



Interim Report

1 January - 30 June 2005

First six months in brief

- Net sales rose to EUR 46.9 million for the first six months, up 7.4 per cent on the previous year's EUR 43.7 million
- Net sales were EUR 25.2 (23.2) million in the second quarter
- Operating profit grew in H1 by 1.8 per cent to EUR 7.2 (7.1) million
- Operating profit still strong in the second quarter and reached EUR 5.2 (5.0) million or 19.9 (22.3) per cent of net sales
- Earnings per share were EUR 0.31 (0.31), based on the diluted number of shares at the end of the period
- The industrial profile market was very active
- The Industry division posted a strong growth in profit in the first six months, EUR 5.1 (3.5) million, up 46.4 per cent
- The Sport division focused strongly on opening new Nordic Walking markets, the investment to affect profitability clearly in the short term
- Exel Sports Oy started operations on 1 April 2005
- Exel Composites GmbH (Faserprofil, Austria) joined the Group at the beginning of April

IFRS reporting

Exel has applied IFRS reporting since the beginning of 2005 and this interim report has been prepared in accordance with the recognition and measurement principles of IFRS. The reconciliation statement for the opening IFRS balance sheet for 2004 was presented in the financial statements bulletin released on 24 February 2005. The effects of IFRS transition on 2004 financial statements on a quarterly basis were explained in more detail in a stock exchange release published on 3 May 2005. In the present interim report, the figures published on that occasion have been used as comparative information.

Net sales

Exel's consolidated net sales for January-June grew this year by 7.4% over the previous year's, to EUR 46.9 (43.7) million. In Q2, net sales grew by 8.7 per cent to EUR 25.2 (23.2) million. The net sales for April-June include the operations of the Austrian company Faserprofil GmbH, which was acquired on 1 April 2005. The company now operates under the name Exel Composites GmbH as Exel's subsidiary. Of this growth in net sales the majority, EUR 2.1 million was organic growth. The acquisition of Faserprofil accounted for EUR 1.1 million of the net sales in H1.

Profit performance

Exel's operating profit for H1 improved by 1.8 per cent on the figure for H1 of 2004 and was EUR 7.2 (7.1) million. Operating profit, as a percentage of net sales, was 15.4 (16.2) per cent. The Industry division's operating profit increased due to improved labour productivity, more efficient use of raw materials and tight cost management. Major investments made to expand the Nordic Walking market caused operating margin to fall in the Sport division.

Net financial expenses came to EUR 170 thousands. Pre-tax profit was EUR 7.0 (6.9) million, and profit for the period totalled EUR 5.1 (4.7) million.

Key financial figures (unaudited)

EUR million	1.4.-30.6.2005	1.4.-30.6.2004	Change %	1.1.-30.6.2005	1.1.-30.6.2004	Change %	1.1.-31.12.2004
Net sales	25.2	23.2	8.7%	46.9	43.7	7.4%	83.9
Operating profit	5.0	5.2	-3.1%	7.2	7.1	1.8%	13.7
% of net sales	19.9%	22.3%	-10.9%	15.4%	16.2%	-5.3%	16.3%
Profit for the period	3.6	3.5	2.9%	5.1	4.7	9.2%	9.1%
Equity	21.8	17.8%	22.5%	21.8	17.8	22.5%	20.7
Net interest-bearing liabilities	13.0	13.7	-5.1%	13.0	13.7	-5.1%	7.4
Invested capital	40.3	37.0	8.8%	40.3	37.0	8.8%	33.3
Return on equity, %	64.6%	75.8%	-14.8%	48.0%	53.0%	-9.4%	47.8%
Return on investment, %	54.0%	58.1%	-7.1%	40.1%	44.1%	-9.9%	45.2%
Solvency ratio, %	38.9%	35.8%	8.7%	38.9%	35.8%	8.7%	44.9%
Net gearing, %	59.4%	76.6%	-22.5%	59.4%	76.6%	-22.5%	36.0%
Earnings per share, EUR	0.32	0.32	0.0%	0.45	0.43	4.7%	0.84
Earnings per share, EUR, diluted	0.31	0.31	0.0%	0.45	0.42	7.1%	0.80
Equity per share, EUR	1.95	1.66	17.5%	1.95	1.66	17.5%	1.84

Balance sheet and financial position

The consolidated balance sheet total stood at EUR 56.2 (50.0) million. Half of the increase was due to the Austrian acquisition and the rest accounted by an increase in working capital arising from increased sales volumes, especially in Exel's main markets.

