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exel

Annual Report 2004

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Exel Group

		Exel Group	
	Industry		Sport
	Exel Oyj Kivara Factory		Exel Oyj Mäntyharju Factory
	Exel GmbH Voerde		Exel GmbH Rohrdorf
	Exel Composites N.V. Oudenaarde		International Gateway AB
			Exel USA Inc.

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Exel Oyj in a Nutshell

Exel Oyj, Europe's leading composite technology company, ranks among the industry's top players in the world. Exel designs, manufactures and markets composite, i.e. fibreglass and carbon-reinforced, industrial profiles and sports and leisure equipment. The company's business operations comprise two divisions, Industry and Sport. Exel's production facilities are located in Mäntyharju and Kiihtelysvaara in Finland. Exel also has four subsidiaries: Exel GmbH in Germany, Exel USA Inc. in US, Exel Composites N.V. in Belgium and International Gateway AB in Sweden. Exel GmbH has production facilities in Rohrdorf in Southern Germany and in Voerde near the Dutch border. Exel Composites manufactures profiles in Oudenaarde in Belgium and Munguia in Spain. International operations account for approximately 80 per cent of Exel's net sales.

The Industry division produces composite profiles, paper machine applications, composite tool handles

and lattice masts, and the profile product group includes e.g. antenna profiles for GSM and 3G base stations, and carbon fibre profiles for reinforcing concrete structures, such as bridges. Hundreds of different profile types are produced on a regular basis for various applications. Paper machine applications include doctor blades used for keeping paper machine rolls clean, while lattice masts mainly serve as airport approach lighting supports. All products are delivered directly to industrial customers.

Exel's Sport division includes Sports Brands and Sports Industry. Sports Brands produces various sports equipment, sold to consumers at sports equipment shops, including fitness and winter sports poles as well as floorball equipment, whereas Sports Industry supplies windsurfing masts and laminates directly to industrial customers. Exel is the world market leader in many of the abovementioned product lines.



2004 in Brief

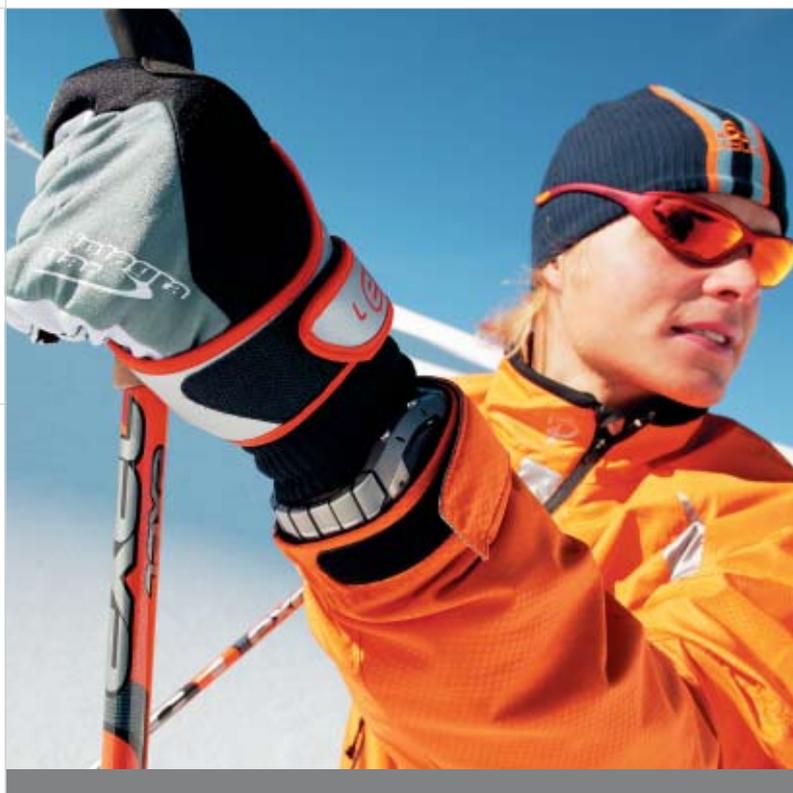
Net sales grew markedly to EUR 83.9 million, or by 46%.

Operating profit totalled EUR 12.5 million (EUR 5.3 million), up 134%.

Earnings per share were EUR 1.54, up 141%.

Profit after financial items grew to EUR 12.1 (4.9) million, up 147%.

Goals and Strategy



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Goals

Exel's goal is to be the market leader in carefully selected market segments based on its composite technology expertise. The Industry division's objective is to be the global leader in pultrusion technology, while the Sport division has the strategic aim of being the leading brand in select niche markets.

The company seeks profitable growth through vigorous organic growth and strategic business acquisitions, as it deems appropriate. Its average growth target for net sales and operating profit is a minimum of 15 per cent per annum. Exel follows a policy of distributing 40 per cent of its net income in dividends, capital spending needs and expansion plans permitting.

Highly skilled personnel and state-of-the-art technology play a key role in Exel's operations. The company's strategic goals rest on its internally developed, unique production technology, its product range drawing on this technology, and domination of selected market segments based on its solid quality and brand image.

Ongoing efforts to find new applications and product development in cooperation with customers and other business partners will continue to facilitate such growth.

Exel's business units benefit from strong synergies based on internally developed production technology, common raw materials, and financial benefits derived from shared manufacturing units, management and administration.

Values

Customer satisfaction is one of Exel's core values. We continually invest in developing our products and operations so as to be able to provide our customers with a **competitive advantage** through them. We also endeavour to ensure that consumers associate Exel with **premium quality** products.

We seek to yield significant **added value** to the equity invested by shareholders through constantly profitable operations.

Exel follows **the best management practices and approaches** across the board, striving to secure existing jobs through profitable financial performance.

Exel is committed to the principles of the chemical industry's European **Responsible Care** programme throughout its operations.



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Introduction

Last year was a record year for our company. The strong growth that began towards the end of 2003 continued in nearly all of our main markets. Through the integration of our latest new unit, Exel Composites of Belgium, we achieved outstanding results according to all financial indicators. Net sales grew by 46 per cent to roughly EUR 84 million, while profitability improved further. Profit after financial items amounted to approximately EUR 12 million, an improvement by 147 per cent. These figures position us at the very top of our industry.

We aim at average growth of 15 per cent per annum both in net sales and profits. We have reached our long-term targets and built a strong track record since Exel was listed in the latter part of 1998.

Markets have developed favourably, and our sustained efforts in developing and launching new product areas have proven fruitful. We have also continued to improve our operational efficiency, streamlining order-supply processes, while our foreign subsidiaries have clearly enhanced their operations and achieved record profits.

Industry Division

The Industry division made great progress, both in existing product areas and new markets. The antenna profiles market and construction of new GSM and 3G networks were both livelier than anticipated almost throughout the year, resulting in strong growth of this product range within Exel. For 2005, we forecast more moderate growth, but with production volumes likely to remain reasonably high. A significant slice of the network market seems to be transferring to developing

countries, with the Chinese and Indian markets playing a key role in 2005. This will add impetus to the challenge of developing new generation products and providing services to customers far from our home market, Europe.

Profile solutions for wind power saw the most significant growth among new profile applications, 2004 being the first year to witness growth in the market in carbon fibre profiles of windmill blade structures. This application was based on the need of windmill constructors to build larger and larger units in order to decrease the cost per unit in the generation of electricity, in turn stimulating the introduction of lighter and more rigid structures, and thereby opening up new opportunities for carbon fibre applications.

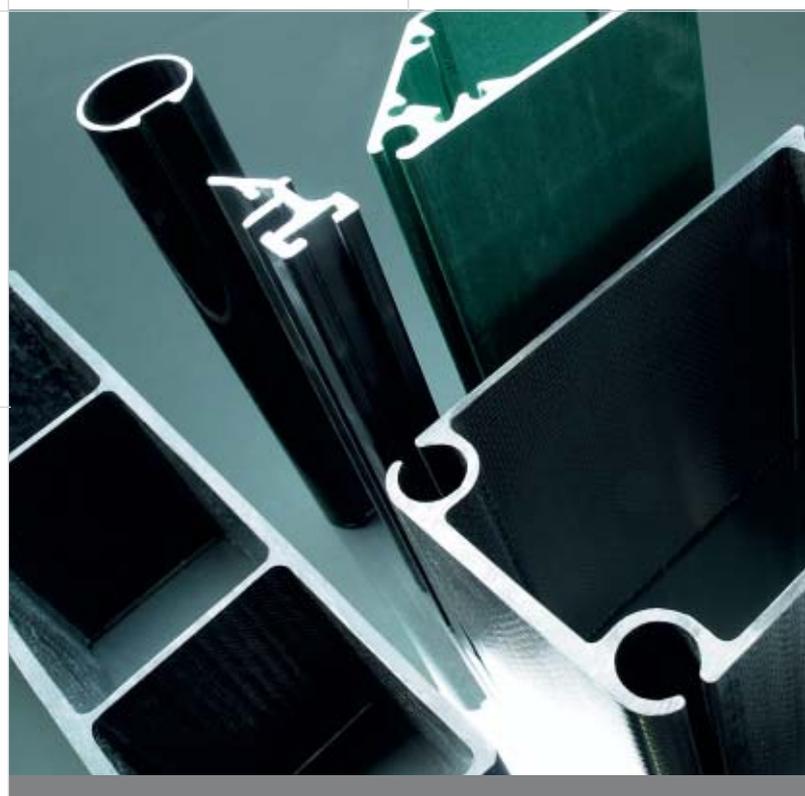
Growth was strong in other product areas too, including lattice masts. The Belgian unit was successfully integrated with Exel, and the performance improved, due to our revamping of its operating methods and our simultaneous efforts to motivate its staff in enhancing its operations.

Reinforced product development continued all year in all units. Among the most significant innovations were the bus profiles created by the Belgian unit, eight in all, supporting the launch of a new product by one of our key customers at the most important transportation vehicle trade fair, in Germany in October.

Sport Division

The successful launch of our Nordic Fitness Sports™ concept (NFS) continued last year in Central Europe,

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achieving a breakthrough in this major market with the entire chain enjoying record sales and production volumes. We have prepared intensively for future growth by investing both in more capacity at our Mäntyharju plant, and in assembly automation. Based on this, we are thoroughly prepared to face the challenges of a growing market and intensifying price competition.

The NFSTTM concept is expanding into new geographical markets, where we try to enhance local distribution solutions as much as possible. Such a policy resulted in the establishment of a joint venture with the government-run China Institute of Sports Science, CISS, for the launch of Nordic Walking in China. We also gained control of distribution in North America by starting our own distribution company in the US towards the end of the year. This company will meet demand for poles both in the US and Canadian markets.

Our operations have chiefly focused on the pole business, while other product groups have also achieved moderate success in their markets. However, no substantial overall market growth is forecast in other markets in the near future. Consequently, we strive to develop new products and markets to extend operations.

Other Operations

Our capital expenditure was higher than normal, due not only to our Belgian acquisition but also to major investments in automated pole manufacture and

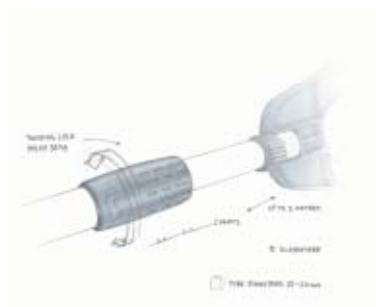
increased capacity in new production lines within Industry. Overall, our capital expenditure totalled EUR 5.8 million.

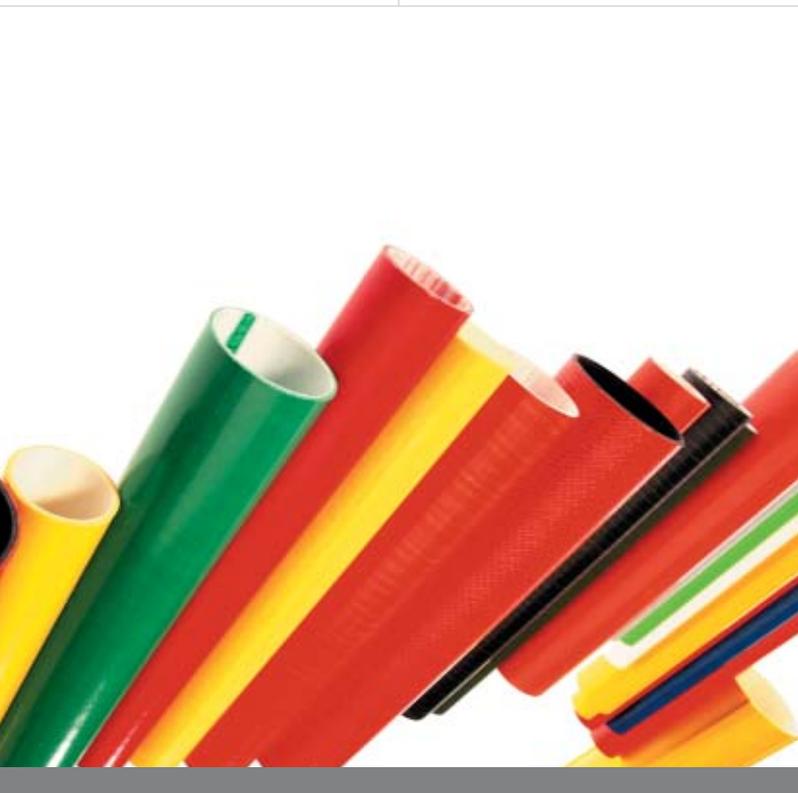
Thanks to our outstanding performance and working capital management, our cash flow was strong, EUR 5.4 million. Our dividend policy reflected these favourable financial conditions. Exel paid out a considerable dividend of EUR 1.30 per share, totalling EUR 7.0 million. The balance sheet remained strong in spite of high capital expenditure and dividends, and our solvency ratio regained its high levels by the turn of the year, at 46 per cent.

