-55,114	-54,480
Employee benefit expenses	11	-25,360	-26,127
Depreciation	13	-4,162	-4,612
Impairment		-1,956	-1,495
Other operating expenses	10,12	-25,167	-28,443
Operating profit		**4,780**	**386**
Financial income	14	678	343
Financial expenses	15	-3,038	-1,410
Profit before tax		2,420	-681
Income taxes	16	-410	-52
Profit/loss for the period		**2,010**	**-733**
Attributable to			
Equity holders of the parent company		2,010	-724
Minority interest		0	-10
Earnings per share for profit of the year attributable to the equity holders of the parent company (EUR per share)			
Basic	17	0.17	-0.06
Diluted	17	0.17	-0.06

CONSOLIDATED BALANCE SHEET

as at 31 December 2007

EUR 1,000	Notes	31.12.2007	31.12.2006
ASSETS			
NON-CURRENT ASSETS			
Goodwill	19	9,627	10,107
Other intangible assets	19	2,689	3,158
Tangible assets	20	14,796	18,766
Other non-current assets	21	76	76
Deferred tax assets	27	2,521	2,200
TOTAL NON-CURRENT ASSETS		**29,710**	**34,307**
CURRENT ASSETS			
Inventories	22	22,155	19,975
Trade and other receivables	23	18,426	20,695
Cash at bank and in hand	24	4,901	6,199
TOTAL CURRENT ASSETS		**45,482**	**46,869**
Held-for-sale non-current assets	20	0	748
TOTAL ASSETS		**75,192**	**81,924**
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY	33		
Share capital		2,141	2,141
Share premium		8,492	8,492
Retained earnings		12,900	13,729
Equity attributable to the equity holders of parent company		25,533	24,363
Minority interest		0	0
TOTAL EQUITY		**23,533**	**24,363**
NON-CURRENT LIABILITIES			
Deferred tax liabilities	27	753	1,091
Interest-bearing liabilities	26, 31	21,755	25,752
Non-current interest-free liabilities		345	
TOTAL NON-CURRENT LIABILITIES		**22,852**	**26,844**
CURRENT LIABILITIES			
Interest-bearing liabilities	26	11,008	7,934
Trade and other current liabilities	25	17,152	22,438
Income tax payable		647	345
TOTAL CURRENT LIABILITIES		**28,806**	**30,717**
TOTAL EQUITY AND LIABILITIES		**75,192**	**81,924**

For the year ended 31 December 2007

1000 EUR	Share Capital	Share Issue	Share Premium	Translation Differences	Retained Earnings	Minority Interest	Total
Balance at 1 January 2006	**2,070**	**287**	**5,142**	**7**	**19,523**	**10**	**27,039**
Exchange rate differences				-458			-458
Other items					101		101
Profit for the period					-724	-10	-733
Net income recognized directly in the equity					101		101
Net income recognized in the profit for the period				-458	-623	-10	-1,091
Dividend					-4,720		-4,720
Share issue	71	-287	3,350				3,134
Balance at 31 December 2006	**2,141**	**0**	**8,492**	**-451**	**14,181**	**0**	**24,363**
Balance at 1 January 2007	**2,141**	**0**	**8,492**	**-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		-2,379
Balance at 31 December 2007	**2,141**	**0**	**8,492**	**-880**	**13,780**	**0**	**23,533**

For the year ended 31 December 2007

1000 EUR	Notes	1.1.–31.12.2007	1.1.–31.12.2006
Cash flow from operating activities			
Profit for the period		2,010	-733
Adjustments	36	9,676	9,330
Change in working capital		-5,903	245
Interest paid		-1,687	-998
Interest received		137	195
Other financial items		-388	8
Income taxes paid		-1,250	-2,819
Net cash flow from operating activities		**2,595**	**5,228**
Cash flow from investing activities			
Acquisition of a subsidiary	7	0	-18,279
Proceeds from sale of activities		1,306	
Purchase of non-current assets		-2,469	-2,655
Proceeds from sale of non-current assets			
Net cash flow from investing activities		**-491**	**-20,934**
Cash flow before financing		2,104	-15,706
Share issue		0	3,134
Withdrawals of long-term borrowings		0	0
Repayments of long-term borrowings		-1,600	-1,991
Change in short-term loans		958	2,079
Withdrawals and repayments of finance lease liabilities		-381	-375
Dividends paid		-2,379	-4,720
Net cash flow from financing		-3,402	16,127
Change in liquid funds		**-1,298**	**421**
Liquid funds at the beginning of period		6,199	5,778
Liquid funds at the end of period		4,901	6,199

(All figures in EUR thousands unless otherwise stated)
(Liitetiedoissa kaikki luvut ovat tuhansia euroja, ellei muuten ilmoiteta)

Listed below are the key accounting principles that have been applied in preparing the consolidated financial statements. The Board of Directors has on 26 February 2008 approved the financial statements to be published.

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 most significant sports products include cross-country, Alpine and Nordic Walking poles and floorball sticks. The Group's factories are located in Finland, Germany, Belgium, Austria, UK, Australia and China. Sales companies are located in Sweden, Germany, the USA and China. Some 85% of production is exported. Exel's share is listed in the Small Cap segment of the 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 recognised 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 2007. 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 recognised as goodwill.

All intra-group transactions, receivables, liabilities and unrealised 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

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 Group includes one company that has a minority shareholder, Nordic Sports Products (Beijing) Ltd, in which the minority shareholder has a 20 percent holding. 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.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group has adopted following new and amended IFRS and IFRIC interpretations during the year. Adoption of these revised standards and interpretations did not have any effect on the financial performance or position of the Group. They did however give rise to additional disclosures, including in some cases, revisions to accounting policies.

IFRS 7 Financial Instruments: Disclosures

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results, comparative information has been revised where needed.

IAS 1 Presentation of Financial Statements

This amendment requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. These new disclosures are shown in Note 28.

The following mandatory amendments to the IAS and IFRS standards and IFRIC interpretations that entered into force in 2007 have not caused changes to the Group's accounting policies:

IFRIC 8 Scope of IFRIC 2
IFRIC 9 Reassessment of Embedded Derivatives
IFRIC 10 Interim Financial Reporting and Impairment

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.

IAS 23 Borrowing Costs
IFRS 8 Operating Segments
IFRIC 11 IFRS 2 – Group and Treasury Share Transactions
IFRIC 12 Service Concession Arrangements
IFRIC 13 Customer Loyalty Programmes
IFRIC 14/IAS19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

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. Further information about determining the fair value of assets acquired through corporate mergers is presented in Note 7.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

Sales of products are recognised as income once the risks and benefits related to ownership of the sold products has been transferred to the buyer and the Group no longer has possession of, or control over, the products. Sales of services are recognised as income once the service has been rendered. 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 recognised 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 recognised 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 amortised 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 utilised commercially, and the product is expected to create a comparable financial benefit. Other development costs are recorded as expenses. Activated development costs are amortised 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 2007.

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 amortised on a straight-line basis during the period they are financially effective.

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

Intangible assets are recognised 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 realised for the good of the company. Intangible assets are recognised in the balance sheet at historical costs less accumulated depreciation and impairment losses.

Intangible assets are amortised 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 recognised as an expense. Expenditure on significant modernisation and improvement projects are recognised in the balance sheet if they are likely to increase the future economic benefits embodied in the specific asset to which they relate. Modernisation 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 recognised 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 categorised 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 derecognised 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 realised and unrealised 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.

Liquid funds

Liquid funds comprise cash and bank deposits withdrawable on demand. The maturity of items classified into liquid funds is no more than three months from the date of acquisition. 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.

Within liquid funds, 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 recognised 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 delay of over 90 days in paying. The current cash flow of all trade receivables, which are more than one year 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.

Deferred 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 utilised 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.

Pensions and other post employment benefits

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

In defined benefit pension plans, the present value of future pension payments on the closing date is presented less the fair value of the plan-related assets on the closing date and adjusted with the actuarial profits and losses and retroactive 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 recognised 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 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.