At the end of the period, equity stood at EUR 21.8 (17.8) million and the solvency ratio was 38.9 (35.8) per cent. Interest-bearing liabilities were EUR 18.4 (19.2) million of which short-term liabilities accounted for EUR 10.8 (9.1) million. Net interest-bearing liabilities were EUR 13.0 (13.7) million and the debt-to-equity ratio was 59.4 (76.6) per cent.

The development of the cash flow from business operations turned clearly positive in the second quarter and was EUR +1.5 (+5.6) million in H1. Lower cash flow compared to last year was due to the exceptionally low level of working capital at the turn of the year resulting mostly from accounts receivable. In addition, because of the good results posted in 2004, EUR 1.5 million in taxes for last year was paid in H1. Operative capital expenditure was financed with cash flow from business operations. The acquisition was funded by increasing long-term loans. At the end of the period, liquid assets stood at EUR 5.4 million, compared with EUR 5.1 million at the end of 2004.

Capital expenditure

Capital expenditure totalled EUR 2.7 million containing some EUR 1.1 million operative investments. The most significant investment was the acquisition of the Austrian Faserprofil GmbH at the beginning of April 2005. The total investment amounts to some EUR 1.9 million, of which fixed assets account for some EUR 1.7 million. This sum includes a supplement to the purchase price, likely to be paid in the future depending on the development of business operations. In addition, maintenance and productivity-enhancing investments were continued. A decision to increase the Industry division's capacity was made in the form of investment in a new production line at the Voerde factory.

Personnel

The number of Exel employees was 514 (467) in total on 30 June 2005. Of these 362 (355) worked in Finland and 152 (112) abroad. The number of employees during the reporting period averaged 451 (430). The increase from last year is mainly due to the acquired Austrian unit.

The Industry division's key financial figures for the second quarter were as follows:

EUR million	1.4.-30.6.2005	1.4.-30.6.2004	Change %	1.1.-30.6.2005	1.1.-30.6.2004	Change %	1.1.-31.12.2004
Net sales	15.5	13.4	15.3%	28.0	25.1	11.3%	48.3
Operating profit	3.3	2.5	30.2%	5.1	3.5	46.4%	7.8
% of net sales	21.2%	18.7%	12.9%	18.2%	13.8	31.5%	16.2
Average number of personnel	247	230	7.4%	222	214	3.7%	224

Business segments

The Group's operations are divided into two main segments, Industry and Sport, based on the primary IFRS-compliant reporting format.

Industry

Industry's net sales grew by 11.3 per cent on those posted a year earlier. Of the increase, EUR 1.1 million arose from the acquisition of Faserprofil, while the rest was organic growth. Demand in the profile market recovered significantly in Q2, and many new applications are being developed. In the first half of the year, new customer mould projects numbered more than 20, which reflects the increase in demand. Production utilisation rate was high at most factories, and additional investments in production are being planned.

Profitability remained at a good level, a considerable increase in raw material prices notwithstanding. Some of this price pressure was successfully passed on within the production chain. Operating profit grew by 46.4% to EUR 5.1 from the EUR 3.5 million of the previous year. This improvement in profitability was caused by higher sales volumes and productivity gains at the main factories. Tight cost management has reinforced profitability.

Carbon fibre was in short supply throughout the reporting period, a situation that is expected to continue throughout the year. This is due to major new projects, the most important of which are the Airbus380 programme, defence projects in the US, and the development of China's infrastructure. In the second quarter, the situation has stabilised, and Exel has, for the most part, ensured adequate fibre supplies for this year's projects. Negotiations concerning next year's supplies have commenced, and they are expected to be completed in the latter part of the year.

During the reporting period, the Industry division made a decision to establish a production unit in China. Negotiations and matters pertaining to licences have progressed as planned. Exel now has almost all of the necessary licences. Construction of the factory is to commence in August 2005. According to the plans, the factory will be in full operation by the summer of 2006 at the latest. Establishing the factory will incur costs also in 2005, but the most significant costs are going to be encountered in 2006.

Europe's pultrusion industry continues its consolidation. The integration of Faserprofil into the Industry division has progressed well. Operations are profitable. Several customer application projects are underway and work to

expand production and increase its efficiency is progressing as planned. The main reasons for the acquisition were the company's expertise in epoxy pultrusion and the skilled personnel. In addition, Faserprofil will enable Exel to become a component supplier for the electronics industry.