Our success has not failed to draw attention on the stock markets. For the second running year, Exel's share was among the top performers on the HEX exchange lists, once again almost doubling year-on-year, achieving EUR 23.00 per share. We would like to thank our investors and owners for the confidence they have shown in our operations.

At Exel, we all faced major challenges during the year under review. I feel confident that our continuously improving results will please one and all, and provide further motivation. Our work is certainly producing results. Many thanks to everyone at Exel, and our partners and customers, without whose cooperation our success would not be possible.

Ari Jokelainen
President





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Industry Division

The Industry division produces profiles, paper machine applications, tool handles and lattice masts. Exel specialises in the development, manufacture and marketing of rigid, durable and lightweight composite profiles. Business developed intensively with net sales growing by 67 per cent during the period under review, while the division's operating profit improved again by 112 per cent to EUR 7.5 (3.5) million. Exel continued to reinforce its market position as Europe's leading pultrusion profile manufacturer. Our goal is to serve our European customers in a more global market, including outside Europe. In 2004, we achieved all strategic and operational targets set for our business line.

Profiles

The profiles product group consists of composite fibreglass and carbon fibre tubes and profiles. All products are tailored to meet the needs of our customers. Tubes are manufactured either using pultrusion technology or Exel's internally developed continuous Pull-Winding technology, which allows wall thickness and product weight to be minimised while simultaneously maximising rigidity and durability. During 2004, we successfully developed and launched the new TripleX™ method for tube production, in close co-operation with a long-term customer. Exel tubes have formed a strategic component for this customer over several years, and the TripleX™ tube concept and production method will be applied in several new application areas.

Exel also specialises in carbon fibre pultrusion, being one of the world's leading manufacturers of carbon fibre profiles and tubes. Profiles produced by Exel often play a strategic role in the end user's product concept. A shortage of carbon fibre did not affect operations to any significant extent in 2004.

Blade structures for wind power plants were among applications enjoying major growth, with wind power

plants introducing longer blades in order to enhance their power/weight ratio. Longer blades increase mass and thus add to the weight of the entire system (gears, axles, fixing elements). But carbon fibre profiles render blades more rigid and light, thus increasing their efficiency in relation to their weight. The design of a new blade type, including testing, forms a long-term, high-cost project requiring design expertise as well as numerous static and dynamic tests, in order to gain official approval. Our wind power business expanded in 2004, thanks to higher volumes for existing customers and new types of blades and profiles.

As for transportation equipment applications, the product development contract signed in 2003 with MAN, the German bus manufacturer, was completed. This contract covered a total of 8 different profiles for the bus ceiling and frame, while the most challenging profile of all proved to be the cover profile for the luggage compartment, almost a metre in length. The surface of the profile probably constitutes the highest quality element ever produced with pultrusion technology. The resultant Lion's Regio bus model was successfully launched at the international IAA trade fair in Hannover in September 2004, while full-scale production is due to begin during the second half of 2005. We also developed and commercialised profiles for other European bus manufacturers.

Profile sales grew significantly during the year under review, and the antenna profile market continued its growth, as did deliveries of third-generation mobile phone networks.

Conventional and Telescopic Handles

Exel is one of Europe's leading marketers and manufacturers of composite tool and cleaning equipment handles, and telescopic handle systems. This product line consists of single-section fibreglass handles and a broad selection of telescopic fibreglass and carbon-

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reinforced models with a reach of up to 20 metres. Key application areas include professional cleaning equipment and gardening tool markets. Telescopic systems made by Exel are used in a variety of applications ranging from professional window-cleaning to demanding precision measurement applications.

The conventional and telescopic handle business saw vigorous growth during the year under review. Light and durable special telescopic systems developed by Exel are based on our unique in-house production technology which, together with optimised material selection, enables us to tailor solutions specifically to our customers. Exel's strength lies in its ability to serve customers in a variety of ways in markets which differ considerably from one another.

Thanks to production technology and the optimised selection of material, another of Exel's strengths lies in its ability to provide customised solutions while serving customers in a variety of ways across different market areas. New customer projects, launched in 2003, were brought from the initial stages of development all the way to the final product, reflected in increasing net sales. Net sales for traditional business areas, such as professional cleaning equipment, also enjoyed considerable growth after plateauing for several years.

Paper Machine Applications

Doctor blades maintained their leading position as the paper machine applications flagship. Net sales of doctor blades continued to see major growth, even though highly competitive markets resulted in tighter margins. Some new blade models were developed for the product range, the most important of which was the modified, highly durable novelty blade, an innovation which drew worldwide attention as the ideal doctor blade solution for top-speed paper machines.

However, the doctor blade holder product family generated the highest growth in net sales, and sales volumes for this product group are expected to continue growing strongly in 2005. The LiteAdapt™, a tube-loaded holder, attracted customers' attention, and will compete intensively with traditional DST type holders made of metal. The best features of the new holder family include good profiling, lightness, easy manageability and fast delivery times.

The first product solutions moving beyond doctoring equipment will be introduced to the paper industry as early as 2005, with applications which facilitate

paper making by capitalising on the best characteristics of composite manufacture, rigidity and lightness.

Lattice Masts

This product line consists of frangible lattice masts, primarily marketed as support structures for airport approach lighting systems. The deadline set by the International Civil Aviation Organization (ICAO) for the installation of safely breaking approach lighting masts was 1 January 2005. For this reason, sales of Exel masts set a new record in 2004, and our position as the world's leading supplier of frangible airport masts remained secure.

Sweden was an especially noteworthy customer country, Exel supplying masts to eight of its airports, while inroads were made in the Turkish market with masts for three approach lines being delivered for the international Atatürk Airport, following a close international bidding competition.

Excluding Europe and North America, the process of replacing masts is underway worldwide and nowhere near conclusion. We therefore expect favourable developments in sales to continue in 2005.

Bekaert Pultrusion Business Acquisition

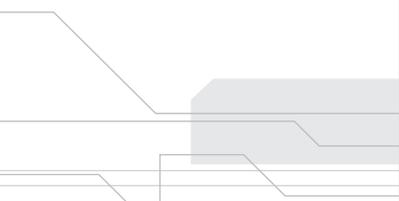
Exel acquired the pultrusion business of the Belgian Bekaert Progressive Composites S.A. in January 2004, contributing an estimated EUR 9 million to the Group's consolidated net sales. This firm's main production facilities are located in Belgium, where just over 40 employees were retained on a full-time basis. The acquired operations include some production equipment and Bekaert's related subcontracting services in Spain. This acquisition is a notable step on Exel's path to becoming the world's leading developer and marketer of pultrusion-based products, while complementing Exel's profiles business with large profiles sold mainly to transportation equipment manufacturers and construction industry.

Exel Composites N.V.

The Belgian unit, which joined the Group at the beginning of the year, successfully enhanced its operations. New operating methods were examined alongside staff, investments were made in productivity improvements and new product projects, all with good results. Operations became markedly more profitable towards the end of the year, achieving a satisfactory level.

Sport Division

Exel's Sport division includes Sports Brands and Sports Industry. Sports Brands produces various sports equip-





ment made of composite materials, sold to consumers through sports shops, the main business areas being poles and floorball equipment. Sports Industry supplies windsurfing masts and laminates directly to industrial customers. Exel is the worldwide market leader in many of the above product lines.

Poles

Exel is the world's leading manufacturer and marketer of Nordic Walking poles. The Central European Nordic Walking market is still growing strongly and Nordic Blading is also picking up, not only in Finland but in Central Europe too. In addition to Central Europe, Nordic Walking is actively marketed in North America and the Far East. The Nordic Walking marketing launched by Exel has also pulled in other sporting goods and clothing manufacturers, which will further contribute to the development of the market. The growing Nordic Walking market is already providing a boost to demand in the cross-country ski pole market, as skiing gains in popularity among the Nordic Walking target audience.

Exel is also one of the world's leading manufacturers of cross-country ski poles, catering for both top-level competitive skiers and keep-fit skiers. Exel's racing team includes such names as biathlon world champions Raphaël Poirée, Ole-Einar Björndalen and Martina Glagow as well as cross-country champion Björn Dählie, who also participates in Exel's product development.

Exel also manufactures and markets Alpine and trekking poles, with Alpine poles being fronted by famous names such as Kalle Palander and Tanja Poutiainen of Finland, as well as the successful Finnish national freestyle team, including Janne Lahtela and Mikko Ronkainen.

The Nordic Fitness Sports™(NFS) concept

Nordic Walking and Blading poles form part of Exel's year-round Nordic Fitness Sports™ fitness concept that consists of activities greatly resembling one another in terms of the movements involved. During the summer, NFS™ concept activities consist of Nordic Walking, Nordic Blading and Nordic Hill Walking, while their winter counterparts are Nordic Fitness™ Skiing and Nordic Snowshoeing. Exel's Nordic Fitness Sports™ concept is mainly based on safe fitness sports that can be enjoyed by anyone, and holds very promising and extensive marketing potential. For instance in Germany, Nordic Fitness Sports™ has been named the megatrend for 2005 in leading fitness magazines. In addition to poles, Exel offers new-generation T-Body™ skis for fitness skiing under the same concept, and imports Tubbs snowshoes for the Finnish market. Exel works with a number of major international sporting goods, footwear and clothing manufacturers under this concept.

Floorball

Exel is one of the world's leading floorball equipment manufacturers, its floorball product line covering all equipment required for the game. Sticks constitute the main product, but in addition to these the line includes goalkeeper's equipment, balls, goals, rinks and other accessories. The largest floorball markets are currently found in Scandinavia, Switzerland and the Czech Republic, but intensive development of the sport and related markets has also begun in other parts of Central Europe.

Finnish Sporting Goods Business

In addition to its own products, Exel also sells and markets the world's leading snowshoe brand, Tubbs, and the ODLO and Björn Dählie clothing lines in Finland.

Watersports

Exel's primary watersports products are windsurfing masts sold to sail and board manufacturers. All masts are sold under customers' own brands, Exel being the world's leading producer of windsurfing masts. The overall market contracted somewhat as kitesurfing gained in popularity, but Exel retained its large market share.

Laminates

The laminates product line manufactures and markets fibreglass and carbon-reinforced laminates for the ski, snowboard and hockey stick industries. Laminates are used to minimise the weight of products while maxi-



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sing their durability and rigidity. Laminate varieties number in the hundreds, meeting the requirements of various types of customers and products, the latest applications including the use of laminates in skateboards. The product line includes polyethylene-based materials for the bases of skis and snowboards, which are produced by Exel's German subsidiary, Exel GmbH.

Exel is one of Europe's three primary laminate suppliers. During the year under review laminate sales failed to reach their targeted levels due to customers' lower than expected production volumes. In particular, the volume of sales to ski and snowboard manufacturers and sales of specialty products fell short of expectations.

Exel GmbH

The operations of Exel's German subsidiary, Exel GmbH, are subdivided into three business segments: Sport, Plastics and Profiles. The Sport segment handles sales of Exel's pole and floorball products in Germany and Austria. Plastics produces gliding bases and base materials for the ski and snowboarding industries at Rohrdorf in southern Germany. The Profiles segment uses pultrusion technology to produce composite profiles, such as antenna profiles, at Voerde near the Dutch border.

The year 2004 broke records in Exel GmbH's history: the utilisation rate of machinery was high and productivity good. Hence we achieved our targets set for 2004.

Sport

Strong demand for the Sport division's products continued throughout the year, with the lion's share of growth being generated from poles under the Nordic Fitness Sports™ brand, and Nordic Walking in particular. As a result of intensive marketing efforts,

all major sporting goods shops, wholesalers, retail chains and sports clubs have introduced Nordic Walking poles to their range. The number of retailers almost doubled in 2004. In order to boost the marketing of the NFAST™ concept, the co-operation agreements with Polar and Salomon continue and further agreements were signed with Esprit and Meindl.

Sales of cross-country skiing poles picked up considerably while the retailer network was strongly reinforced. Thus, the outlook for 2005 is good.

Plastics

Plastics suffered during the second half of the year from significant increases in raw material prices, which could not be transferred in full to product prices. The markets for skiing and snowboarding were quiet in the year under review, and no significant growth is forecast for 2005.

Profiles

The Profiles business began in 2001 when the pultrusion operations of Menzolit-Fibron GmbH were integrated into Exel GmbH. The efficiency and productivity of Profiles improved further in 2004.

International Gateway AB

Exel's Swedish subsidiary, International Gateway AB, designs and markets floorball sticks under the brands Christian and Canadien, being one of the leading suppliers of floorball equipment as a part of Exel Group. Gateway's product assortment also includes a broad range of technical textiles and other accessories needed for the game.

In the spring of 2004, Gateway's operations expanded to cover sales of Exel's Nordic Walking and Nordic Blading poles in Sweden.