Provisions

A provision is recognised 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 recognised 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 recognises 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 recognised 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 recognised 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 organisational 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. Therefore the Sport Industry business and Mäntyharju operations in Finland, which earlier were part of Exel Sports Brands, were transferred to Exel Composites. The comparative divisional figures have been changed correspondingly.

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 location of the customers, while assets are presented according to the location of the assets.

Primary reporting format – business segment information 1 Jan.–31 Dec. 2007

1000 EUR	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

Primary reporting format – business segment information 1 Jan.–31 Dec. 2006

1000 EUR	Exel Composites	Exel Sports Brands	Others and Eliminations	Group
External net sales	93,127	19,268		112,395
Internal net sales	11,823	1	-11,824	0
Total sales	104,950	19,269	-11,824	112,395
Operating profit of the segment	8,950	-9,398	834	386
Net financing costs				-1,067
Income taxes				-52
Profit for the financial year				-733
Segment's assets	61,428	11,031	191	72,650
Unallocated assets			9,274	9,274
Total assets				81,924
Segment's liabilities	18,172	4,248	248	22,668
Non-allocated liabilities			34,893	34,893
Total liabilities				57,561
Capital expenditure	19,466	397		19,863
Depreciation	-4,231	-382		-4,612
Impairment and write-down	-1,495			-1,495

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,1000 EUR	2007	2006
Nordic countries	21,701	20,111
Other European countries	71,936	74,429
Other countries	19,852	17,855
Total	**113,489**	**112,395**

Total assets according to secondary segment, 1000 EUR	2007	2006
Nordic countries	25,923	27,894
Other European countries	21,413	24,690
Other countries	19,787	20,066
Total	**67,123**	**72,650**

Capital expenditure according to secondary segment, 1000 EUR	2007	2006
Nordic countries	1,112	1,618
Other European countries	663	3,408
Other countries	694	14,837
Total	**2,469**	**19,863**

7. BUSINESS COMBINATIONS

The Group did no acquisitions in 2007.

The Group acquired on 28 February 2006 all of the shares in Pacific Composites Pty. Ltd. The acquisition was executed under the name of Exel Composites Pty Ltd., a holding company established by the Group in Australia. The company operates primarily in the pultrusion business and has subsidiaries in Great Britain and China. The acquisition cost was AUD 31.8 million (EUR 19.8 million), of which AUD 27.3 milllion was paid in cash and AUD 4.5 in Exel Oyj shares. In addition to the purchase price paid in cash, acquisition expenses included consulting fees of EUR 0.6 million. The 10-month result of Pacific Composites Pty. Ltd. is included in the consolidated income statement for the 2006 financial year. The transferred assets and liabilities were acquired at fair value. The acquisition created goodwill of EUR 7.8 million, the creation of which was influenced by accelerated entry into the Chinese market and realized synergies connected with purchasing and production co-operation and utilizing a common marketing and sales network. The goodwill also reflects the segment know-how obtained through the acquisition. The consolidated net sales would have been approximately EUR 1.7 million and the result EUR 0.2 million greater if the acquisition would have been realized at the beginning of the financial year.

The following assets and liabilities arising from the acquisitions have been recognised:

Assets and liabilities of acquired business operations	Fair value recognized in combination	Book value before combination
Intangible assets	3,172	19
Property, plant and equipment	7,110	6,034
Inventories	4,998	3,913
Receivables	4,091	4,091
Cash and cash equivalents	2,180	2,180
Liabilities	-6,973	-6,973
Deferred tax liabilities	-1,908	-314
Net assets	12,671	8,950
Goodwill	7,788	
Acquisition costs	20,459	
Cash and cash equivalents of the company	-2,180	
Cash outflow on acquisition	18,279	

The tangible assets acquired through the merger were valued at fair value on the basis of the market prices of similar assets taking into consideration the age, wear and other related factors of the acquired assets.

Intangible rights include the value of customer relationships, which is defined based on the estimated duration of the customer relationships and the discounted value of the cash flow created by them.

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

Country	Currency	Average rate 2007	Average rate 2006	Balance sheet rate 2007	Balance sheet rate 2006
Australia	AUD	1.6356	1.6693	1.67570	1.66191
UK	GBP	0.6846	0.6815	0.73335	0.67150
China	RMB	10.4189	9.9553	10.75240	10.27930
Sweden	SEK	9.2521	9.2533	9.44150	9.04040
USA	USD	1.3706	1.2557	1.47210	1.31700

9. OTHER OPERATING INCOME

1000 EUR	2007	2006
Rental income	9	11
Other operating income	275	134
Profit from sales of non-current assets	570	0
Total	**854**	**145**

10. OTHER OPERATING EXPENSES

1000 EUR	2007	2006
Rental expenses	1,625	1,688
Non-current asset write-offs	545	860
Other operating expenses	22,997	25,895
Total	**25,167**	**28,443**

11. EMPLOYEE BENEFIT EXPENSES

1000 EUR	2007	2006
Salaries	22,216	21,166
Pension costs – defined contribution schemes	1,947	2,319
Pension costs – defined benefit schemes	167	100
Other employee benefits	1,030	2,542
Total	**25,360**	**26,127**

Average number of personnel	2007	2006
Exel Composites	500	510
Exel Sports Brands	49	69
Other	20	20
Total	**568**	**600**

12. RESEARCH AND DEVELOPMENT EXPENDITURE

The income statement includes research and development costs entered as costs amounting to EUR 2,824 thousand in 2007 (EUR 2,169 thousand in 2006). These costs are included in the income statement under Salaries and Other Operating Expenses.

13. DEPRECIATION, AMORTISATION AND IMPAIRMENT

Depreciation of assets, 1000 EUR	2007	2006
Intangible assets	601	806
Tangible assets		
Buildings	469	491
Machinery and equipment	3,092	3,315
Total	**4,162**	**4,612**

Impairment and write-down of assets, 1000 EUR	2007	2006
Intangible assets	691	
Goodwill	458	1,090
Tangible assets		
Buildings	6	5
Machinery and equipment	802	400
Other		
Total	**1,956**	**1,495**

14. FINANCE INCOME

1000 EUR	2007	2006
Interest income	136	195
Dividend income	2	1
Foreign exchange gains	435	39
Change in fair value of financial assets recognised at fair value (from derivatives)	42	26
Other finance income	63	81
Total finance income	678	343

15. FINANCE EXPENSES

1000 EUR	2007	2006
Interest expenses	1,669	1,279
Foreign exchange losses	1,044	102
Change in fair value of financial assets recognised at fair value (from derivatives)	245	27
Other finance expenses	80	2
Total finance expenses	**3,038**	**1,410**

Exchange differences for sales (exchange rate loss EUR 353 thousand) and purchases (exchange rate profit EUR 79 thousand) are entered in the income statement in the appropriate sales and purchase accounts.

16. INCOME TAXES

1000 EUR	2007	2006
Income tax based on taxable income for the financial year	1,284	1,953
Income taxes from previous financial periods	-260	-11
Deferred taxes	-614	-1,890
Total income taxes reported in the income statement	**410**	**52**

1000 EUR	2007	2006
Income tax reconciliation		
Profit(+)/Loss(-) before taxes	2,420	-681
Tax calculated at domestic tax rate 26%	629	-177
Difference between the domestic and foreign tax rates	-235	146
Expenses not deductible for tax purposes	16	83
Changes in tax laws		
Other		
Tax charge	410	52
Effective tax rate	16.9%	-7.6%

17. EARNINGS PER SHARE

Undiluted 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.

	2007	2006
Profit for the financial year (EUR 1,000) attributable to shareholders of the parent company, continued operations	2,010	-724
Weighted average number of outstanding shares during the financial year (1,000 shares)	11,897	11,830
Undiluted earnings per share (EUR/share), continued operations	0.17	-0.06

The calculation of the diluted earnings per share takes into account the dilutive effect of converting all potential shares to shares. The Group used stock options until 2006 as a dilutive financial instrument that increased the number of shares. Stock options have a dilutive effect when the exercise price of the options is lower than the fair value of the share. The amount of the dilution is the number of shares that can be considered as issued for no consideration, since the Group could not issue the same number of shares at fair value with the funds received from share subscriptions. The fair value is based on the average price of the share during the financial year. The dilution effect has no impact on the result for the financial year.