Sport

The Sport division's net sales grew by 2.2% during the period under review. Net sales for Q2 were at the same level as in 2004. The Nordic Walking market continues to grow in Central Europe, especially in the German-speaking market. The selling of products from sports shops was slightly slower in early summer, but demand is expected to become livelier towards autumn. Of the new markets, the Netherlands and Denmark are developing strongly. The market is expected to be opened up also in Poland this autumn.

The Sport division's operating profit fell from last year's EUR 3.6 million to EUR 2.1 million. The division continued its dedicated efforts to open new Nordic Walking markets and launch our concept. Marketing investments are going to reduce the division's operating profit clearly in the short term.

New markets are being opened in North America where the new subsidiary, Exel USA, Inc., is investing in spreading the sport, and in China, where joint marketing with our partner, CISS, is progressing well. The Nordic Walking category is at present one of the few areas, in fact the only one in the whole of the sporting goods market that is experiencing strong growth. Exel's market share has remained strong.

Exel Sports Oy started operating during the period under review with Mika Sulin as managing director. Activities to improve logistics efficiency, as well as to focus sales and further develop the Nordic Walking concept and related operations, are progressing.

In the OEM product group (surfing masts and laminate components) the market is stable. The downward trend in surfing mast deliveries has stopped, and volumes are expected to remain at the present level for the foreseeable future. Laminate sales have increased on those of the previous year, and several new application areas are being developed.

Shares

In April 2005, Exel Oyj's Annual General Meeting approved the proposal by the Board of Directors to double the number of shares and increase the share capital through a EUR 56,150 bonus issue. Following the increase, the share capital of the

company is EUR 2,021,400, divided into 11,230,000 shares, each with a counter-book value of EUR 0.18.

The highest share quotation during the reporting period was EUR 13.78 (8.13) and the lowest EUR 11.35 (5.87), and the share price closed at EUR 12.20 (8.06). The share price averaged EUR 12.48 (7.04).

In total, 2,074,235 (3,576,414) shares were traded during the period, accounting for 18.5 (33.2) per cent of the average number of outstanding shares. Based on the closing price in the second quarter, market capitalisation totalled EUR 137.0 (86.7) million.

Corporate Governance

Exel Sports Oy, a fully owned subsidiary of Exel Oyj, commenced operations on 1 April 2005. Exel Sports assumed responsibility for the marketing, sales, logistics, and development of consumer products, and 25 employees from the parent company joined the new company's payroll.

Outlook

Profitability has remained strong in H1. However, the competition in existing Nordic Walking markets is expected to intensify. Opening of new markets is going to require major investments in marketing, sales, and delivery operations as well as targeted, innovative, and customer-oriented product development.

Raw material markets have stabilised, even the allocation of carbon fibre is under control. In the short term, the supply of carbon fibre is going to slow growth in the Industry division. The acquisition of Faserprofil GmbH will strengthen our position in the Central European pultrusion markets. The industrial profile market is very active. The combined effect is going to result in growth in revenue, whilst profit after financial items is expected to remain at last year's level.

Mäntyharju, 26 July 2005

EXEL OYJ
Board of Directors

Ari Jokelainen
President

The Sport division's key financial figures for the second quarter were:

EUR million	1.4.-30.6. 2005	1.4.-30.6. 2004	Change %	1.1.-30.6. 2005	1.1.-30.6. 2004	Change %	1.1.-31.12. 2004
Net sales	9.7	9.8	-0.3%	19.0	18.6	2.2%	35.5
Operating profit	1.7	2.7	-34.6%	2.1	3.6	-41.2%	5.9
% of net sales	17.8%	27.1%	-34.4%	11.2%	19.4%	-42.5%	16.5%
Average number of personee	238	222	7.2%	229	216	6.0%	217