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The Pultrusion Profile Market

The European pultrusion profile market is growing at an average rate of 4 to 5 per cent. Market expansion requires work to make products visible and capitalise on the unique characteristics of the composite materials, which are greatly superior to traditional materials in new application areas, such as various metals and wood.

The combined volume of the European pultrusion market exceeds EUR 200 million, comprising some 80 companies, most of which are small family businesses manufacturing a narrow range of products as subcontractors to local companies. There are five major manufacturers, of which Exel has become the largest over the last few years.

Although no precise data is available on the pultrusion market in the United States, it is estimated to be between EUR 700 and 1,000 million, with three or four companies of the same size as Exel, and around twenty companies with net sales ranging from EUR 15 to 30 million.

Customers, and their R & D experts in particular, are becoming more aware of the superior qualities of composite materials in comparison with traditional ones. Exel is searching for and developing new applications on a continuous basis in co-operation with various parties, including customers, to highlight the possibilities composite materials can offer. The last few years have seen the more frequent exploitation of the lightness and durability of carbon fibres, for instance in the automotive industry and wind power applications, while continuous research and development generates new applications.

Exel's Market Position

Exel is the largest pultruder in Europe, and one of the leading manufacturers in the world, offering the most extensive and diverse product range on the market for composite profiles. Products range from thin-walled carbon fibre tubes to large fibreglass profiles.

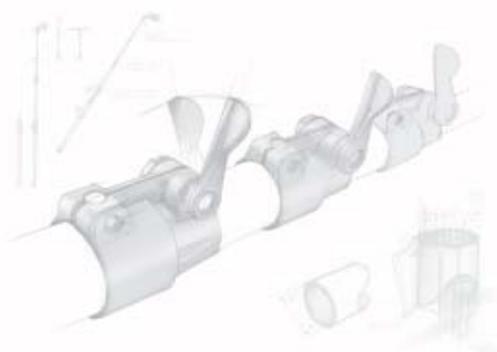
The composite industry is consolidating, the latest deals including the Swiss company, Gurit-Heberlein's, acquisition of SP (Structural Polymer Group) in 2002, and Exel's acquisitions of Bekaert's pultrusion business in 2004.

Market Trends

There is excess capacity in the pultrusion market, with continuously shrinking margins on bulk products. Exel has risen to this challenge by investing in special lines facilitating the production of more and more demanding products. Furthermore, in line with its strategy, Exel invests in customised products tailored to meet customers' needs. For instance, the Industry division manufactures all of the division's products customer-specifically.

With composite materials attracting the interest of large international customers, pultrusion companies must be more financially stable than before. Exel has succeeded in this respect, due to the Group's good solvency ratio and high profitability making it a partner which has earned the trust of even the largest customers in recent years. Thus, Exel has won important customers with global operations e.g. in the automotive industry. Exel's main market area is Central Europe, but we serve major customers on a worldwide basis with the most extensive sales network in the industry, comprising in-house sales staff and agents.

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The current competitive situation puts credibility, premium quality and excellent service to the forefront. Exel's success on the world market is based on these factors, further reinforced by its acquisition-based strategy.

Sporting Goods Market

The overall growth rate in the sporting goods market varies from 3 to 5 per cent, but the growth of special fields and new sports can be much more rapid. Currently, the fastest-growing niche market is the Nordic Walking market, based on Exel's Nordic Fitness Sports™ concept, which has attracted several competitors. Exel's strengths lie in its high quality products which are revamped on a continuous basis, its extensive distributor network and networking with large sporting goods manufacturers in marketing as well as highly skilled personnel.

Market Trends in the Sport Division

Far East-based companies are becoming more significant competitors, owing to lower labour costs, e.g. in China, in comparison with Finland. Exel is determined to overcome this problem through investments in automation and subcontracting agreements with Far-Eastern manufacturers. On the other hand, composites and their advantages are becoming more widely understood every day, facilitating the marketing of new composite products. Due to the trend towards more technically advanced products, Exel is investing in product development to create new products based on technological innovation. Great attention will also be paid to delivery reliability and delivery times especially at the Finnish plant.

In order to reinforce its market position further in Nordic Walking, Exel signed a contract in December 2004 to establish a joint venture in China with the China Institute of Sports Science, CISS. This will provide excellent growth opportunities for the Sport division's products in this new market area.

Exel will also focus on the North American market as one of its new key market areas. At present, we are in the process of developing a basis for increasing demand for the Nordic Fitness Sports™ concept products working through our wholly-owned subsidiary, which handles deliveries both in Canada and the United States.

The Environment

Recycling and environmental awareness in all businesses is becoming an increasingly important competitive asset. Exel takes an operational approach to environmental matters, with an emphasis on minimising the environmental impact of business operations. Under this approach, we identify the environmental impact of our processes, continually develop our processes and operations, follow the terms and conditions of our environmental permits, and develop new technical solutions for our processes in order to reduce waste levels, among other goals. Exel is committed to the objectives of the European Responsible Care programme and has joined the European Composite Recycling Concept, ECRC, designed to reduce waste levels through recycling. Moreover, Exel is developing new applications to exploit waste as raw material.



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Sales, Profits and Balance sheet

Exel's consolidated net sales grew by 46.4 per cent, totalling EUR 83.9 million (EUR 57.3 million) in 2004. Both divisions, Industry and Sport, contributed to this result, while the most significant growth in Industry was generated by the integration of the Belgian acquisition with the Group, as well as growth in traditional product groups, mainly the antenna and lattice mast market, and new product groups. For Sport, the success of Nordic Walking in Central Europe accounted for its improved sales figures.

Profits improved considerably. Operating profits increased to EUR 12.5 (5.3) million, due to enhanced efficiency in production processes combined with increasing sales volumes and high capacity utilization. Financial expenses remained almost equal to those of the previous year, coming to EUR 0.4 (0.4) million, despite the financing of the Belgian acquisition and the bonus dividends. As a result of strong operative cash flow, interest-bearing net liabilities increased only slightly. Profit after financial items amounted to EUR 12.1 (4.9) million.

The Industry division grew in line with its strategy, with net sales increasing by 67 per cent. This growth was based on sales activities in traditional markets, new product areas and integration of the Belgian business unit with Group operations. Several new customer applications were developed on a continuous basis, resulting in the completion of several dozens of new profile applications during the year. The industry division accounted for approximately 58 per cent of consolidated net sales.

Our international customers are transferring production to countries with low wage costs, setting new challenges for the location of the division's production facilities in the future.

The Industry division's operating profit amounted to EUR 7.5 (3.5) million. Increasing sales volume, enhanced production efficiency and high capacity utilisation rates boosted profitability. Moreover, Exel's Voerde manufacturing facility achieved its targeted profitability levels during the period. Sales of lattice masts broke records in 2004, due to the frangibility requirements of the International Civil Aviation Organization taking effect on 1 January

2005, requiring airport approach lighting masts to break upon possible impact without harming the aircraft.

The Sport division's net sales increased by 25 per cent year-on-year to EUR 35.5 (28.4) million as the growth of the Nordic Fitness Sports™ concept (NFS), and the Nordic Walking Market in German-speaking Central Europe in particular, continued. The Sport division's operating profit also improved year-on-year, amounting to EUR 5.0 (1.8) million. This resulted mainly from increased volumes in Nordic Walking products and the further enhancement of production efficiency.

In order to gain more control of distribution, the decision was taken to sign a contract for a joint venture with the government-run China Institute of Sports Science, CISS. Correspondingly, the division decided to begin distribution of pole products in North America via a subsidiary, Exel USA Inc, which operates in the US and Canadian markets.

In order to enhance in-house operations, Exel decided to incorporate the sales, marketing, logistics, product range development and procurement activities belonging to Sport's domestic operations into a separate company. It is anticipated that the new Exel Sport Oy will begin operating during the first third of 2005, while all production remains within the parent company, Exel Oyj.

Earnings per share were EUR 1.54 (0.64), diluted 1.45 (0.62) and return on investment was 44.9 per cent (20.8).

Total assets grew to EUR 43.5 (34.1) million. Consolidated capital expenditure amounted to EUR 5.8 (2.5) million, while depreciation and amortisation totalled EUR 3.7 (3.2) million.

Capital Expenditure and Product Development

Capital expenditure was higher than previously, amounting to EUR 5.8 million. The capital assets of the Belgian unit were acquired for EUR 2.6 million and investments in increasing capacity within Industry amounted to EUR 0.5 million. In order to enhance environmental and industrial safety, a new waste processing system was acquired

for the Kivara plant, for a total price of approximately EUR 0.2 million. To ensure future competitiveness, Exel also made large investments in automated manufacturing and assembly of poles. These investments will be completed in spring 2005 and total EUR 2 million. They are excluded from the abovementioned capital expenditure because they were financed through finance leasing. Other capital expenditure was mainly on tools and forms in both business segments.

Product development costs totalled EUR 2.0 (1.7) million, or 2.3 per cent (3.0) of net sales. Key projects were related to the development of new customer applications, including transportation equipment profiles and the pole and floorball product range, and testing of new resins and reinforcement materials to improve production efficiency.

Financing and Liquidity

The Group's financial position and liquidity remained solid throughout the year. The Group's cash flow after investments came to EUR 5.4 (3.9) million. In 2004, an exceptionally large dividend was distributed in two instalments totalling EUR 7.0 million. The Group's net interest bearing liabilities increased slightly year-on-year, but still amounted to only EUR 5.6 (5.2) million at the end of the year. The solvency ratio remained strong at 46.1 per cent (51.7), while gearing decreased slightly to 28 per cent (29).

Corporate Structure

Exel Composites N.V. of Belgium joined the Group due to its acquisition, and the subsidiary, Exel USA Inc., began operating. During the spring of 2005, the joint venture, Nordic Sports Products (Beijing) Ltd will join the Group once all licensing issues and registration are finalised.

As a consequence of the aforementioned changes, the Group comprised the following at the turn of the year: the parent company, Exel Oyj, operating in Finland, and four subsidiaries operating abroad including Exel GmbH in Germany, Exel USA Inc. in the United States, Exel Composites N.V. in Belgium and International Gateway AB in Sweden. Exel Oyj owns a hundred per cent of all these subsidiaries.

In early 2005, the abovementioned Exel Sports Oy (in which Exel has a 100 per cent holding) and Nordic Sports Products (Beijing) Ltd (an 80 per cent holding) will join the Group.

Exel GmbH manufactures thermoplastic components for Central European ski and snowboard manufacturers in Rohrdorf and antenna profiles and other profiles in Voerde. International Gateway develops and markets a number of floorball product brands under its control. The parent company also owns a subsidiary called Pro Stick Oy, which remained inactive during the year under review.

Personnel

At the end of 2004, staff numbered 419 (355), while the average number of staff during the period was 441 (355). 297 employees worked in domestic operations, while 122 were employed in international operations. The increase in personnel was due to both an increase in production volume and the integration of the Belgian unit with the Group, adding 44 employees.

Shareholders

Exel shares are quoted on the Main List of the Helsinki Exchanges under Other Industries. Exel's largest shareholder is the Swedish investment company Nordstjernan AB, which owned 31.7 per cent of shares at the end of 2004. Other major shareholders included Ilmarinen Mutual Pension Insurance Company (7.6 per cent) and Varma Mutual Pension Insurance Company (4.7 per cent). Metso Capital, one of Exel's previous major shareholders, sold its shares during the year (having owned 12.2 per cent on 31 December 2003).

Exel's President & CEO and Board of Directors collectively hold 1.7 per cent of the company's share capital, while Exel had a total of 2,380 shareholders at the turn of the year.

Exel's share capital totals EUR 1,932,280 and consists of 5,520,800 shares, each of which is nominally valued at EUR 0.35. There is only one class of shares and all shares are freely assignable under Finnish law.

In 2004, the highest share price quoted was EUR 24.00 and the lowest EUR 11.75. At the end of the year, the share price was EUR 23.00 (11.90). A total of 3.96 million shares were traded during the year, totalling 73 per cent of all shares.

During the financial year the average share price was EUR 18.04, whereas in 2003 it was EUR 8.40. On 31 December 2004, Exel's market capitalisation was EUR 127.0 (63.6) million.

Insider Guidelines

Exel's current insider guidelines, adopted on 1 March 2000, comply with the Helsinki Exchanges' recommendations, and are supplemented by more detailed instructions on such matters as trading in the company's securities by permanent insiders.

Corporate Governance

The Board of Directors has further refined the Group's corporate governance policies, observing the new recommendations issued in December 2003 for the corporate governance of listed companies, which were implemented within Exel as of 1 July 2004. The Board of Directors has also begun self-auditing procedures, with the first audit performed in December 2004. On the basis of this, certain risk management related elements will be enhanced in the coming year.

Board of Directors, Executive Management and Auditors

Ove Mattsson, D.Sc. (Eng.), was the Chairman of the Board of Directors during the year under review. Other members of the Board were Kari Haavisto, Lc.Sc. (Econ.), Peter Hofvenstam, M.Sc. (Econ.), Vesa Kainu, B.Sc. (Eng.), and Mika Sulin, Managing Partner. Ari Jokelainen, M.Sc. (Econ.), is the company's President & CEO, while Vesa Korpimies, M.Sc. (Econ.), is Executive Vice President.