	2007	2006
Weighted average number of shares, 1,000	11,897	11,830
Effect of stock options, 1,000	0	17
Weighted average number of shares for diluted earnings per share, 1,000	11,897	11,847
Diluted earnings per share (EUR/share), continued operations	0.17	-0.06

18. DIVIDENDS PER SHARE

The Annual General Meeting held on 19 April 2007 approved the Board's proposal to distribute a dividend for the 2006 financial year of EUR 0.20 per share, amounting to a total dividend payment of EUR 2,379 thousand.

In 2006 a dividend of EUR 0.40 per share was distributed, or a total of EUR 4,720 thousand.

19. INTANGIBLE ASSETS

The Group has no internally created intangible assets.

Goodwill EUR 1,000	2007	2006
Acquisition cost at 1 Jan.	13,760	6,440
Additions	0	7,320
Exchange rate differences	-29	0
Acquisition cost at 31 Dec.	13,731	13,760
Accumulated amortisation at 1 Jan.	-3,653	-2,563
Impairment charge	-451	-1,090
Accumulated amortisation at 31 Dec.	-4,104	-3,653
Book value at 1 Jan.	10,107	3,877
Book value at 31 Dec.	9,627	10,107

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

Distribution of goodwill, EUR 1,000	2007	2006
Exel Sports Brands		452
Exel Composites, Finland	135	135
Exel Composites, Germany	1,305	1,305
Exel Composites, Belgium	207	209
Exel Composites, Austria	688	688
Exel Composites (Division)	7,291	7,320
Total	**9,627**	**10,107**

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 a moderate 2 percent 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 8.5%-10.6 % depending on the cash-generating unit.

With regard to the assessment of value in use the management believes that no reasonably possible change in any of the key assumptions would cause the carrying value to exceed its 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 with the exception of the Mäntyharju unit, for which an impairment loss totaling EUR 1.090 million has been recorded in 2006 and Sport Brands for which an impairment loss totaling EUR 451 has been recorded in 2007. The main causes of the impairment loss 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 Sport Brands business has no goodwill in the balance sheet.

Other intangible assets, EUR 1,000	2007	2006
Acquisition cost at 1 Jan.	3,893	857
Additions	37	3,055
Decreases	-16	-20
Transfers between asset groups	716	0
Exchange rate differences	-13	1
Acquisition cost at 31 Dec.	4,617	3,893
Accumulated amortisation at 1 Jan.	-1,085	-565
Amortisation for the period	-411	-532
Impairment charge and write-downs	691	0
Decreases	6	12
Exchange rate differences	7	0
Accumulated amortisation at 31 Dec.	-2,174	-1,085
Book value at 1 Jan.	2,806	291
Book value at 31 Dec.	2,443	2,806

All intangible assets are other than internally created.

Other long-term expenses, EUR 1,000	2007	2006
Acquisition cost at 1 Jan.	2,205	2,252
Additions	72	75
Decreases	-12	-134
Transfers between asset groups	11	12
Translation differences	0	0
Acquisition cost at 31 Dec.	0	0
Accumulated amortisation at 1 Jan.	-1,851	-1,663
Amortisation for the period	-190	-274
Decreases	0	86
Translation differences	12	0
Accumulated amortisation at 31 Dec.	-2,029	-1,851
Book value at 1 Jan.	352	589
Book value at 31 Dec.	246	352

20. PROPERTY, PLANT AND EQUIPMENT

Land and water areas, EUR 1,000	2007	2006
Acquisition cost at 1 Jan.	910	123
Additions	0	872
Decreases	-102	0
Transfers between asset groups	95	-104
Exchange rate differences	-50	19
Acquisition cost at 31 Dec.	853	910
Impairment charge and write-downs	-5	-5
Exchange rate differences	-6	0
Book value at 1 Jan.	905	123
Book value at 31 Dec.	842	905

Buildings and structures, EUR 1,000	2007	2006
Acquisition cost at 1 Jan.	6,250	4,558
Additions	96	2,333
Decreases	-699	-33
Transfers between asset groups	617	-632
Exchange rate differences	-89	24
Acquisition cost at 31 Dec.	6,175	6,250
Accumulated amortisation at 1 Jan.	-2,475	-2,157
Amortisation for the period	-307	-332
Decreases	82	14
Exchange rate differences	5	0
Accumulated amortisation at 31 Dec.	-2,695	-2,475
Book value at 1 Jan.	3,777	2,402
Book value at 31 Dec.	3,481	3,777

Machinery and equipment, EUR 1,000	2007	2006
Acquisition cost at 1 Jan.	29,324	25,546
Additions	1,721	5,128
Decreases	-1,667	-2,014
Transfers between asset groups	661	658
Exchange rate differences	-127	6
Acquisition cost at 31 Dec.	29,912	29,324
Accumulated amortisation at 1 Jan.	-18,991	-17,079
Amortisation for the period	-2,936	-3,090
Impairment charges and write-downs	-117	0
Decreases	669	1,178
Translation differences	42	
Accumulated amortisation at 31 Dec.	-21,333	-18,991
Book value at 1 Jan.	10,331	8,465
Book value at 31 Dec.	8,694	10,331

Advance payments and construction in progress, EUR 1,000	2007	2006
Acquisition cost at 1 Jan.	1,581	1,444
Additions	543	1,080
Transfers between asset groups	-1,399	-943
Acquisition cost at 31 Dec.	725	1,581
Book value at 1 Jan.	1,581	1,444
Book value at 31 Dec.	725	1,581

Finance lease arrangements	2007	2006
Buildings		
Acquisition cost at 1 Jan.	1,677	1,677
Additions		
Acquisition cost at 31 Dec.	1,677	1,677
Accumulated amortisation at 1 Jan.	479	320
Amortisation for the period	160	160
Accumulated amortisation at 31 Dec.	639	479
Book value at 1 Jan.	1,198	1,358
Book value at 31 Dec.	1,038	1,198

Finance lease arrangements	2007	2006
Machinery and equipment		
Acquisition cost at 1 Jan.	1,760	1,775
Additions	0	0
Decreases	0	-15
Acquisition cost at 31 Dec.	1,760	1,760
Accumulated amortisation at 1 Jan	-786	-172
Amortisation for the period	-156	-225
Impairment charge and write-down	-684	-400
Decreases	0	11
Exchange rate differences	0	
Accumulated amortisation at 31 Dec.	-1,626	-786
Book value at 1 Jan.	973	1,603
Book value at 31 Dec.	133	973

The Group had two factory properties that were for sale and whose production was transferred to the Group's other properties in 2006. These were located in Clacton, Great Britain and Mäntyharju, Finland. They were recorded in held-for-sale non-current property items and their balance sheet value was EUR 748 thousands. These properties was sold during 2007. Both properties belonged to Exel Composites.

21. OTHER NON-CURRENT ASSETS

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

EUR 1,000	2007	2006
Book value at 1 Jan.	76	103
Decreases	0	-31
Change in fair value	0	4
Book value at 31 Dec.	**76**	**76**

22. INVENTORIES

EUR 1,000	2007	2006
Raw materials	9,797	9,143
Work in progress	1,366	1,698
Finished products and goods	10,992	9,134
Total inventories	**22,155**	**19,975**

During the 2007 financial year an expense of EUR 2.8 million was recognised to reduce the book value of inventories to their net realisable value (EUR 2.5 million in 2006).

23. TRADE AND OTHER RECEIVABLES

EUR 1,000	2007	2006
Trade receivables	16,235	16,936
Deferred income	1,591	2,946
Other receivables	600	813
Total receivables	18,426	20,695

During the 2007 financial year credit losses of EUR 118 thousand were recorded (EUR 120 thousand in 2006).

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

			Past due but not impaired					
Year	**Total**	**Neither past due nor impaired**	**<30 days**	**30–60 days**	**61–90 days**	**91–180 days**	**181–365 days**	**Over 1 year**
2007	16.235	10.896	3.703	1.078	0.298	0.185	0.073	0.000
2006	16.936	12.135	3.491	0.767	0.136	0.231	0.143	0.033

24. CASH AND CASH EQUIVALENTS

Cash assets consist of cash-in-hand and bank reserves amounting to EUR 4,901 (6,199) thousand.