CONDENSED CONSOLIDATED INCOME STATEMENT, EUR thousands	1.4.-30.6.2005	1.4.-30.6.2004	Change %	1.1.-30.6.2005	1.1.-30.6.2004	Change %	1.1.-31.12.2005
Net sales	25,203	23,181	8.7%	46,941	43,695	7.4%	83,857
Other operating income	153	99	54.5%	203	120	69.2%	111
Operating expenses	-19,505	-17,348	-12.4%	-38,298	-35,243	-8.7%	-67,085
Depreciation and impairment	-845	-767	-10.2%	-1,636	-1,487	-10.0%	-3,181
Operating profit	5,006	5,165	-3.1%	7,210	7,085	1.8%	13,702
Net financial items	-112	-91	-23.1%	-170	-198	14.1%	-467
Profit before tax	4,894	5,074	-3.5%	7,040	6,887	2.2%	13,236
Income taxes	-1,332	-1,614	17.5%	-1,934	-2,212	12.6%	-4,110
Profit for the period	3,562	3,460	2.9%	5,106	4,675	9.2%	9,126
Earnings per share, EUR	0,32	0,32	0.0%	0,45	0,43	4.7%	0,84
Earnings per share, EUR, diluted	0,31	0,31	0.0%	0,45	0,42	7.1%	0,80

CONDENSED CONSOLIDATED BALANCE SHEET, EUR thousands	30.6.2005	30.6.2004	Change	1.1.-31.12.2004
Assets				
Non-current assets				
Intangible assets	778	522	256	926
Goodwill	3,878	3,188	690	3,188
Tangible assets	14,311	14,286	25	13,742
Deferred tax assets	928	350	578	310
Other non-current assets	101	98	3	100
Non-current assets total	19,996	18,444	1,552	18,266
Current assets				
Inventories	15,108	13,007	2,101	13,269
Trade and other receivables	15,639	12,997	2,642	9,568
Cash and cash equivalents	5,444	5,513	-69	5,150
Current assets total	36,371	31,517	4,674	27,987
Total assets	56,187	49,961	6,226	46,253
Equity and liabilities				
Shareholders' equity				
Share capital	2,021	1,884	137	1,932
Share issue			0	817
Share premium reserve	4,118	3,149	969	3,390
Retained earnings	10,599	8,122	2,477	5,427
Profit for the period	5,106	4,675	431	9,126
Total equity	21,844	17,830	4,014	20,629
Non-current liabilities				
Interest-bearing liabilities	7,643	10,052	-2,409	8,456
Trade and other non-current liabilities	349	108	241	297
Current liabilities				
Interest-bearing liabilities	10,772	9,128	1,644	4,141
Trade and other non-current liabilities	15,579	12,843	2,736	12,666
Total liabilities	34,343	32,131	2,212	25,560
Total equity and liabilities	56,187	49,961	6,226	46,253

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY, EUR thousands	Share Capital	Share Issue	Share Premium	Retained Earnings	Total
Balance 1.1.2004	1,870	135	3,028	12,429	17,462
Share issue	14	-135	121	0	0
Exchange rate differences				0	0
Dividend				-4,307	-4,307
Profit for the period				4,675	4,675
Balance 30.6.2004	1,884	0	3,149	12,797	17,830
Balance on 1.1.2005	1,932	817	3,390	14,553	20,692
Share issue	89	-817	728	0	0
Exchange rate differences				-23	-23
Dividend				-3,931	-3,931
Profit for the period				5,106	5,106
Balance on 30.6.2005	2,021	0	4,118	15,705	21,844

CONDENSED CONSOLIDATED CASH FLOW STATEMENT, EUR thousands

	1.1. - 30.6. 2005	1.1.- 30.6. 2004	Change	1.1.-31.12. 2004
Cash flow from operations				
Profit for the period	5,106	4,675	431	9,126
Adjustments	3,847	3,940	-93	7,623
Change in working capital	-4,862	-755	-4,107	1,657
Cash flow generated by operations	4,091	7,860	-3,769	18,406
Net financial items	-175	-133	-42	-359
Income taxes paid	-2,431	-1,083	-1,348	-2,136
Net cash flow from operations	1,485	6,644	-5,159	15,911
Cash flow from investing activities				
Acquisitions	-1,912	-7,181	5,269	-7,181
Capital expenditure	-1,077	-1,234	157	-3,187
Proceeds from sale of fixed assets				44
Other cash flow from Investing activities				
Cash flow from investing activities	-2,989	-8,415	5,426	10,324
Cash flow from financing				
Share issue	0	0	0	1,102
Change in long-term loans	937	3,862	-2,925	
Change in short-term loans	4,792	4,970	-178	2,700
Dividends paid	-3,931	-4,307	376	-6,998
Net cash flow from financing	1,798	4,525	-2,727	-3,196
Change in liquid funds	294	2,754	-2,460	2,391
Liquid funds in the beginning of period	5,150	2,759	2,391	2,759
Change in liquid funds	294	2,754	-2, 460	2,391
Liquid funds at the end of period	5,444	5,513	-69	5,150