The Board of Directors convened 14 times in 2004 and the average attendance rate at these meetings was roughly 95 per cent.

The Board of Directors considers Ove Mattsson, Kari Haavisto, Vesa Kainu and Mika Sulin to be independent directors, whereas Peter Hofvenstam is not, since he is employed by a major shareholder, Nordstjernan AB.

The Board of Directors has been assisted by a compensation committee comprising Ove Mattsson, Peter Hofvenstam and Vesa Kainu. This committee met six times in 2004 to prepare the company's future incentive programmes.

Auditors

PricewaterhouseCoopers Oy, authorised public accountants, served as the company's auditors with Christian Savtschenko-Alexandroff and Johan Kronberg as their principals.

In 2004, their fee totalled EUR 133,028.

Incentive Programmes

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



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additionally covered by an option or similar share-based programme designed to enhance their long-term commitment.

Exel had two options programmes running during the year under review. Subscriptions for the first part (A) of the 1998 warrant programme for key staff commenced on 1 October 2000, and those for the second part (B) on 1 October 2002. Staff had the right to subscribe for a total of 137,800 company shares alongside the remaining unused option rights. A total of 137,500 subscriptions were made in 2004, and the right to subscribe for shares based on this options programme ended on 31 October 2004.

The subscription for the first part (A) of the 2001 warrant programme for key staff commenced on 1 June 2002, and 48,000 subscriptions were made in 2004. Staff has the right to subscribe for a total of 123,500 company shares alongside the remaining unused option rights at the end of 2004. The subscription for the second part (B) of the warrant programme commenced on 1 October 2003, resulting in 46,300 subscriptions in 2004. Staff has the right to subscribe for a total of 102,700 company shares alongside the remaining unused option rights at the end of 2004. The subscription period for all option rights ends on 30 April 2006.

According to a new share-based incentive system for 2004-2007 that Exel's Board of Directors decided to launch in 2004, the Board decides every year to pay out a certain sum to key staff on the basis of targets set and met. The rewarded employee is obliged to buy Exel Oyj shares with the incentive bonus plus a 20 per cent contribution from him or herself, and retain ownership for a minimum period of two years.

In 2004, the President & CEO's salary and other benefits totalled EUR 244,617.

IFRS Transition

Exel Oyj will publish its first IFRS-compliant (International Financial Reporting Standards) financial statements for the financial year 2005, including interim reports. The IFRS comparative data for consolidated income statement and balance sheet for each quarter and for the year will be given in the interim report for the quarter in question.

The purpose of this IFRS summary is to give an overview of the impact of the transition and to describe the effects of those IFRS accounting principles and rules that will have a material impact on the consolidated income statement and certain key ratios. The IFRS financial information presented in this summary may require adjustments before its inclusion as comparative information in Exel's first set of IFRS financial statements for the year ended December 31, 2005 due to the ongoing changes in IFRS which might have an effect on the accounts of the companies applying IFRS from 2005.

The most important impacts on the opening balance sheet and shareholders' equity are due to the measurement principles of inventories, treatment of finance leases and disability pension liabilities. Previously, only variable costs were included in Exel's inventories valuation, but not the related fixed production costs. The cost of inventories in the opening IFRS balance sheet is determined by using weighted average cost formula and the cost for produced finished goods and work in process represents the purchase price of materials, direct labour, other direct costs and related production overheads. Capitalised fixed costs increase the balance sheet total and shareholders' equity by EUR 540 thousand.

According to IAS 17, assets acquired through a finance lease must be recognised in the balance sheet and,

correspondingly, lease liabilities under interest-bearing liabilities. Exel has acquired one property based on a finance lease, increasing the balance sheet total in the opening balance sheet by EUR 1,677 thousand and decreasing shareholders' equity by EUR 90 thousand.

In compliance with IAS 19, Exel recognises future disability pension liabilities related to the Finnish employees' pension act system (TEL). The liability related to the future disability pensions within the TEL system is treated on a defined benefit basis in the opening balance sheet for 2004, decreasing shareholders' equity by EUR 513 thousand. In addition, Exel applies defined benefit plans in other countries, for which the resulting liability is recognised in full, decreasing shareholders' equity at the time of IFRS adoption. The total impact of pension liabilities amounts to EUR 556 thousand.

According to previous GAAP the consolidated financial statements excluded dormant company Pro Stick Oy. The company is consolidated from 1 January 2004 in the financial statements prepared under IFRS resulting in an effect of EUR 3 thousand in the opening balance sheet equity. Exel Oyj recognises financial instruments at fair value in the IFRS consolidated financial statements. Changes in the fair values of financial instruments are recognised in the income statement. The effect of the change in the valuation method in the opening balance sheet equity is EUR -8 thousand.

The recognition of deferred tax assets and liabilities in compliance with IAS 12 increases Exel's deferred tax assets.

Exel has tested the FAS goodwill items included in the opening balance sheet for impairment. Based on these calculations, the discounted cash flows exceeded the carrying values of the cash generating units i.e., there is no need to write down goodwill.

Outlook for 2005

The short-term market outlook is stable within the Group's key product ranges. New profile applications will be launched. Nordic Walking is expected to enjoy further growth, mainly in new market areas. However, opening up new markets requires additional marketing and sales efforts. Raw material prices have increased over the previous year which cannot be wholly passed on to the customers through product price increases. The availability of carbon fibre will be critical to the development of certain market segments. Due to rising raw material prices purchases are being directed more and more to the Far East. Major investments in entering new markets will be put in place especially in China and the US. Hence, we forecast that net sales will increase and the profit after financial items will remain at least on the same level as in 2004.

Significant Events After the Year End

In February 2005 Exel decided to establish a factory in Shenzhen in China. The surface area of the new factory will be 5,000 square metres. Exel will have the facilities built up and rent them with a long-term lease agreement. Main production equipment will be shipped from Europe. The factory is estimated to be in full operation in the first part of 2006.

During the first operating years the factory's main products will consist of different kinds of industrial profiles both for the Chinese market and markets outside China. Also the manufacture of some of the Sport division's products will be located in the factory in the long run. The factory will also be involved in the sourcing of new raw material and component suppliers in the Far East.

I n c o m e S t a t e m e n t ,
E U R t h o u s a n d s

	Group		Parent Company	
	2004	2003	2004	2003
NET SALES	83,857	57,281	62,323	46,475
Increase(+)/Decrease(-) in inventories of finished goods and work in progress	3,015	834	248	607
Production for own use	358	323	358	323
Other operating income	111	342	231	1,266
Materials and services	-32,554	-21,716	-23,789	-18,956
Personnel operating expenses	-18,694	-14,329	-13,139	-10,837
Depreciation	-3,654	-3,184	-2,644	-2,572
Other operating income	-19,909	-14,205	-13,117	-11,255
OPERATING PROFIT	12,531	5,345	10,471	5,051
Financial income and expenses	-402	-436	30	-204
PROFIT BEFORE EXTRAORDINARY ITEMS	12,129	4,910	10,501	4,847
Extraordinary items				
PROFIT BEFORE INCOME TAXES	12,129	4,910	10,501	4,847
Appropriations			47	319
Direct taxes	-3,807	-1,537	-3,101	-1,513
PROFIT FOR THE YEAR	8,322	3,373	7,448	3,652

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Balance Sheet,
EUR thousands

	Group		Parent Company	
	2004	2003	2004	2003
ASSETS				
NON-CURRENT ASSETS				
Intangible assets				
Intangible rights	284	184	265	166
Goodwill	2,288	2,651	1,046	1,346
Other capitalized expenditure	930	291	635	291
	3,501	3,126	1,945	1,803
Consolidated goodwill	258	330		
Tangible assets				
Land and water	123	123	123	123
Buildings	2,305	2,513	2,305	2,513
Machinery and equipment	8,286	6,205	5,092	4,684
Construction in progress	1,511	1,629	1,509	1,629
	12,224	10,470	9,029	8,949
Investments				
Holdings in Group companies	3	3	1,282	1,191
Other shares and holdings	93	93	93	93
	95	95	1,375	1,284
TOTAL NON-CURRENT ASSETS	16,079	14,021	12,350	12,035
CURRENT ASSETS				
Inventories				
Raw materials and consumables	5,201	4,557	4,294	3,936
Work in progress	1,713	1,384	1,609	1,355
Finished products	5,483	2,806	2,131	2,137
	12,397	8,747	8,034	7,428
Current receivables				
Trade receivables	8,744	7,369	4,742	5,614
Receivables from Group companies			9,525	5,904
Other receivables	374	852	234	161
Prepaid expenses and accrued income	404	320	234	299
	9,522	8,541	14,735	11,978
Deferred tax assets	319	85		
Cash in hand and at bank	5,140	2,753	3,928	1,496
TOTAL CURRENT ASSETS	27,378	20,126	26,697	20,902
	43,457	34,147	39,046	32,937

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B a l a n c e S h e e t ,
E U R t h o u s a n d s

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	Group		Parent Company	
	2004	2003	2004	2003
LIABILITIES AND SHAREHOLDERS' EQUITY				
EQUITY				
Share capital	1,932	1,870	1,932	1,870
Premium fund	817	135	817	135
Retained earnings	3,390	3,028	3,385	3,028
Profit for previous financial years	5,501	9,130	6,074	9,420
Profit for the financial year	8,322	3,373	7,448	3,652
TOTAL EQUITY	19,963	17,536	19,656	18,105
APPROPRIATIONS				
Depreciation difference				47
PROVISIONS				
LIABILITIES				
Deferred tax liabilities	3	14		
Non-current liabilities				
Loans from financial institutions	6,665	3,991	6,665	3,991
Other non-current liabilities	118	86	118	86
	6,784	4,077	6,784	4,077
Current liabilities				
Loans from financial institutions	3,980	3,830	3,967	3,662
Trade payables	5,053	3,805	3,323	3,511
Liabilities to Group companies			85	263
Other liabilities	1,195	1,491	547	470
Accrued liabilities and deferred income	6,478	3,395	4,683	2,803
	16,707	12,521	12,606	10,708
TOTAL LIABILITIES	23,494	16,611	19,390	14,785
	43,457	34,147	39,046	32,937

Funds Statement,
EUR thousands

	Group		Parent Company	
	2004	2003	2004	2003
Cash flow from business operations				
Operating profit	12,531	5,345	10,471	5,051
Operating profit amendments	3,654	3,184	2,644	2,572
Change in net working capital	2,062	-717	-3,227	-1,347
Interest paid and other financial expenses	-409	-543	-385	-523
Interest received	50	19	872	30
Income taxes paid	-2,136	-879	-2,100	-879
Cash flow from business operations	15,752	6,409	8,275	4,904
Investment cash flow				
Acquisitions	-7,181			
Investments in tangible and intangible assets	-3,187	-2,599	-3,003	-2,305
Income from surrender of tangible and intangible assets	44	79	44	79
Investment cash flow	-10,324	-2,520	-2,959	-2,226
Cash flow before financing	5,428	3,889	5,316	2,678
Cash flow				
Rights issue	1,102	282	1,102	282
Withdrawals of non-current loans	5,100	53	5,100	53
Repayments of non-current loans	-2,588	-2,192	-2,588	-2,192
Withdrawals of /repayment of current loans	345	-747	500	-500
Dividend paid	-6,998	-1,060	-6,998	-1,060
Other	-2	4		
Cash flow	-3,041	-3,660	-2,884	-3,417
Change in liquid funds	2,387	229	2,432	-739
Liquid funds on January 1	2,753	2,524	1,496	2,235
Liquid funds on December 31	5,140	2,753	3,928	1,496



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Consolidated Subsidiaries

Apart from the parent company, the consolidated financial statements include the subsidiaries Exel GmbH, International Gateway AB, Exel Composites N.V., and Exel USA Inc. No figures are included for Pro Stick Oy, since it had no business operations in 2004. The consolidated financial statements can be viewed at the corporate headquarters at Uutelantie 24 B, Mäntyharju, Finland.

Consolidation

As far as the subsidiaries are concerned, the consolidation was carried out using the acquisition method. The difference between the acquisition cost of the subsidiary and the equity corresponding to the purchased holding was entered as consolidation goodwill to be depreciated over ten years. Business between Group companies was eliminated. The income statements of the subsidiaries abroad were converted into euros at the monthly average of the conversion rates quoted by the European Central Bank. The balance sheets were correspondingly converted into euros at the central rate at the end of the financial period. Conversion differences were recorded in the consolidated accounts under equity. The intra-group receivables, liabilities and margins on current assets have been eliminated.

Items Denominated in Foreign Currency

Internal receivables and liabilities denominated in foreign currencies were converted into euros at the central rate on the date of closing.

Fixed Assets

The book value of fixed assets in the balance sheet is the acquisition cost less subsidies received and planned depreciation.

Depreciation Principle

Planned depreciation is calculated on the basis of economic life as a straight-line depreciation on the original cost.

Pension Expenses

The Group's pension arrangements follow the law on pension coverage.

Deferred Tax Liabilities and Assets

Accumulated depreciation in excess of what had been planned is divided into deferred tax liabilities and shareholders' equity in the consolidated balance sheet. The tax rate on the date of closing was applied. The proportion of the accumulated depreciation difference included in equity was EUR 2,000 on 31 December 2004. The Companies Act does not regard this as distributable equity. The EUR 3,000 in deferred tax liabilities were shown as a separate item in the balance sheet.