25. TRADE AND OTHER NON-INTEREST-BEARING LIABILITIES

EUR 1,000	2007	2006
Trade payables	10,095	15,108
Accrued expenses	4,551	4,363
Advance payments	90	478
Other current interest-free liabilities	2,416	2,490
Non-current interest-free liabilities	345	
Total	**17,497**	**22,438**

26. INTEREST-BEARING LIABILITIES

Non-current interest-bearing liabilities, EUR 1,000	2007 Book values	2006 Book values
Loans from financial institutions	19,412	23,153
Pension loans	428	260
Finance lease liabilities	1,915	2,315
Other	0	25
Total	**21,754**	**25,752**

Current interest-bearing liabilities, EUR 1,000	2007	2006
Short-term loans from financial institutions	5,796	5,933
Current portion of long-term debt (repayments)	4,815	1,620
Finance lease liabilities	396	381
Total	**11,008**	**7,934**

Maturity of non-current interest-bearing liabilities, EUR 1,000	2007	2006
2007		1,620
2008	4,815	4,819
2009	7,538	4,819
2010	4,674	4,381
2011	7,200	4,381
Later		9,778
Total	**24,227**	**24,798**

Maturity of finance lease liabilities, EUR 1,000	2007	2006
Finance lease liabilities – total value of minimum lease payments		
Not later than 1 year	444	444
1–5 years	1,323	1,766
Later than 5 years		
Finance lease liabilities – present value of minimum lease payments		
Not later than 1 year	375	375
1–5 years	1,266	1,618
Later than 5 years		
Future finance charges	154	217
Total finance lease liabilities	2,311	2,695

Among non-current liabilities, EUR 5,000 thousand has been converted to fixed interest rates through interest rate swap agreements.

27. DEFERRED INCOME TAXES

Deferred tax assets, EUR 1,000	1.1.2007	Recognised in income statement	Recognised in shareholders' equity	Exchange rate differences	31.12.2006
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
Other temporary differences					
Net deferred tax assets	**2,200**	**321**			**2,521**

Deferred tax liabilities, EUR 1,000	1.1.2007	Recognised in income statement	Recognised in shareholders' equity	Exchange rate differences	31.12.2006
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 2007 of EUR 4,615 thousand (EUR 5,425 thousand), of which the company has recorded deferred tax assets of EUR 1,007 thousand (EUR 1,445 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 -11 million on 31 December 2007.

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

Net investment	31. Dec 2007
AUD	8,504
GBP	5,963
RMB	3,197
USD	-1,531
SEK	139

The following table presents the effect of eventual changes in exchange rates of main currencies on the profit before tax and on equity.

31 December 2006	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 2007 were divided to the currencies as follows:

Currency	Amount 1,000 EUR	%
EUR	31,342	95.7%
GBP	19	0.0%
AUD	1,074	3.3%
USD	328	1.1%
Total	**32,762**	**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 and option contracts worth 5,000 thousand, where the group pays 3.52 - 3.75% fixed interest and receives Euribor 6 months +0.35% flexible interest (31 December 2007 4.746 %). 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 the 31 December 2007 was 278 thousand euros on the profit before tax.

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 2007 amounting to EUR 11.1 million.

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 1,000´s.

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

Year ended 31 Dec 2006	On demand	Less than 3 months	3–12 months	1–5 years	> 5 years	Total
Interest bearing liabilities	361	5,014	2,158	18,400	4,773	30,706
Trade and other current payables		21,961				21,961

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 2007 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.

	2007	2006
Interest-bearing liabilities	32,762	33,686
Cash and cash equivalents	4,901	6,199
Net interest-bearing liabilities	27,861	27,487
Shareholders´ equity	23,533	24,363
Net gearing %	118.4	112.8

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 recognised as a defined benefit scheme. As a result of changes to the Finnish employee pension scheme, disability insurance is recognised as a contribution scheme from the beginning of 2006.

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

Amounts recognised in the income statement, EUR 1,000	**2007**	**2006**
Service cost for the financial year	1,686	2,319
Differences in benefit schemes	428	100
Total included in personnel expenses	**2,113**	**2,419**

Amounts recognised in the balance sheet, EUR 1,000	**2007**	**2006**
At the beginning of financial period	260	160
Pension expenses in the balance sheet	167	100
At the end of financial period	428	260

30. PROVISIONS

The Group has no provisions.

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, 1000 EUR	**2007 Net fair value**	**2007 Nominal value**	**2006 Net fair value**	**2006 Nominal value**
Trade and other receivables	18,426	18,426	20,695	20,695
Cash and cash equivalents	4,901	4,901	6,199	6,199
Interest rate swap agreements	4	333	5	860
Purchased interest-rate options	34	4,667	6	4,667
Forward contract	18	8,372	-14	8,269
Purchased currency options	-103	5,078	-12	3,086
Sold currency options	-172	4,297	-4	1,922
Sold currency swaps	7	1,352		
Purchased currency swaps	-5	265		
Bank loans	24,354	24,277	24,566	24,738
Finance leasing	1,641	1,765	1,993	2,210
Non-current loan facilities	5,796	5,796	5,933	5,933
Trade and other payables	17,152	17,152	22,438	22,438

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

32. CONTINGENT LIABILITIES

EUR 1,000	2007	2006
Commitments on own behalf		
Mortgages	2,783	2,953
Guarantees	12,500	12,500
Guarantees on behalf of others		
Not later than one year	726	850
1–5 years	2,299	2,565
Later than 5 years		
Other liabilities	552	191

33. SHARE CAPITAL

1000 EUR	Number of shares (1,000)	Share capital	Share pre-mium	Total
1 January 2006	11,499	2,070	5,142	7,212
Share issue	398	71	3,063	3,134
31 December 2006	11,897	2,141	8,492	10,633
Share issue	0	0	0	0
31 December 2007	11,897	2,141	8,492	10,633

Under the articles of association of the Company, the authorised 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 19 April 2007 the Annual General Meeting authorised 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 594,842 shares.

On 19 April 2007 the Annual General Meeting authorised 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 594,842 shares.

The authorizations are valid until 19 April 2008. These authorisations have not been exercised during the year.

Following the balance sheet date the Board of Directors has proposed that a dividend of EUR 0.20 per share be distributed.

34. SHARE-BASED INCENTIVE PROGRAMS

On 28 March 2001 the Annual General Meeting decided to issue option rights to the key personnel of the Exel Group and to Exel Oyj's wholly owned subsidiary. The number of option rights was 370,000. The subscription period for this option program has ended on 30 April 2006.

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. Based on the 2007 incentive program the maximum amount of shares to be distributed would have been 37,415.

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. In 2007 the targets were not achieved and therefore no incentives were paid based on this program.

35. DISTRIBUTABLE FUNDS, 31 DECEMBER 2007

The parent company's distributable funds on 31 December 2007 were EUR 13,465 thousand.

36. CASH FLOW FROM BUSINESS OPERATIONS

Adjustments to the result for the financial year	2007	2006
Depreciation, impairment charges and write-offs	6,662	6,968
Taxes	410	52
Financial expenses	3,038	1,410
Financial income	-678	-343
Other adjustments	244	1,243
Total	**9,676**	**9,330**

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%
International Gateway AB	Sweden	100%
Exel Composites (Nanjing) Ltd	China	100%
Exel Composite Materials (Shenzhen) Ltd	China	100%
Nordic Sports Products (Beijing) Ltd	China	80%
Exel Composites (Australia) Pty Ltd	Australia	100%
Pacific Composites Ltd	Australia	100%
Pacific Composites (Europe) Ltd	UK	100%
Fibreforce Composites Ltd	UK	100%
Pacific Composites (Clacton) Ltd	UK	100%
Pacific Composites Ltd	New Zealand	100%
Pro Stick Oy	Finland	100%

Management remuneration

Senior management salaries, fees and bonuses, EUR 1,000	2007	2006
President & CEO	239	307
Members of the Board of Directors	123	119
Pension costs in the income statement		125
Total	**362**	**551**

Salaries and fees per person	EUR 1,000
Göran Jönsson, President and CEO	239
Ove Mattsson, Chairman of the Board	43
Members of the Board	
Kari Haavisto	21
Peter Hofvenstam	20
Vesa Kainu	20
Esa Karppinen	17

38. EVENTS AFTER THE BALANCE SHEET DATE

In January 2008 Exel announced to commence a co-determination process in the Mäntyharju unit. The negotiations were finalized late February. As a result the personnel will be reduced by 13 persons. Additionally a warning was given for temporary lay-offs which can cover 12 persons at a time.