KEY FINANCIAL FIGURES BY QUARTER

	II/2005	I/2005	IV/2004	III/2004	II/2004	I/2004	I-IV/2004
Net sales by segment							
Industry	15,459	12,509	11,689	11,523	13,408	11,730	48,349
Sport	9,744	9,229	8,087	8,864	9,773	8,784	35,308
Total net sales	25,203	21,738	19,776	20,387	23,181	20,514	83,857
Operating profit by segment							
Industry	3,271	1,818	2,327	2,041	2,512	965	7,845
Sport	1,735	386	987	1,263	2,653	955	5,858
Total operating profit	5,006	2,204	3,314	3,304	5,165	1,920	13,702
Financial income and expenses	-112	-58	-131	-138	-91	-107	-466
Profit before income taxes	4,894	2,146	3,182	3,167	5,074	1,813	13,236
Income tax charge	-1,332	-602	-922	-976	-1,613	-598	-4,110
Profit for the period	3,562	1,544	2,260	2,190	3,461	1,215	9,126
Earnings per share, EUR	0.32	0.14	0.21	0.20	0.32	0.11	0.84
Earnings per share, EUR, diluted	0.31	0.13	0.19	0.19	0.31	0.11	0.80
Average number of shares, 1 000	11,230	11,230	10,998	10,768	10,766	10,766	10,826
Average number of shares diluted, 1 000	11,393	11,524	11,464	11,268	11, 162	11,136	11,464
Average personnel	485	417	424	456	453	406	441

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COMMITMENTS AND CONTINGENCIES EUR thousands

	30.6.2005	30.6.2004	31.12.2004
On own behalf			
Mortgages	2,954	2,954	2,954
Corporate mortgages	12,500	12,500	12,500
Lease liabilities			
- in next 12 months	455	200	223
- in next 1 - 5 years	1,786	460	1,563
Other commitments	260	222	67

DERIVATIVE FINANCIAL INSTRUMENTS, nominal values, EUR thousands

	30.6.2005	30.6.2004	31.12.2004
Foreign exchange derivatives			
Foreign contracts	335	672	877
Purchased currency options	750		750
Sold currency options	371		371
Interest rate derivatives			
Interest rate swaps	2,192	3,081	2,636

CONSOLIDATED KEY FIGURES, EUR thousands

	1.1.-30.6. 2005	1.1.-30.6. 2004	Change %	1.1.-31.12. 2004
Net sales	46,941	43,695	7.4%	83,857
Operating profit	7,210	7,085	1.8%	13,702
% of net sales	15.4%	16.2%	-5.3%	16.3%
Profit before tax	7,040	6,887	2.2%	13,236
% of net sales	15.0%	15.8%	-4.8%	15.8%
Profit for the period	5,106	4,675	9.2%	9,126
% of net sales	10.9%	10.7%	1.7%	10.9%
Shareholders' equity	21,844	17,830	22.5%	20,692
Interest-bearing liabilities	18,415	19,180	-4.0%	12,597
Cash and cash equivalents	5,444	5,513	-1.3%	5,150
Net interest-bearing liabilities	12,971	13,667	-5.1%	7,447
Capital employed	40,259	37,010	8.8%	33,290
Return on equity, %	48.0%	53.0%	-9.4%	47.8%
Return on capital employed, %	40.1%	44.1%	8.7%	44.9%
Equity ration, %	38.9%	35.8%	8.7%	44.9%
Net gearing, %	59.4%	76.6%	-22.5%	36.0%
Capital expenditure	2,743	3,981	-31.1%	5,803
% of net sales	5.8%	9.1%	-35.9%	6.9%
R & D costs	1,214	997	21.8%	1,956
% of net sales	2.6%	2.3%	13.3%	2.3%
Earnings per share, EUR	0.45	0.43	4.7%	0.84
Earnings per share, EUR, diluted	0.45	0.42	7.1%	0.80
Equity per share, EUR	1.95	1.66	17.5%	1.84
Average number of shares				
- cumulative	11,230	10,766	4.3%	10,826
- cumulative, diluted	11,393	11,162	2.1%	11,464
Average number of employees	451	430	4.9%	441

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