Direct Taxes

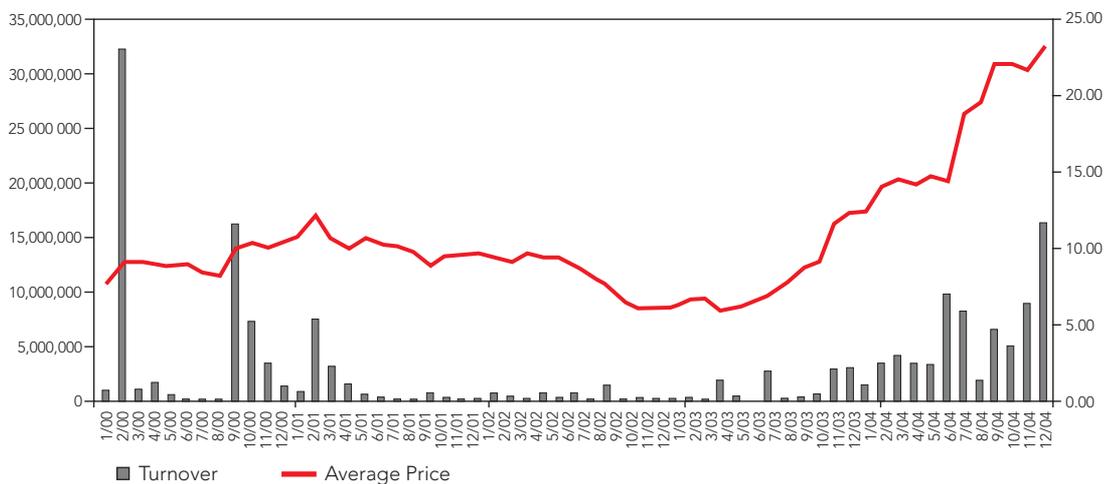
Taxes allocated to the financial period under review and to previous financial periods were treated on an accrual basis and recorded in the income statement.

Notes to the Accounts

	Group		Parent Company	
	2004 EUR 1,000	2003 EUR 1,000	2004 EUR 1,000	2003 EUR 1,000
1. NET SALES				
By division				
Sport division	35,509	28,407	30,282	22,976
Industry division	48,348	28,874	32,041	23,499
Total	83,857	57,281	62,323	46,475
By market area				
Finland	13,884	12,446	13,906	12,348
Other Nordic countries	7,240	5,820	7,149	5,771
Rest of Europe	49,935	36,010	37,716	25,579
North America	1,694	2,332	1,500	2,104
Other countries	11,104	674	2,052	673
Total	83,857	57,281	62,323	46,475
2. PERSONNEL EXPENSES				
Management salaries and remunerations				
President and managing directors	497	447		
Members of the Board	83	90	83	90
Total	580	536	83	90
Average personnel employed by the Group and the parent company				
Salaried employees	125	103	82	76
Non-salaried employees	316	252	242	210
Total	441	355	324	286

Development of Share Price and Monthly Trading Turnover in EUR

1.1.2000-31.12.2004



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Group		Parent Company	
2004	2003	2004	2003
EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000

3. DEPRECIATION

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

Planned depreciation periods

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

Goodwill from the parent company's acquisitions and the purchase of Fiberspar Inc. Performance products, and consolidation goodwill from the acquisition of International Gateway AB are depreciated over 10 years, which is the estimated income expectation period. Goodwill from the acquisition of Menzolit-Fibron's pultrusion business by Exel GmbH and Bekaert Composites S.A.'s profile business by Exel Composites N.V. is depreciated over 10 years, which is the estimated income expectation period.

Planned depreciation

Intangible rights	82	25	69	11
Goodwill	493	468	300	300
Other capitalized expenditure	379	199	310	199
Consolidation goodwill	72	72		
Buildings	271	267	271	267
Machinery and equipment	2,357	2,154	1,695	1,795
Total	3,654	3,184	2,644	2,572

Change in depreciation difference

Buildings			15	83
Machinery and equipment			-56	242
Patents			-6	-6
Total			-47	319

4. OTHER OPERATING EXPENSES

Rents	901	660	566	490
Marketing expenses	3,147	2,116	1,713	1,517
Other expenses	15,861	11,429	10,838	9,248
Total	19,909	14,205	13,117	11,255

	Group		Parent Company	
	2004 EUR 1,000	2003 EUR 1,000	2004 EUR 1,000	2003 EUR 1,000
5. FINANCIAL INCOME AND EXPENSES				
Other interest and financial income				
From Group companies			414	219
From others	50	48	43	12
Total	50	48	457	231
Interest and other financial expenses				
To others	451	484	427	435
Total financial income and expenses	-402	-436	30	-204
6. APPROPRIATIONS				
Difference between planned depreciation and depreciation made in taxation			47	319
7. DIRECT TAXES				
Income tax on actual operations	-3,805	1,551	3,101	1,513
Change in deferred tax liabilities	-2	-15		
Total	-3,807	1,537	3,101	1,513

8. INTANGIBLE AND TANGIBLE RIGHTS

Intangible rights

	Group		Parent Company	
	2004	2003	2004	2003
	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000
Acquisition cost Jan. 1	591	439	531	384
Increase 1.1.-31.12.	182	152	168	147
Acquisition cost Dec. 31	773	591	699	531
Accumulated planned depreciation Jan. 1	-408	-383	-366	-355
Planned depreciation 1.1.-31.12.	-82	-25	-69	-11
Book value Dec. 31	284	184	265	166

Goodwill

Acquisition cost Jan. 1	4,825	4,825	3,141	3,141
Increase 1.1.-31.12.	130			
Acquisition cost Dec. 31	4,955	4,825	3,141	3,141
Accumulated planned depreciation Jan. 1	-2,173	-1,705	-1,795	-1,495
Planned depreciation 1.1.-31.12.	-493	-468	-300	-300
Book value Dec. 31	2,288	2,651	1,046	1,346

Capitalized expenditure

Acquisition cost Jan. 1	1,240	1,094	1,220	1,074
Increase 1.1.-31.12.	1,018	146	654	146
Acquisition cost Dec. 31	2,258	1,240	1,874	1,220
Accumulated planned depreciation Jan. 1	-949	-750	-929	-730
Planned depreciation 1.1.-31.12.	-379	-199	-310	-199
Book value Dec. 31	930	291	635	291

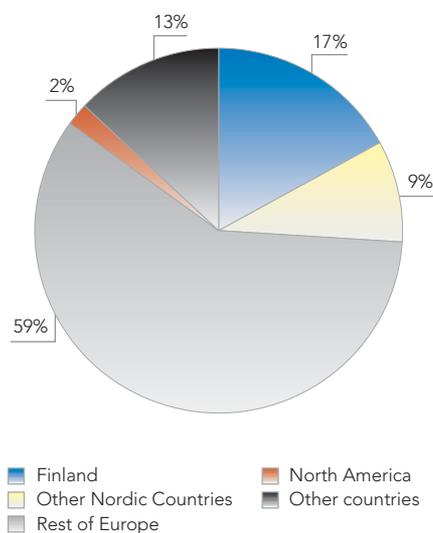
Consolidation goodwill

Acquisition cost Jan. 1	719	719		
Acquisition cost Dec. 31	719	719		
Accumulated planned depreciation Jan. 1	-390	-318		
Planned depreciation 1.1.-31.12.	-72	-72		
Book value Dec. 31	258	330		

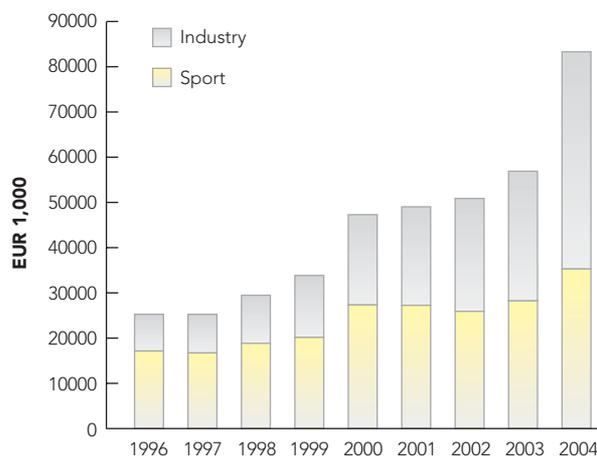
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Net Sales by Market Area



Net Sales by Division



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	Group		Parent Company	
	2004 EUR 1,000	2003 EUR 1,000	2004 EUR 1,000	2003 EUR 1,000
Land and water				
Acquisition cost Jan. 1	123	123	123	123
Increase 1.1.-31.12.				
Acquisition cost Dec. 31	123	123	123	123
Book value Dec. 31	123	123	123	123
Buildings				
Acquisition cost Jan. 1	4,118	4,090	4,085	4,057
Increase 1.1.-31.12.	62	28	62	28
Acquisition cost Dec. 31	4,180	4,118	4,147	4,085
Accumulated planned depreciation Jan. 1	-1,607	-1,340	-1,571	-1,305
Planned depreciation 1.1.-31.12.	-271	-267	-271	-267
Conversion difference				
Book value Dec. 31	2,305	2,513	2,305	2,513
Machinery and equipment				
Acquisition cost Jan. 1	18,436	17,063	15,265	14,179
Increase 1.1.-31.12.	4,474	1,615	2,126	1,154
Decrease 1.1.-31.12.	-100	-242	-87	-68
Acquisition cost Dec. 31	22,810	18,436	17,304	15,265
Accumulated planned depreciation Jan. 1	-12,267	-10,113	-10,620	-8,825
Accumulated depreciation on decreases	104	40	104	40
Planned depreciation 1.1.-31.12.	-2,357	-2,154	-1,695	-1,795
Conversion difference	-4	-4		
Book value Dec. 31	8,286	6,205	5,092	4,684
Undepreciated acquisition cost of production machinery and equipment	4,198	5,971	1,902	4,450
Accumulated planned depreciation Dec. 31				
Intangible rights	490	408	436	366
Goodwill	2,666	2,172	2,095	1,794
Capitalized expenditure	1,328	949	1,238	929
Consolidation goodwill	462	390		
Buildings	1,878	1,607	1,841	1,572
Machinery and equipment	14,624	12,408	12,315	10,761
Total	21,447	17,933	17,925	15,423
Accumulated difference between total and planned depreciation Jan. 1			47	366
Decrease in depreciation difference 1.1.-31.12.			-47	-319
Accumulated difference between total and planned depreciation Dec. 31				47

	Group		Parent Company	
	2004 EUR 1,000	2003 EUR 1,000	2004 EUR 1,000	2003 EUR 1,000
Shares				
Group companies				
Acquisition cost Jan. 1			1,191	1,191
Increase Dec. 31			100	
Decrease Dec. 31			-9	
Acquisition cost Dec. 31			1,282	1,191
Other shares and holdings				
Acquisition cost Jan. 1	93	124	93	124
Decrease Dec. 31		-31		-31
Acquisition cost Dec. 31	93	93	93	93

9. COMPANIES OWNED BY PARENT COMPANY

SHARES IN SUBSIDIARIES

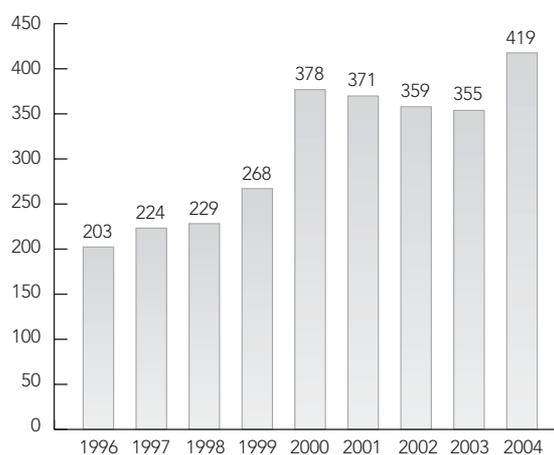
Owned by the parent company

Name of company	Proportion owned %	Share of equity EUR 1,000	Profit/loss according to latest accounts EUR 1,000
Pro Stick Oy, Mäntyharju, Finland	100	6	0
Exel USA Inc., Georgia (VT), USA	100	0	0
Exel GmbH, Rohrdorf, Germany	100	1,816	1,507
International Gateway AB, Piteå, Sweden	100	78	20
Exel Composites N.V., Oudenaarde, Belgium	100	192	87

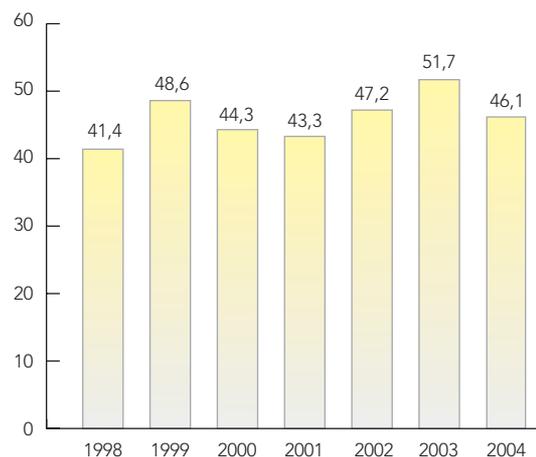
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Personnel at Year End



Solvency Ratio, %



	Group		Parent Company	
	2004 EUR 1,000	2003 EUR 1,000	2004 EUR 1,000	2003 EUR 1,000
10. RECEIVABLES				
Current receivables				
Receivables from Group companies				
Trade receivables			2,630	1,171
Loan receivables			6,800	4,080
Prepaid expenses and accrued income			95	653
Total			9,525	5,904
Receivables from others				
Trade receivables	8,744	7,369	4,742	5,614
Other receivables	374	852	233	161
Prepaid expenses and accrued income	404	320	234	299
Total	9,522	8,541	5,209	6,074
Deferred tax assets	319	85		
Total current receivables	9,841	8,626	14,734	11,978
11. EQUITY				
Share capital Jan. 1	1,870	1,853	1,870	1,853
Increase in share capital	62	17	62	17
Share capital Dec. 31	1,932	1,870	1,932	1,870
Share issue Jan. 1	135	16	135	16
Increase	1,102	282	1,102	282
Transfer to share capital and premium fund	-419	-163	-419	-163
Share issue Dec. 31	817	135	817	135
Premium fund Jan. 1	3,028	2,882	3,028	2,882
Increase in share capital	357	146	357	146
Transfer from retained earnings	5			
Premium fund Dec. 31	3,390	3,028	3,385	3,028
Retained earnings	12,503	10,188	13,072	10,480
Dividend distributed	-6,998	-1,060	-6,998	-1,060
Transfer to premium fund	-5			
Conversion difference	1	2		
Retained earnings	5,501	9,130	6,074	9,420
Profit for the financial year	8,322	3,373	7,448	3,652
Total equity	19,963	17,536	19,656	18,105

The 40,100 shares subscribed under warrants related to the warrant bond targeted at Exel's key personnel in 1998 were entered in the Trade Register on 2 March 2004. A total of EUR 134,736 was paid for the shares, and EUR 120,701 of this was entered in the premium fund. As a result of the subscriptions, Exel's share capital rose by a total of EUR 14,035.