The Board has appointed Vesa Korpimies as Exel Oyj's President and CEO. He will assume his position as of 10 April 2008 when Göran Jönsson resigns. Göran Jönsson has been nominated to become member of Exel Oyj's Board of Directors. Vesa Korpimies is currently Executive Vice President of Exel Oyj and Head of Exel Composites. He has been with the Company since 1987 and responsible for the development of Exel Composites since 1998 during which period sales have increased from about EUR 10 million to above EUR 100 million.

PARENT COMPANY INCOME STATEMENT, EUR 1,000

	Notes	1.1.–31.12.2007	1.1.–31.12.2006
NET SALES	1	**44,957**	**55,030**
Increase (+)/Decrease in inventories of finished goods and work in progress		-192	-771
Other operating income		459	181
Materials and services		-16,620	-21,064
External services		-126	-275
Personnel operating expenses	2	-10,386	-11,709
Depreciation and write-down	3	-1,737	-2,607
Other operating expenses	4	-8,137	-10,833
OPERATING PROFIT		**8,219**	**6,225**
Financial income and expenses	5	-173	-241
PROFIT BEFORE EXTRAORDINARY ITEMS		**8,046**	**5,985**
Group subsidy	6	-7,800	-3,500
PROFIT BEFORE APPROPRIATIONS AND TAXES		246	2,485
Direct taxes	7	-21	-1,167
PROFIT FOR THE PERIOD		**225**	**1,317**

PARENT COMPANY BALANCE SHEET, EUR 1,000

	Notes	31.12.2007	31.12.2006
ASSETS			
NON-CURRENT ASSETS	8		
Intangible assets		130	44
Intangible rights		236	341
		367	385
Tangible assets			
Land and water		116	123
Buildings		1,754	2,172
Machinery and equipment		2,547	3,036
Construction in progress		684	781
		5,091	6,112
Investments			
Holdings in Group companies		15,833	11,633
Other shares and holdings		61	61
TOTAL NON-CURRENT ASSETS		**21,352**	**18,190**
CURRENT ASSETS			
Inventories			
Raw materials and consumables		4,551	4,169
Work in progress		1,217	1,476
Finished products		1,776	1,709
		7,544	7,553
Current receivables	10		
Trade receivables		3,610	2,658
Receivables from Group companies		19,722	25,776
Other receivables		159	116
Prepaid expenses and accrued income		808	936
Cash in hand and at bank		3,564	8,995
TOTAL CURRENT ASSETS		**35,406**	**45,834**
TOTAL ASSETS		**56,758**	**64,024**
LIABILITIES AND SHAREHOLDERS' EQUITY			
EQQUITY	11		
Share capital		2,141	2,141
Increase in share capital		8,488	8,488
Retained earnings		13,241	14,302
Profit for the financial period		225	1,317
TOTAL EQUITY APPROPRIATIONS		**24,094**	**26,249**
LIABILITIES			
Non-current liabilities	12		
Loans from financial institutions		18,338	23,153
Current liabilities			
Loans from financial institutions	13	8,515	4,599
Trade payables		50	64
Accounts payable		2,025	3,240
Liabilities to Group companies		19	358
Other liabilities		535	489
Accrued liabilities and deferred income		3,182	5,873
TOTAL LIABILITIES		**14,326**	**14,623**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**56,758**	**64,024**

EUR 1,000	2007	2006
Cash flow from business operations		
Profit for the year	225	1,317
Profit for the year adjustments	9,414	7,767
Change in net working capital	4,913	-9,503
Interest paid and other financial expenses	-1,819	-1,304
Interest received	831	382
Income taxes paid	169	-2,536
Cash flow from business operations	**13,733**	**-3,877**
Net cash flow from investments		
Acquisitions	0	-5,952
Investments in property, plant and equipment (PPE) and tangible assets	-1,002	-1,140
Purchase of non-current assets	-4,200	0
Income from surrender of tangible and intangible assets	0	0
Proceeds from sale of PPE and intangible assets	617	0
Net cash flow from investments	**-4,585**	**-7,092**
Cash flow before financing	**9,148**	**-10,969**
Cash flow		
Rights issue	0	3,134
Withdrawals of non-current loans	0	18,000
Repayments of non-current loans	-1,600	-1,988
Net withdrawals of/repayment of current loans	700	3,000
Group subsidies	-11,300	
Dividend paid	-2,379	-4,720
Cash flow from financing	**-14,579**	**17,426**
Change in liquid funds	**-5,431**	**6,457**
Liquid funds on January 1	8,995	2,538
Liquid funds on December 31	**3,564**	**8,995**

1. NET SALES

EUR 1,000	Parent Company 2007	Parent Company 2006
By market area		
Nordic Countries	19,094	24,442
Other European countries	22,951	24,910
Other countries	2,912	3,952
Total	**44,957**	**53,303**

2. PERSONNEL EXPENSES

Management salaries and remunerations, EUR 1,000	Parent Company 2007	Parent Company 2006
President	239	307
Members of the Board	123	119
Total	**362**	**426**
Average personnel employed by the Group and the parent company		
Salaried employees	64	64
Non-salaried employees	155	213
Total	**219**	**277**

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 in 2006.

Planned depreciation, amortisation and impairment	Parent Company 2007	Parent Company 2006
Intangible rights	23	24
Goodwill	0	193
Other capitalized expenditure	186	265
Buildings	249	266
Machinery and equipment	1,279	1,363
Write-downs of non-current assets	0	496
Total	**1,737**	**2,607**

4. OTHER OPERATING EXPENSES

EUR 1,000	Parent Company 2007	Parent Company 2006
Rents	730	1,204
Marketing expenses	352	364
Other expenses	7,080	9,265
Total	**8,163**	**10,833**

5. FINANCIAL INCOME AND EXPENSES

EUR 1,000	Parent Company 2007	Parent Company 2006
Other interest and financial income		
From Group companies	1,673	1,178
From others	64	139
Total	**1,737**	**1,317**
Interest and other financial expenses		
To others	-1,910	-1,558
Total financial income and expenses	**-173**	**-241**

6. EXTRAORDINARY ITEMS

EUR 1,000	Parent Company 2007	Parent Company 2006
Group subsidy	7,800	3,500

7. DIRECT TAXES

EUR 1,000	Parent Company 2007	Parent Company 2006
Income tax on actual operations	22	1,167