The 137,500 shares subscribed under warrants related to the warrant bond targeted at Exel's key personnel in 1998 and the 100 shares subscribed under warrants related to the warrant programme of 2001 were entered in the Trade Register on 20 December 2004. A total of EUR 284,592 was paid for the shares, and EUR 236,432 of this was entered in the premium fund. As a result of the subscriptions, Exel's share capital rose by a total of EUR 48,160. Exel's registered share capital was EUR 1,932,280 or 5,520,800 shares, on 20 December 2004.

The 48,000 A option rights and 46,200 B option rights related to the warrant programme of 2001 have not been entered in the Trade Register. A total of EUR 817,164 was paid for the shares, and it was entered in the premium fund.

The equivalent book value of the shares is EUR 0.35. There is only one type of share.

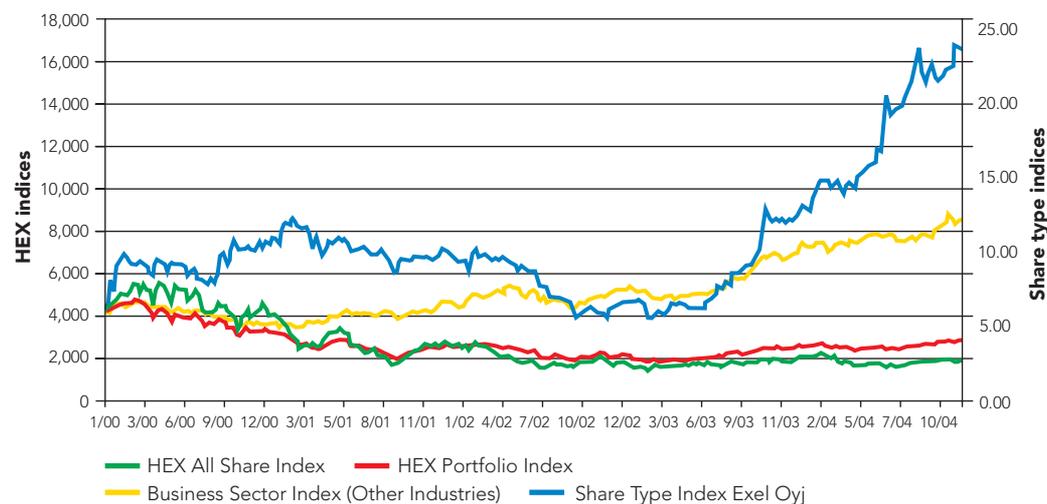
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	Group		Parent Company	
	2004 EUR 1,000	2003 EUR 1,000	2004 EUR 1,000	2003 EUR 1,000
Calculation of funds distributable as profit Dec. 31				
Retained earnings	5,501	9,130	6,074	9,420
Profit for the financial year	8,322	3,373	7,448	3,652
Transfer of accumulated depreciation difference to equity	-2	-33		
Total	13,821	12,470	13,522	13,072
12. APPROPRIATIONS				
Depreciation difference				47
13. DEFERRED TAX LIABILITIES				
On appropriations	3	14		
14. NON-CURRENT LIABILITIES				
Liabilities to others				
Loans from financial institutions	6,665	3,991	6,665	3,991
Other non-current liabilities	118	86	118	86
Total non-current liabilities	6,784	4,077	6,784	4,077
Liabilities falling due in a period longer than five years	722	438	722	438

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HEX indices and share type indices

1.1.2000-31.12.2004



	Group		Parent Company	
	2004 EUR 1,000	2003 EUR 1,000	2004 EUR 1,000	2003 EUR 1,000
15. CURRENT LIABILITIES				
Liabilities to Group companies				
Trade payables			85	263
Liabilities to others				
Loans from financial institutions	3,980	3,830	3,967	3,662
Advance payments	123	202	123	202
Trade payables	5,053	3,805	3,323	3,511
Other liabilities	1,072	1,289	424	267
Accrued liabilities and deferred income	6,478	3,395	4,683	2,803
Total	16,707	12,521	12,521	10,445
Total current liabilities	16,707	12,521	12,606	10,708
Breakdown of accrued liabilities and deferred income				
Salaries, wages and holiday pay, including social security expenses	2,600	1,794	2,492	1,749
Deferred tax liabilities	2,410	621	1,585	584
Other accrued liabilities and deferred income	1,468	980	607	470
Total	6,478	3,395	4,683	2,803

16. 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.

Currency risk

The company's US dollar-denominated raw materials purchases are partially hedged against currency risk through 12-month foreign exchange forwards and foreign exchange options.

	Face value	Fair market value
Interest swaps (NPV)		
Interest swaps	2,636	-27
Currency derivatives		
Forward contracts	877	-27
Purchased currency options	750	10
Sold currency options	371	-18

	Group		Parent Company	
	2004 EUR 1,000	2003 EUR 1,000	2004 EUR 1,000	2003 EUR 1,000
Liabilities for which a corporate mortgage and real estate mortgages have been provided as collateral				
Financial institution loans	10,602	7,611	10,652	7,611
Mortgages given on land and buildings	2,954	2,954	2,654	2,654
Corporate mortgage given	12,500	12,500	12,500	12,500
Collateral for Group companies				
Credit limit guarantee			13	168

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

	Group		Parent Company	
	2004 EUR 1,000	2003 EUR 1,000	2004 EUR 1,000	2003 EUR 1,000
17. LEASING AND RENTAL LIABILITIES				
Leasing liabilities				
Falling due in 2005	223	171	223	171
Falling due later	1,563	225	1,563	225
Rental liabilities				
Falling due in 2005	195	195	195	195
Falling due later	1,347	1,542	1,347	1,542
Other liabilities	67	257	67	257
18. ORDER BOOK				
Order book on Dec. 31	13,798	11,449	10,122	8,997

19. DISTRIBUTION OF NET SALES, OPERATING PROFIT AND PERSONNEL BY DIVISION

Group	Sport	Industry	Total
Net sales			
2004	35,509	48,348	83,857
2003	28,407	28,874	57,281
Operating profit			
2004	4,998	7,533	12,531
2003	1,806	3,540	5,346
Personnel on Dec. 31			
2004	209	210	419
2003	193	162	355
Parent company	Sport	Industry	Total
Net sales			
2004	30,282	32,041	62,323
2003	22,976	23,499	46,475
Operating profit			
2004	4,602	5,869	10,471
2003	921	4,130	5,051
Personnel on Dec. 31			
2004	162	135	297
2003	158	131	289

20. SHARE OWNERSHIP

Distribution of share ownership on 31 December 2004

%

Private companies	17.9
Financial and insurance institutions	10.6
Public sector entities	14.9
Non-profit organizations	1.0
Households	23.9
Foreign	31.8
Of which, nominee registration	1.4

Distribution of share ownership on 31 December 2004

Shares	Number of shareholders	Percentage of shareholders %	Total number of shares	Percentage of total number of shares %
1 -1,000	2,159	90.71	610,478	11.06
1,001 - 10,000	179	7.52	513,789	9.31
10,001-50,000	27	1.13	592,330	10.73
over 50,000	15	0.63	3,804,203	68.91

21. SHAREHOLDERS

Information on shareholders on 31 December 2004

Shareholder	Number of shares	Percentage of shares and votes
Nordstjernan AB	1,748,253	31.7
Ilmarinen Mutual Pension Insurance Company	419,700	7.6
Varma Mutual Pension Insurance Company	256,800	4.7
Berling Capital Oy	189,500	3.4
Veikko Laine Oy	183,300	3.3
Suutarinen Matti	147,200	2.7
Eläke-Fennia Mutual Insurance Company	145,000	2.6
Placeringsfonden Aktia Secura	117,600	2.1
Renkkeli Oy	100,000	1.8
Ulkomarkkinat	90,300	1.6
Nominee registration	79,238	1.4
Other	2,043,909	37.1
	5,520,800	100.0

On 9 June 2004 Exel Oyj received a notification stating that Metso Capital Oy's holding had fallen below one tenth of Exel's share capital and voting rights as a result of share transactions. Metso Capital sold 550,000 shares of the company. After the transactions Metso Capital owns no Exel shares.

22. MANAGEMENT INTERESTS

The aggregate holding of the members of the Board of Directors and the President was 95,700 shares on 31 December 2004. This accounts for 1.7% of corporate shares and 1.7% of the votes carried by all shares. Apart from this, the warrants held by them account for 24.9% of the total number of warrants issued by Exel Oyj. If all warrants entitling holders to subscription are used, the members of the Board of Directors and the President will hold 2.6% of the total number of shares.

23. SHARE ISSUE AND OPTION PROGRAMMES

On 14 April 2004 the Annual General Meeting authorized the Board to decide to raise the share capital through a new issue by 14 April 2005, up to a maximum of EUR 352,500. The authorization includes the right to derogate from the shareholders' pre-emptive right. The Board has not decided to exercise this authorization to raise the share capital.

An Extraordinary General Meeting of Exel Oyj held on 17 August 1998 decided to issue a EUR 47,765.37 (equivalent FIM 284,000) warrant bond targeted at key personnel. The bond was non-interest-bearing and was repaid in a single sum on 16 October 2001. A total of 284 bonds at EUR 168.19 (equivalent FIM 1,000) were issued, each with 1,000 warrants, 500 of them marked with the letter A and 500 with the letter B. 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 is 370,000 of which half is marked with the letter A and half with the letter B.

The 1998 and 2001 option programmes and their principal terms

	1998 A and B	A2001	B2001
Number of warrants	284,000	185,000	185,000
Number of shares to be subscribed	284,000	185,000	185,000
Maximum increase in share capital EUR	99,400	64,750	64,750
Number of shares subscribed on 31 Dec. 2004	280,700	48,000	46,300
Options not distributed or returned	3,000	13,500	36,000
Number of shares not subscribed on the basis of options	300	123,500	102,700
Maximum increase in share capital EUR		43,225	35,945
Subscription price EUR	4.76*	10.77**	10.27***
Subscription period	1.10.2000- 31.10.2004	1.6.2002- 30.4.2006	1.10.2003- 30.4.2006

The total number of shares that can be subscribed under warrants represents 2.9% of the company's share capital and voting rights. The A warrants related to Exel Oyj's 1998 warrant bond have been quoted on Helsinki Exchanges Main List from 5 November 2001 and B warrants from 1 October 2002. The A warrants related to Exel Oyj's warrant programme have been quoted on Helsinki Exchanges Main List from 7 October 2002 and B warrants from 27 October 2003.

* The subscription price of the shares will be reduced by the amount of dividend per share distributed after 1 October 1998 and before subscription.

** The subscription price of the shares will be reduced by the amount of dividend per share distributed after 30 April 2001 and before subscription, on the record date of each dividend distribution.

*** The subscription price of the shares will be reduced by the amount of dividend distributed after 31 October 2001 and before subscription, on the record date of each dividend distribution.

24. SHARE PRICE AND TRADING

	2000	2001	2002	2003	2004
Share price (EUR)					
Average price	9.33	10.87	8.00	8.40	18.04
Lowest price	5.51	7.65	5.25	5.50	11.75
Highest price	11.00	12.26	10.05	12.95	24.00
Share price at end of financial year	10.80	9.90	6.38	11.90	23.00
Market capitalization, EUR million	56.6	52.1	33.8	63.6	127.0
Share trading					
Number of shares traded	6,872,437	1,396,691	686,996	1,435,573	3,962,470
% of total	131.2	26.6	13.1	27.1	73.2
Number of shares adjusted for share issues					
Average number	5,240,000	5,252,099	5,261,549	5,300,711	5,412,764
Number at end of financial year	5,240,000	5,257,900	5,294,900	5,343,100	5,520,800

Exel Oyj's shares were quoted on Helsinki Exchanges I List from 19 October 1998 to 1 May 2000. As from 2 May 2000 Exel Oyj's shares have been quoted on Helsinki Exchanges Main List.

25. INDICATORS

Indicators illustrating financial trends

Figures given in EUR 1,000
unless otherwise stated

	2000	2001	2002	2003	2004
Net sales	47,609	49,362	51,203	57,281	83,857
Operating profit	6,506	5,300	3,802	5,345	12,531
% of net sales	13.7	10.7	7.4	9.3	14.9
Profit before extraordinary items	6,024	4,780	3,147	4,910	12,129
% of net sales	12.7	9.7	6.1	8.6	14.5
Profit before provisions and income taxes	6,024	4,780	3,147	4,910	12,129
% of net sales	12.7	9.7	6.1	8.6	14.5
Total assets	29,285	33,306	31,807	34,147	43,457
Return on equity, %	36.5	24.6	15.2	20.8	44.4
Return on investment, %	34.6	21.9	14.3	20.8	44.9
Solvency ratio, %	44.3	43.3	47.2	51.7	46.1
Gearing, %	66.3	73.3	55.3	29.4	28.2
Gross investment in fixed assets	5,561	5,474	2,014	2,519	5,803
% of net sales	11.7	11.1	3.9	4.4	6.9
R&D expenses	1,367	1,216	1,113	1,707	1,956
% of net sales	2.9	2.5	2.2	3.0	2.3
Average personnel	350	356	374	355	441
Personnel at year end	378	371	359	355	419

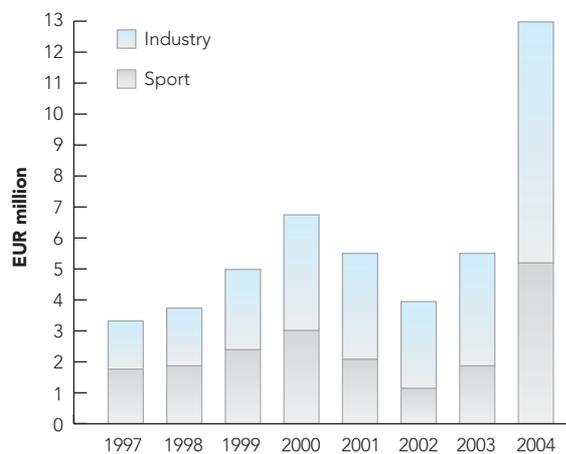
Share data

Earnings per share (EPS), EUR	0.81	0.64	0.42	0.62	1.54
Adjusted earnings per share (EPS), EUR*				0.62	1.45
Equity per share, EUR	2.45	2.72	2.82	3.26	3.56
Dividend per share, EUR**	0.38	0.35	0.20	1.30	0.70
Payout ratio, %	47.2	54.4	47.3	204.3	45.5
Effective yield of shares, %	3.52	3.51	3.13	10.92	3.04
Price/earnings (P/E), %	13.41	15.48	15.09	18.70	14.96

*Adjusted for the dilution of option rights

** Board of Directors' proposal for 2004

Operating Profit



COMPUTATION FORMULAE

Return on equity %

profit before extraordinary items, provisions and income taxes less income taxes
 _____ x 100
 equity + minority interest + voluntary provisions and depreciation difference
 less deferred tax liabilities (average)

Return on investment %

profit before extraordinary items, provisions and income taxes
 + interest and other financial expenses
 _____ x 100
 total assets less non-interest-bearing liabilities (average)

Solvency ratio %

equity + minority interest + voluntary provisions and depreciation
 difference less deferred tax liabilities
 _____ x 100
 total assets less advances received

Gearing %

net interest-bearing liabilities (= interest-bearing liabilities less liquid assets)
 _____ x 100
 equity

Earnings per share (EPS) EUR

profit before extraordinary items, provisions and income taxes less
 income taxes +/- minority interest

_____ x 100
 average adjusted number of shares in the financial period

Equity per share EUR

equity + voluntary provisions + depreciation difference
 less deferred tax liabilities and minority interest

_____ x 100
 adjusted number of shares on closing date

Dividend per share EUR

dividend for the financial period

_____ x 100
 adjusted number of shares on closing date

Payout ratio %

dividend per share
 _____ x 100
 earnings per share (EPS)

Effective yield of shares %

dividend per share x 100
 _____ x 100
 adjusted average share price at year end

Price/earnings (P/E) %

adjusted average share price at year end
 _____ x 100
 earnings per share

Proposal for
Distribution of Profit



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On 31 December 2004 the Group's distributable funds totalled EUR 13,821,379.58. Exel Oyj's distributable funds totalled EUR 13,521,297.12, of which profit for the financial period accounted for EUR 7,447,507.96.

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

– a dividend of 47.2% of earnings per share, i.e. EUR 0.70 per share	EUR 3,930,500.00
– carried over as equity	EUR 9,590,797.12
	EUR 13,521,297.12

Vantaa, 24 February 2005

Ove Mattsson
Chairman

Peter Hofvenstam

Vesa Kainu

Kari Haavisto

Mika Sulin

Ari Jokelainen
President

The financial statements have been drawn up in accordance with good accounting practice. An auditors' report on the audit of the accounts has been submitted today.

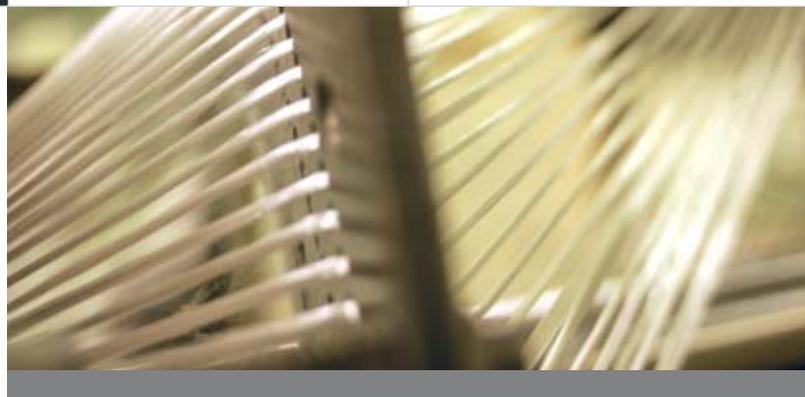
Vantaa, 24 February 2005

PricewaterhouseCoopers Oy
Authorized Public Accountants

Christian Savtschenko-Alexandroff
Authorized Public Accountant

Johan Kronberg
Authorized Public Accountant

A u d i t o r s ' R e p o r t



To the shareholders of Exel Oyj

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We have audited the accounts, the financial statements and the administration of Exel Oyj for the financial period January 1 - December 31, 2004. The financial statements drawn up by the Board of Directors and the President comprise a report on operations and income statements, balance sheets and notes to the accounts for the Group and the parent company respectively. On the basis of our audit we hereby make the following report on the financial statements and administration.

The audit has been carried out in accordance with good auditing practice. Consequently, the accounts, the principles of drawing up the financial statements and the content and presentation of the financial statements have been examined to a sufficient extent to ensure that the financial statements do not contain any essential mistakes or defects. In auditing the administration, we have examined the legality of the operations of the members of the parent company Board and the President on the basis of the provisions of the Companies Act.

We put forward as our report that the financial statements have been drawn up in accordance with the Accounting Act and other provisions concerning financial statements. The financial statements provide a true and fair view of the result of Group and parent company operations and of their financial standing. The financial statements, including the consolidated financial statements, can be adopted, and release from liability granted to the members of the parent company Board of Directors and the President for the financial period now audited. The Board's proposal for disposing of the profit for the financial year is in accordance with the Companies Act.

Helsinki, February 24, 2005

PricewaterhouseCoopers Oy
Authorized Public Accountants

Christian Savtschenko-Alexandroff
Authorized Public Accountant

Johan Kronberg
Authorized Public Accountant



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Exel's Corporate Governance Principles

Exel's corporate governance complies with the Finnish Companies Act, legislation covering the securities markets and other official regulations related to the governance of public joint stock companies. The principles set out herein complement the applicable legislation. Furthermore, Exel follows the recommendations issued by the Central Chamber of Commerce and the Confederation of Finnish Industry and Employers on the governance of listed companies.

Annual General Meeting

The highest decision-making power in the company is exercised by shareholders at the Annual General Meeting. The Annual General Meeting 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. The AGM is convened by the Board of Directors and held annually either in Mäntyhärju or Helsinki, on a date before the end of June, as determined by the Board. The AGM invitation is published no earlier than two months and no later than 17 days before the AGM, in newspapers designated by the Board.

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

Board of Directors Composition and Term

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.

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

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, which define its duties. 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 approves the interim reports, the financial statements and the report on operations, appoints the President & CEO and the Vice President and decides



on the President & CEO's salary. The Board monitors the company's financial position with the help of information provided by the Management Group.

Meetings, Remuneration and Other Benefits

The Board convenes approximately 10 times a year. The AGM shall determine the remuneration of the Board members, which were as follows in 2004:

Chairman: EUR 30,000 per annum
Member: EUR 14,000 per annum
Remuneration per meeting: EUR 450 per capita

In 2004, the Board members were paid a total of EUR 82,940 in remuneration for their duties within the Group. Moreover, the Board members are entitled to subsistence and travel allowances in accordance with Exel's general travel compensation regulations.

President & CEO and Management Group

The Board of Directors appoints the President to manage the company on a day-to-day basis in compliance with instructions and orders issued by the Board. The President & CEO's areas of responsibility include development of sales and market share, profitability and efficiency, and investments within the limits defined by the Board.

The President & CEO has a managing director contract defining the responsibilities, powers, remuneration and termination procedure applicable to his position, and he has no separate pension agreement.

The Management Group assisting the President & CEO comprises the Senior Vice Presidents of the Industry and Sport divisions, the CFO, and the Senior Vice President of R&D. The President & CEO appoints Management Group members and directs its activities. The Group meets 6-10 times a year to handle various duties including drawing up business and strategic plans and implementing them.



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Long-Term Incentive Programme

The company runs an options system functioning as an incentive for key staff, and comprising two programmes. The first consists of a warrant bond repaid in a single sum in October 2001. A total of 284 bonds of EUR 168.19 were issued, each with 1,000 warrants, 500 of these being A bonds and 500 B bonds.

The second options programme comprises 370,000 stock options, of which 185,000 were A stock options and 185,000 B stock options. These stock options have been issued to the Group's key personnel and Exel Oyj's wholly-owned subsidiary.

According to a new share-based incentive system for 2004-2007 that Exel's Board of Directors decided to launch in 2004, the Board decides every year to pay out a certain sum to key staff on the basis of targets set and met. The rewarded employee is obliged to buy Exel Oyj shares with the incentive bonus plus a 20% contribution from him or herself, and retain ownership for a minimum period of two years.

Insider Regulations

As of 1 March 2000, Exel adopted insider regulations complying with the general insider trading guidelines issued by the Helsinki Exchanges. Furthermore, the Board has confirmed insider guidelines for Exel consisting of instructions for permanent and project-specific insiders, and defined the administrative organisation and procedures regarding insiders.

Exel's permanent insiders include statutory insiders, the corporate communications officer and the executive assistant. Exel's insider register is maintained by the Finnish Central Securities Depository, and ownership data on insiders is available from HEXGate and Exel's website at www.exel.net.

Trading by permanent insiders in securities issued by the company is forbidden 14 days prior to the publication of interim reports and financial bulletins.

Permanent insiders and insiders by definition must consult the President & CEO on any securities transactions before trading, to clarify any possible interests.

Auditors and Audit System

The company has two auditors, elected by the Annual General Meeting for an indefinite period. At least one of these auditors must be an Authorised Public Accountant approved by the Central Chamber of Commerce.

The Board of Directors bears ultimate responsibility for accounting and financial management, while the auditors issue shareholders with a statutory report in connection with the closing of the company accounts every year. The purpose of the auditing process is to ensure that the financial statements give a true and fair view of the Group's financial performance and status during the financial period.

The Board meets the auditors at least once a year.

Additionally, the auditors carry out supervisory audits as they deem necessary and as agreed with the company.

Environment and Quality

Exel complies with the ISO 14001 environmental standard and is committed to the principles of the European chemical industry's Responsible Care programme throughout its operations.

Exel complies with the ISO 9001 quality system, and Det Norske Veritas has certified Exel's units in Finland.

M a n a g e m e n t



Front row from left:
Peter Hofvenstam, Ove
Mattsson, Kari Haavisto.
Back row from left:
Vesa Kainu, Mika Sulin.

Board of Directors

Chairman

Ove Mattsson, born 1940
docent, Ph.D. (Chem.)

Management Consultant
On Exel's Board since 2003
No Exel holdings.