8. INTANGIBLE AND TANGIBLE RIGHTS

EUR 1,000	Parent Company 2007	Parent Company 2006
Intangible rights		
Acquisition cost Jan. 1	527	547
Increase 1.1.–31.12.	110	0
Decrease 1.1.–31.12.	0	-20
Acquisition cost Dec. 31	637	527
Accumulated planned depreciation Jan. 1	-483	-471
Planned depreciation 1.1.–31.12.	-23	-24
Planned depreciation of decrease 1.1.–31.12.	0	12
Accumulated planned depreciaton 31 Dec.	-506	-483
Book value Dec. 31	130	44
Goodwill		
Acquisition cost Jan. 1	0	3,019
Acquisition cost Dec. 31	0	3,019
Accumulated planned depreciation Jan. 1	0	-2,331
Planned depreciation 1.1.–31.12.	0	-193
Impairment charge	0	-496
Accumulated planned depreciation Dec. 31	0	-3,020
Book value Dec. 31	0	0
Capitalized expenditure		
Acquisition cost Jan. 1	2,101	2,128
Increase 1.1.–31.12.	82	77
Decrease 1.1.–31.12.	-12	-104
Acquisition cost Dec. 31	2,171	2,101
Accumulated planned depreciation Jan. 1	-1,760	-1,563
Planned depreciation 1.1.–31.12.	-186	-265
Planned depreciation of decrease 1.1.–31.12.	12	68
Accumulated planned depreciation Dec. 31.	-1,934	-1,760
Book value Dec. 31	236	341
Land and water		
Acquisition cost Jan. 1	123	123
Decrease 1.1.–31.12.	-7	0
Acquisition cost Dec. 31	116	123
Book value Dec. 31	116	123
Buildings		
Acquisition cost Jan. 1	4,549	4,527
Increase 1.1.–31.12.	11	55
Decrease 1.1.–31.12.	-276	-33
Acquisition cost Dec. 31	4,284	4,549
Accumulated planned depreciation Jan. 1	-2,376	-2,124
Planned depreciation 1.1.–31.12.	-250	-266
Planned depreciation of decrease 1.1.–31.12.	96	14
Accumulated planned depreciation Dec. 31	-2,530	-2,376
Book value Dec. 31	1,754	2,172
Machinery and equipment		
Acquisition cost Jan. 1	17,317	17,420
Increase1.1.–31.12.	896	830
Decrease 1.1.–31.12.	-261	-933
Acquisition cost Dec. 31	17,952	17,317
Accumulated planned depreciation Jan. 1	-14,281	-13,673
Planned depreciation 1.1.–31.12.	-1,279	-1,363
Planned depreciation of decrease 1.1.–31.12.	145	755
Accumulated planned depreciation Dec. 31	-15,415	-14,281
Book value Dec. 31	2,537	3,036
Undepreciated acquisition cost of production machinery and equipment	2,439	2,867

EUR 1,000	Parent Company 2007	Parent Company 2006
Shares		
Group companies		
Acquisition cost Jan. 1	11,633	5,680
Increase Dec. 31	4,200	5,953
Decrease Dec. 31		
Acquisition cost Dec. 31	15,833	11,633
Other shares and holdings		
Acquisition cost Jan. 1	61	93
Decrease Dec. 31	0	-32
Acquisition cost Dec. 31	61	61

9. COMPANIES OWNED BY PARENT COMPANY

Shares in subsidiaries

Name of company	Proportion owned, %
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
International Gateway AB, Sweden	100
Exel Composites (Australia) Pty Ltd, Australia	100
Exel Composite Materials (Shenzhen) Ltd, China	100
Nordic Sports Products (Beijing) Ltd , China	80
Pro Stick Oy, Finland	100
Other Group companies	
Pacific Composites Ltd, Australia	100
Pacific Composites (Europe) Ltd, UK	100
Fibreforce Composites Ltd, UK	100
Pacific Composites (Clacton) Ltd, UK	100
Exel Composites (Nanjing) Ltd, China	100
Pacific Composites Ltd, New Zealand	100

10. RECEIVABLES

Current receivables, EUR 1,000	Parent Company 2007	Parent Company 2006
Receivables from Group companies		
Trade receivables	1,018	2,231
Loan receivables	16,339	22,260
Prepaid expenses and accrued income	2,365	1,286
Total	**19,722**	**25,777**
Receivables from others		
Trade receivables	3,610	2,658
Other receivables	159	116
Prepaid expenses and accrued income	808	936
Total	**4,577**	**3,709**
Total current receivables	**24,299**	**16,925**

Deferred tax assets amounting to EUR 310 (374) thousand have not been booked from cumulative depreciation exceeding the maximum tax depreciations by EUR 1.2 (1.4) million.

11. EQUITY

	Parent Company 2007	Parent Company 2006
Share capital on Jan. 1	2,141	2,070
Increase in share capital	0	72
Share capital Dec. 31	**2,141**	**2,141**
Share issue Jan. 1	0	287
Increase	0	3,157
Share issue Dec. 31	0	0
Premium fund Jan. 1	8,488	5,137
Increase in share capital		3,350
Premium fund Dec. 31	**8,488**	**8,488**
Premium fund Dec. 31	15,620	19,023
Dividend distributed	-2,379	-4,720
Retained earnings	13,241	14,302
Profit for the financial year	225	1,317
Total equity	**24,094**	**26,249**
Calculation of funds distributable as profit Dec. 31		
Retained earnings	13,241	14,302
Profit for the financial year	225	1,317
Total	**13,465**	**15,620**

12. NON-CURRENT LIABILITIES

	Parent Company 2007	Parent Company 2006
Liabilities to others		
Loans from financial institutions	18,338	23,153
Total non-current liabilities	18,338	23,153
Liabilities falling due in a period longer than five years	0	4,767

13. CURRENT LIABILITIES

	Parent Company 2007	Parent Company 2006
Liabilities to Group companies		
Trade payables	19	358
Accrued liabilities and deferred income	0	3,500
Total	**19**	**3,858**
Liabilities to others		
Loans from financial institutions	8,515	4,599
Advance payments	50	64
Trade payables	2,025	3,240
Other liabilities	535	488
Accrued liabilities and deferred income	3,182	2,373
Total	**14,307**	**10,765**
Total current liabilities	**14,326**	**14,623**
Breakdown of accrued liabilities and deferred income		
Salaries, wages and holiday pay, including social security expenses	2,158	1,452
Other accrued liabilities and deferred income	1,024	921
Total	**3,182**	**2,373**

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.

	Face value	Fair market value
Interest swaps (NPV)		
Interest swaps	333	4
Purchased interest rate options	4,667	34
Foreign exchange forward contracts	8,372	18
Purchased currency options	2,909	-39
Sold currency options	2,876	-121
Forward contracts		
sold	1,250	7
purchased	163	-2

	2007	2006
Liabilities for which a corporate mortgage and real estate mortgages have been provided as collateral		
Financial institution loans	26,855	27,729
Mortgages given on land and buildings	2,786	2,953
Corporate mortgage given		
Collateral for Group companies	12,500	12,500
Credit limit guarantee	322	358

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

15. LEASING, RENTAL AND OTHER LIABILITIES

	Parent Company 2007	Parent Company 2006
Leasing liabilities		
Falling due in 2008	387	361
Falling due later	1,166	1,436
Rental liabilities		
Falling due in 2008	195	195
Falling due later	763	958
Other liabilities	874	192

17. SHARE OWNERSHIP

Distribution of share ownership on 31 December 2007	%
Private companies	14.6
Financial and insurance institutions	22.4
Public sector entities	12.1
Non-profit organizations	4.8
Households	13.1
Foreign	29.5
Of which, nominee registration	3.5

Distribution of share ownership on 31 December 2007

Shares	Number of shareholders	Percentage of shareholders	Total number of shares	Percentage of total number of shares
1–1,000	1,386	82.75	457,339	3.84
1,001–10,000	230	13.73	679,564	5.71
10,001–50,000	23	1.37	608,351	5.11
over 50,000	36	2.15	10,151,589	85.33

18. SHAREHOLDERS

Information on shareholders on 31 December 2007

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	412,000	3.5
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
ABN AMRO Finland Investment Fund	339,779	2.9
Suutarinen Matti	294,400	2.5
Fondita Nordic Small Cap Investment Fund	280,000	2.4
Nominee registration	420,356	3.5
Other	4,494,502	37.8
Total	**11,896,843**	**100.0**

19. MANAGEMENT INTERESTS

The aggregate holding of the members of the Board of Directors and the President was 447,500 shares on 31 December 2007. This accounts for 3.8% of corporate shares and 3.8% of the votes carried by all shares. The members of the Board of Directors and the President do not have any unsubscribed option rights.

20. SHARE ISSUE AND OPTION PROGRAMMES

On 19 April 2007 the Annual General Meeting authorized the Board to decide to on a share issue by 19 April 2008. A maximum of 1,189,684 shares may be issued in virtue of the authorization. The authorization was not used during the year.