Work experience:
COO Akzo Nobel Coatings
Managing Director, Nobel Industries AB
Managing Director, Casco Nobel AB

Chairman of the Board, Aromatic AB
Chairman of the Board, Biotage AB
Chairman of the Board, MacGREGOR AB
Chairman of the Board, Otre AB
Chairman of the Board, XCounter AB
Member of the Board, Byggelit AB
Member of the Board, Kemira Oyj
Member of the Board, Mydata Automation AB

Kari Haavisto, born 1941
Lc.Sc. (Econ.)

On Exel's Board since 2000
Holdings: 14,000 Exel shares.

Work experience:
CFO, Metsäliitto Corporation
Executive Vice President, Metsä-Serla Plc
Controller and member of the Executive Board
of Oy Nokia Ab

Vice Chairman of the Board, Suomenen
Yhtymä Oyj
Member of the Board, Aspo Plc
Member of the Board, EVLI Bank Plc

Peter Hofvenstam, born 1965
M.Sc. (Econ.)
Vice President, Nordstjernan AB

On Exel's Board since 2001
No Exel holdings.

Work experience:
Financial Analyst, Proventus AB
CFO and member of Managing Group,
AB Aritmos
Partner, E. Öhman J:or Fondkommission AB

Chairman of the Board, Nordstjernan
Ventures AB

Vesa Kainu, born 1947
B.Sc. (Eng.)

On Exel's Board since 2000
President & CEO Metso Ventures
Member of Metso Executive Board
No Exel holdings.

Work experience:
Executive Vice President, Metso Minerals Oy
Executive Vice President, Metso Paper, Inc.
President, Metso Paper, Inc. Services

Member of the Board, Metso Drives Oy
Member of the Board, Metso Foundries Jyväskylä Oy
Member of the Board, Metso Foundries Karlstad Oy
Member of the Board, Metso Lokomo Steels Oy
Member of the Board, Metso Powdermet Oy
Member of the Board, Valmet Automotive Oy
Member of the Board, Avantone Oyj

Mika Sulin, born 1958
Managing Partner, JHC Arena Holding Oy

On Exel's Board since 1997
No Exel holdings.

Work experience:
Managing Director, Hartwall-Areena
Managing Director, Nike Nordic Countries
Managing Director, Nike Central and Eastern Europe

Member of the Board, Jokerit HC Oy
Member of the Board, Infront Nordic Oy
Member of the Board, D+J Arena GmbH

Front row from left: Vesa Korpimies, Ari Jokelainen, Aki Karihtala. Back row from left: Jukka Juselius, Markku Herranen, Ilkka Silvanto.



Managing Directors of Subsidiaries



Joacim Bergström
International Gateway AB



Harald Bierbaumer
Exel GmbH

Melissa Cook
Exel USA Inc.

Exel Oyj Management Group

Ari Jokelainen, born 1955
M.Sc. (Econ.)

President & CEO
Employed by the company since 1990

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 & CEO

Holdings: 81,700 Exel shares.

Work experience:

CFO, Air Systems Group and the Pansio Works of Valmet Paper Machinery Inc.
CFO, Wihuri Oy Wipak

Member of the Board, Saunatec Group Oy

Vesa Korpimies, born 1962
M.Sc. (Econ.)

Vice President, Director of the Industry division
Employed by the company since 1987

Areas of responsibility:

- Managing and developing the Industry division's business operations
- Developing Industry's strategy
- Ensuring the profitability of business operations
- Searching for new market areas

Holdings: 46,000 Exel shares.

Markku Herranen, born 1949
Diploma in Business Administration

CFO

Employed by the company since 1988 until the end of 2004

Areas of responsibility:

- Organising and developing administration
- Maintaining and developing information systems
- Responsibility for operating policies
- Responsibility for financing and insurance

Holdings: 46,000 Exel shares.

Work experience:

Accounting Manager, Sotka Oy

Jukka Juselius, born 1953
M.Sc. (Polymer Chem.)

Senior Vice President, R & D
Employed by the company since 1998

Areas of responsibility:

- Raw material and technology development
- Responsibility for immaterial rights
- Responsibility for the maintenance and development of quality and environmental systems

No Exel holdings.

Work experience:

R& D Director, Neste Composite Materials
R& D Director, Ahlström Oy Eurapak
R& D Director, Wihuri Oy Wipak

Aki Karihtala, born 1961
Commercial College Graduate

Vice President, Sport division
Employed by the company since 1986

Areas of responsibility:

- Managing and developing the business operations of the Sport division
- Developing the Sport division's strategy
- Responsible for the profitability of business operations
- Searching for new market areas

Holdings: 12,180 Exel shares.

Ilkka Silvanto, born in 1951

M.Sc. (Econ.), Master of Laws, Authorised Public Accountant

Senior Vice President, CFO and Administrative Director
Employed by the company since 2004

Areas of responsibility:

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

Holdings: 200 Exel shares.

Work experience:

Senior Vice President & CFO, Finnforest Corporation
CFO, Metsä Serla Oy Mechanical Industry/
Metsäliitto Group
Controller, Huhtamäki Oy Marli

Quality, Environmental and Safety Matters

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Exel treats quality, the environment and safety as an integrated whole, the development of which is based on the principle of continuous improvement. The goal is to improve the ability of Exel's processes to turn out quality products while preventing accidents and detrimental effects on health and minimising the environmental impact of our operations.

Exel operates a certified quality management system compliant with the ISO 9001 standard, which includes specifications and descriptions of our core processes, forming the basis for controlling and measuring qualitative and environmental effectiveness throughout the entire chain of operations. Continuous improvement is integral to Exel's management system, and we have placed particular emphasis on staff training during the period under review with the objective of enhancing the ability of production processes to turn out quality products.

Exel takes an operational approach to environmental matters, with an emphasis on minimising the environmental impact of business operations and following the terms and conditions of our environmental permits.

Exel has made a major investment in enhancing the processing of waste resin at its Kivara plant in Finland, planning the required facilities carefully in cooperation with the authorities, and observing both stricter environmental requirements and industrial safety.

The goal is not only to boost waste resin processing but also to diminish further overall waste resin levels through various improvements, including enhancing production processes and optimising the use of raw material.

During the year, we trained personnel in how to take note of environmental factors and develop operational methods in line with the principles of continuous development. The aim is to gain ISO 14001 environmental certification for Exel plants in Finland in 2005. The Kivara manufacturing plant was granted its environmental licence in the summer of 2004.

We are committed to the principle of continuous improvement in our operations in line with Exel's quality and environmental principles and the European Responsible Care programme.

- We develop processes and products to minimise environmental load.
- We develop the materials used for our products to enhance their efficient use and reduce their environmental load.
- We use tested raw materials and processes that are safe for the environment and employees.
- We train our employees to recognise the quality and environmental impact of their work.
- We maintain open communication and confidential relations with the authorities and the surrounding communities.
- We invest in equipment improvements and the operating environment.
- We seek means to enhance waste utilisation through co-operation with companies, organisations and educational institutions in the field.

Investor Information



Annual General Meeting

The Annual General Meeting of Exel Oyj will be held on Thursday, 14 April 2005 at 10.00 a.m. in the Gustaf meeting room at Scandic Marski Hotel at Mannerheimintie 10, Helsinki, Finland.

To attend the Annual General Meeting, shareholders must inform the Company of this by 4.00 p.m. on 4 April 2005 at the latest, either in writing to Exel Oyj, P.O. Box 29, 52701 Mäntylharju, Finland, by telephone +358 15 3461 233/Soile Parta, by fax +358 15 3461 215, or by e-mail soile.parta@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 0.70 per share be paid for 2004. Shareholders registered on the list of shareholders maintained by the Finnish Central Securities Depository on the record date of 19 April 2005 are entitled to a dividend, which will be paid on 26 April 2005.

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.

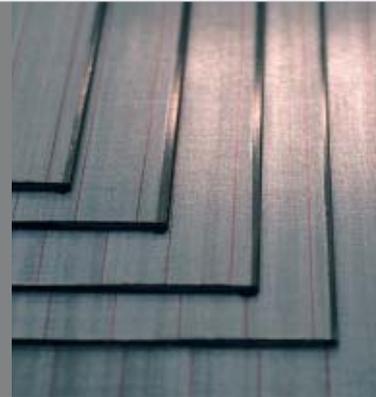
Financial Reports 2005

In addition to this Annual Report for 2004, Exel will issue three interim reports during the year: on 3 May, 26 July and 3 November 2005. 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:

Exel Oyj, Corporate Communications
P.O. Box 29, FI-52701 Mäntylharju, Finland
Tel. +358 15 3461 225
Fax +358 15 3461 216
e-mail: sari.huoso@exel.fi

V o c a b u l a r y



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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.

DST doctor blade holder

Holder for doctor blades used in paper machine roll maintenance, allowing adjustment of doctoring pressure. In comparison with metallic holders, composite holders have the advantage of greater capability in profiling, entailing that the composite doctor blade conforms to the roll surface with much higher precision.

Resin

High-molar-mass, liquid or solid substance of natural or synthetic origin; for composite plastics often refers to prepolymer mix containing blend components and additives, which is thermoset through a crosslinking reaction thus resulting in thermoset plastic.

Doctor blade

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

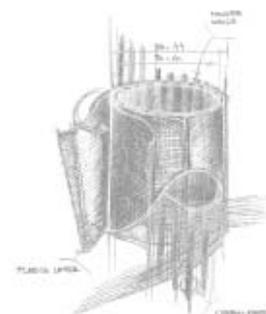
Thermoset

Synthetic organic polymer consisting of resin which is the product of the crosslinking reaction; thermoset does not allow remoulding through heating or dissolving in liquid.

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 (glassfibre) 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.

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Kiteboarding

A sport where one moves in water on top of a board seeking speed with a kite. The kite also provides speed and uplift for jumps and tricks. The sport combines elements of snowboarding, windsurfing and paragliding.

45

Select niche market

A narrow market segment; specialisation in carefully selected narrow special areas where the aim is to become market leader.

Profile

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

Pull-Winding

A continuously working production method developed by Exel, combining the pultrusion and reeling methods.

Pultrusion

Pultrusion refers to pulling plastic raw material through a preformer. This production method is particularly suitable for tubes, profiles etc. reinforced with continuous fibres, involving pulling of impregnated fibres via preformers providing the form as, simultaneously, the plastic is hardened with heat (thermoset) or cooled until solid (thermoplast).

Pultruder

A company manufacturing products with pultrusion technology.

Responsible Care

The chemical industry's self-initiated worldwide environmental and safety programme.

Lattice mast

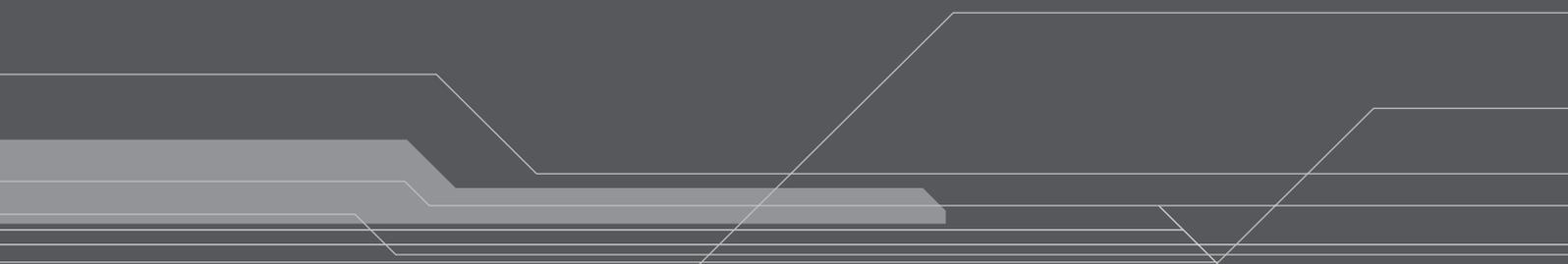
A composite product patented by Exel used mostly as support structure for airport approach lighting masts.

Crosslinking

Formation of chemical linkage between polymer chains, for instance when resin sets into thermoset.



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Precis/Kirjapaino Öhrling 2005
Photos: Mikko Harma, Erich Spiess (Alpine), Tapio Aulu

exel

Exel Oyj

Uutelantie 24 B, P.O. Box 29
FI-52700 Mäntyharju
Finland
tel. +358 15 34 611
fax +358 15 346 1216

Exel Oyj, Kivara Factory

Muovilaaksontie 2
FI-82110 Heinävaara
Finland
tel. +358 13 73 711
fax +358 13 737 1500

Exel GmbH, Rohrdorf

Meisenstr. 3
D-83010 Rohrdorf
Deutschland
tel. +49 (8031) 2745 111
fax +49 (8031) 2745 318

Exel GmbH, Voerde

Alte Hünxer Strasse 139
D-46562 Voerde
Deutschland
tel. +49 (281) 16412 10
fax +49 (281) 16412 20

Exel USA Inc.

148 B Bryce Blvd
Georgia, VT 05454
USA
tel. +1 802 524 4770
fax +1 802 524 5441

Exel Composites N.V.

Industriepark De Bruwaan 2
BE-9700 Oudenaarde
Belgium
tel. +32 (55) 33 30 11
fax +32 (55) 33 30 40

International Gateway AB

Kabelgatan 9
S-943 31 Öjebyn
Sweden
tel. +46 (911) 66 501
fax +46 (911) 66 142

www.exel.net

The logo for EXEL, featuring the word "EXEL" in a bold, italicized, sans-serif font.