21. SHARE PRICE AND TRADING

Share price (EUR)	2003	2004	2005	2006	2007
Average price	8.40	18.04	12.73	12.86	14.14
Lowest price	5.50	11.75	11.35	10.50	10.55
Highest price	12.95	24.00	14.80	15.13	17.45
Share price at end of financial year	11.90	23.00	13.05	13.60	11.90
Market capitalization, EUR million	63.6	127.0	150.0	162	141.60
Share trading					
Number of shares traded	1,435,573	3,962,470	4,114,242	5,172,938	4,907,765
% of total	27.1	73.2	35.7	43.5	41.3
Number of shares adjusted for share issues					
Average number	5,300,711	5,412,764	11,549,554	11,846,725	11,896,843
Number at end of financial year	5,343,100	5,520,800	11,498,900	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 (1:2).

22. KEY INDICATORS

Key indicators illustrating financial trends

Figures given in EUR 1,000 unless otherwise stated	2003	2004	2005	2006	2007
Net sales	57,281	83,857	91,288	112,395	113,489
Operating profit	5,345	13,702	12,388	386	4,780
% of net sales	9.3	16.3	13.6	0.3	4.0
Profit before extraordinary items	4,910	13,236	12,046	-681	2,420
% of net sales	8.6	15.8	13.2	-0.6	2.0
Profit before provisions and income taxes	4,910	13,236	12,046	-681	2,420
% of net sales	8.6	15.8	13.2	-0.6	2.0
Total assets	34,147	46,253	54,621	81,924	75,192
Return on equity, %	20.8	47.8	37.3	-2.9	8.4
Return on investment, %	20.8	45.2	34.0	1.2	7.3
Solvency ratio, %	51.7	44.9	50.0	29.9	31.3
Net gearing, %	29.4	36.0	30.2	112.8	118.4
Gross investment in fixed assets	2,519	5,803	4,119	19,863	2,469
% of net sales	4.4	6.9	4.5	17.7	2.2
R&D expenses	1,707	1,956	2,323	2,169	2,824
% of net sales	3.0	2.3	2.5	1.9	2.5
Average personnel	355	441	467	600	568
Personnel at year end	355	419	466	555	579
Share data					
Earnings per share (EPS), EUR	0,.64	0.84	0.78	-0,06	0.17
Adjusted earnings per share (EPS), EUR*	0.62	0.80	0.76	-0,06	0.17
Equity per share, EUR	3.26	1.84	2.34	2,05	1.98
Dividend per share, EUR	1.30	0.35	0.40	0,20	0.20
Payout ratio, %	204.3	41.5	53.0	-322,7	118.40
Effective yield of shares, %	10.92	3.04	3.07	1,47	1.68
Price/earnings (P/E), %	18.70	13.64	16.65	-219,41	70.44

*Adjusted for the dilution of option rights

Return on equity %

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

Return on investment %

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

Solvency ratio %

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

Gearing %

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

Earnings per share (EPS) EUR

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

Equity per share EUR

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

Dividend per share EUR

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

Payout ratio %

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

Effective yield of shares %

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

Price/earnings (P/E) %

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

Exell Oyj's distributable funds total EUR 13,465,186.20, of which profit for the financial period accounts for EUR 224,591.06.

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

- a dividend of EUR 0.20 per share	EUR 2,379,368.60
- carried over as equity	EUR 11,085,817.60
	EUR 13,465,186.20

Vantaa, 27 February 2008

Ove Mattsson
Chairman

Peter Hofvenstam

Vesa Kainu

Kari Haavisto

Esa Karppinen

Göran Jönsson
President and CEO

The above financial statements and the report of the Board of Directors have been prepared in accordance with generally accepted accounting principles in Finland. Our auditors´ report has been issued today.

Vantaa, 6 March 2008

Ernst & Young
Authorized Public Accountants

Eija Niemi-Nikkola
Authorized Public Accountant

To the shareholders of Exel Oyj

We have audited the accounting records, the report of the Board of Directors, the financial statements and the administration of Exel Oyj for the period January 1 – December 31, 2007. The Board of Directors and the Managing Director have prepared the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, as well as the report of the Board of Directors and the parent company's financial statements, prepared in accordance with prevailing regulations in Finland, containing the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements. Based on our audit, we express an opinion on the consolidated financial statements, as well as on the report of the Board of Directors, the parent company's financial statements and the administration.

We conducted our audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the report of the Board of Directors and the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the report of the Board of Directors and in the financial statements, assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. The purpose of our audit of the administration is to examine whether the members of the Board of Directors and the Managing Director of the parent company have complied with the rules of the Companies Act.

Consolidated financial statements

In our opinion the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view, as defined in those standards and in the Finnish Accounting Act, of the consolidated results of operations as well as of the financial position.

Parent company's financial statements, report of the Board of Directors and administration

In our opinion the parent company's financial statements have been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The parent company's financial statements give a true and fair view of the parent company's result of operations and of the financial position.

In our opinion the report of the Board of Directors has been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The report of the Board of Directors is consistent with the consolidated financial statements and the parent company's financial statements and gives a true and fair view, as defined in the Finnish Accounting Act, of the result of operations and of the financial position.

The consolidated financial statements and the parent company's financial statements can be adopted and the members of the Board of Directors and the Managing Director of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the disposal of distributable funds is in compliance with the Companies Act.

Vantaa, 6 March 2008

Ernst & Young
Authorised Public Accountants

Eija Niemi-Nikkola
Authorized Public Accountant

From left: Ove Mattsson, Vesa Kainu, Esa Karppinen, Peter Hofvenstam and Kari Haavisto.

Board of Directors

Chairman
Ove Mattsson, born 1940
- Docent, Ph.D. (Chem.)
- Management Consultant
- Member of the Board since 2003
- Holdings: 3,500 Exel shares

Previous main positions:
- Member of the Board of Management, Akzo Nobel
- COO, Akzo Nobel Coatings
- CEO, Nobel Industries AB
- Managing Director, Casco Nobel AB

Principal Board memberships:
- Chairman of the Board, Aromatic AB
- Chairman of the Board, AB Geveko
- Chairman of the Board, XCounter AB
- Member of the Board, Arctic Island Ltd
- Member of the Board, Biotage AB
- Member of the Board, Kemira Oyj
- Member of the Board, Mydata Automation AB

Kari Haavisto, born 1941
- Lc.Sc. (Econ.)
- Member of the Board since 2000
- Holdings: 32,000 Exel shares

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

Peter Hofvenstam, born 1965
M.Sc. (Econ.)
- Vice President, Nordstjernan AB
- Member of the Board since 2001
- No Exel holdings.

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

Vesa Kainu, born 1947
B.Sc. (Eng.)
Member of the Board since 2000
No Exel holdings.

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, KMT AB
- Member of the Board, Valmet Automotive Oy

Esa Karppinen, born 1952
- LL.M.
- Managing Director, Berling Capital Ltd.
- Member of the Board since 2005
- Holdings: 412,000 Exel shares

Previous main positions:
- Vice President and CFO, Oy Expaco Ab

Principal Board memberships:
- Chairman of the Board, Amanda Capital Plc
- Chairman of the Board, Oy Air Finland Ltd
- Member of the Board, Aspo Plc
- Member of the Board, Taaleritehdas Oy

From left: Callum Gough, Ilkka Silvanto , Vesa Korpimies, Grant Pearce and Göran Jönsson.

Exel Oyj Management Group

Göran Jönsson, born 1947
- M.Sc. (Econ.)
- President and CEO
- Joined the company in 2006
- No Exel holdings.

Areas of responsibility
- Creating added value for the Group and its owners
- 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 organisation
- Key customer and investor relationships
- Other responsibilities of the President and CEO

Previous main positions:
- Senior Partners, Partner
- General Manager of Industrial Coatings, Akzo Nobel
- President & CEO, Nobel Coatings, Nobel Industries

Vesa Korpimies, born 1962
M.Sc. (Econ.)
- Executive Vice President, Business Area Manager Europe
- Joined the company in 1987
- Holdings: 68,300 Exel shares

Areas of responsibility:
- Managing and developing Business Area Europe's business operations
- Developing Exel Composites' strategy
- Ensuring the profitability of business operations
- Searching for new market areas and segments

Callum Gough, born 1960
- M.Sc. (General Management)
- Senior Vice President / Operations
- Joined the company in 2006
- No Exel holdings.

Areas of responsibility:
- Strategic site planning
- Investments
- Strategic purchasing
- Quality and environment
- R&D coordination - Manager of Exel's UK/ Belgium operations

Previous main positions:
- Managing Director Exel Composites UK and Belgium
- 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
- No Exel holdings.

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: 400 Exel shares

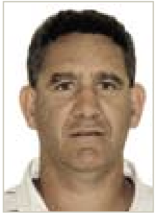
Areas of responsibility:
- Controlling and finance functions
- Administration and legal matters
- Maintenance and development of IT systems
- Secretary to the company's Board of Directors

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

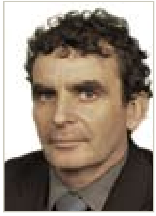
Managing Directors of Subsidiaries

Eric Moussiaux
Exel Composites N.V.

Eduard Hejl
Exel Composites GmbH



Grant Pearce
Exel Composites Australia



Callum Gough
Exel Composites UK

Ken Smith
Exel Composites China

Olli E. Juvonen
Exel Sports Oy
as from 6 Nov. 2007

Joacim Bergström
International Gateway AB

Sam Xiao
Nordic Sports Products (Beijing) Ltd

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 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 1 July 2004 (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 the Audit Committee or 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.

Shareholders' 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 organisation 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 yearly 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.

2007

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. Ove Mattsson, Kari Haavisto and Vesa Kainu are independent of the significant shareholders. Peter Hofvenstam and Esa Karppinen are not independent of the major shareholders as the former is Vice President of Nordstjernan AB and the latter the Managing Director of Berling Capital Oy.

Exel's Annual General Meeting held on 19 April 2007 elected Kari Haavisto, Peter Hofvenstam,Vesa Kainu, Esa Karppinen and Ove Mattsson to the Board of Directors. Ove Mattsson was re-elected as Chairman of the Board.

The 2007 information on the members of the Board (biographical details and holdings) is presented separately under the heading "Members of the Board".

The Board convened 13 times in 2007 and the average attendance rate at these meetings was 95%.

Based on a decision made at the AGM, the monthly and meeting fees paid in 2007 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	EUR 1,000 per capita

Remuneration paid to the Board members in 2007 for their duties in the Group totalled EUR 121 thousand. Board members are also entitled to per diem allowances and travel allowances in accordance with Exel's general travelling compensation regulations.

The 2007 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 two permanent committees, the Compensation Committee and the Audit Committee, which was set up in spring 2007. The Board Committees are supervised by the Board. The Board has approved written charters for Board's Committees.

The Compensation Committee comprises the Chairman of the Board and two other Board members. The task of the committee is to analyse the competitiveness of Exel's internal rewarding and incentive programs and to prepare proposals to the Board concerning the President and CEO's salary and other benefits.

In addition, the Compensation Committee carries out annually in February-March an evaluation of the President and CEO's competitive total compensation compared to similar tasks on the market. The Compensation Committee draws up a proposal of the compensation to the Board of Directors. The President and CEO presents a proposal of Group Management of a competitive compensation to the members of the Group Management annually in February-March. The Compensation Committee handles the proposal and proposes it as is or amended to the Board of Directors, which then makes a decision on the matter.

The Audit Committee comprises the Chairman of the Board and one Board member. The Audit Committee oversees Exel´s finances, financial reporting, risk management and internal auditing. It is also responsible for assisting the Board in monitoring Exel's financial position, reporting and controlling.

Deviation from the Corporate Governance Recommendation: Recommendation 28 of the Corporate Governance Recommendation requires that the Audit Committee shall comprise at least three members. According to the unanimous decision of the Board, the Audit Committee consists of two members. Taking into consideration the Board's size (5 members) the Board considers that the present composition of the Audit Committee is appropriate for the effective functioning of the Audit Committee as well as the Board.

The Compensation Committee met 3 times and the Audit Committee 2 times during 2007.

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, and implementing the Board's decisions, specifically also securing growth of the business, acquisitions and strategic projects, the increase in shareholder value, profitability and efficiency of operations, and investments within the limits defined by the Board.

The 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.

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 Executive Vice President / Business Area Manager Europe, 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.

2007
Göran Jönsson, M.Sc. (Econ.) is Exel's President and CEO.

Salaries, bonuses and fringe benefits
In 2007, the salaries, bonuses and fringe benefits paid to Göran Jönsson, President and CEO, totalled EUR 239 thousand. In addition to salary in money he has a housing and phone benefit.

The 2007 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 Compensation committee makes a proposal for the President and CEO's remuneration to the Board of Directors who makes the decision on the remuneration.

The President and CEO presents the remuneration of the other members of the Management Group Team to the Compensation Committee. The Compensation Committee makes a proposal to the Board of Directors for the decision 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 and two to four months.

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.

Auditors and audit system
The company has one auditor elected by the Annual General Meeting. The auditor must be an Authorised 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.

2007
Ernst & Young, Authorised Public Accountants, with Eija Niemi-Nikkola, APA, as principal auditor, were elected to serve as company auditor in the AGM in 2007. The fees paid in 2007 to the external auditors for auditing Exel Group companies totalled EUR 351 thousand, while the fees paid for non-audit services totalled EUR 92.

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 realisation 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 realisation 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 divisions 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 at Exel's website. Exel's website is published in Finnish and English.

Last update: 26 February 2008

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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 minimising the total risk
- Secure continuous operation without interruptions

- Promoting the effective utilisation 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 categorised as: strategic, operational, finance and hazard risks; they can result from factors both external and internal to the organisation. 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 fibre, 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. Operative risks also include product liability risk.

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, RMB 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.

10.1.2007 at 10.15
Mika Sulin resigns from Exel Sports Oy, Aki Karihtala appointed new Managing Director

30.1.2007 at 12.45
Change in the date and venue of Exel's Annual General Meeting

22.2.2007 at 11.00
Exel Oyj's Q4 performance and financial statements bulletin 2006

12.3.2007 at 8.00
Notice of Exel Plc Annual General Meeting

14.3.2007 at 14.25
Exel Oyj's Annual Summary 2006

19.4.2007 at 13.10
Decisions of the Annual General Meeting of Exel Oyj

25.4.2007 at 11.00
Exel interim report for January 1 – March 31, 2007

7.5.2007 at 10.00
Exel to sell Plastics operations in Germany

16.5.2007 at 13.00
Changes in Exel's Articles of Association entered in the Trade Register on 7 May 2007

25.7.2007 at 11.00
Exel interim report for January 1 – June 30, 2007

23.10.2007 at 18.30
Continued problems in Exel Sports Brands

30.10.2007 at 11.00
Exel interim report for January 1 – September 30, 2007

5.11.2007 at 14.00
Exel strengthens the management of Exel Sports Brands

12.12.2007 at 10.00
Exel Oyj's Annual General Meeting and financial calendar in 2008

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 fibres 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.

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; specialisation 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 10 April 2008 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 3 April 2008 at the latest, either in writing to Exel Oyj, P.O. Box 29, 52701 Mäntyharju, Finland, by telephone +358 20 7541 221/ Merja Mäkinen, by fax +358 20 7541 201, 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 a dividend of EUR 0.20 per share be paid for 2007. Shareholders registered on the list of shareholders maintained by the Finnish Central Securities Depository on the record date of 15 April 2008 are entitled to a dividend, which will be paid on 22 April 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 2008

In addition to this Annual Report for 2007, Exel will issue three interim reports during the year: on 2 May, 24 July and 30 October 2008. The annual report, interim reports and stock exchange releases will be available in Finnish and English on the internet at www.exel.net. Interim reports will not be available in print, but paper copies can be ordered from Exel's Corporate Communications. Stock exchange releases, annual and interim reports can be obtained by joining our mailing lists on the Exel website.

Financial reports are also available by order from Exel's Corporate Communications:

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Fax +358 20 7541 202
e-mail: investor@exel.fi



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