



Interim Report for  
1 January - 30 March, 2005

### First quarter in brief

- Exel complied with the International Financial Reporting Standards (IFRS) for the first time in this interim report
- Consolidated net sales rose to EUR 21.7 million, up 6 per cent on a year earlier (EUR 20.5 in Q1/2004)
- Consolidated operating profit grew by 15 per cent, to EUR 2.2 (1.9) million
- Profit for the period improved by 27 per cent, to EUR 1.5 (1.2) million
- Earnings per share were EUR 0.27 (0.22), based on the diluted number of shares at the period-end
- Exel made a decision to establish a factory in China
- Exel decided to acquire the pultrusion business of Faserprofil GmbH in Austria
- The Industry division posted strong growth in profit, EUR 1.8 (0.96) million, +88%
- The Sport division focused strongly on opening new Nordic Walking markets
- In the short term, a shortage in the supply of carbon fibres will restrain growth prospects in the Industry division

### IFRS reporting

Exel has applied IFRS since the beginning of 2005. The reconciliation statement for the opening IFRS balance sheet for 2004 was presented in the financial statements bulletin released on 24 February 2005. The effects of IFRS transition on 2004 financial statements on a quarterly basis are explained in more detail in a separate stock exchange release published today. Compared with the Finnish Accounting Standards, the most significant changes in the income statement and balance sheet refer to the abandonment of goodwill depreciations, the capitalisation of fixed production costs under finished products and semi-finished products, the breakdown of finance leases into fixed assets and interest-bearing liabilities in the balance sheet and into depreciation and interest in the income statement, plus the treatment of pension liabilities and effects of changes on deferred taxes in the balance sheet and income statement.

### Net sales

Exel's consolidated net sales for January-March grew by 6.0 per cent over the previous year, to EUR 21.7 (20.5) million. Of this growth in net sales, EUR 0.7 million was due to organic growth, with the rest due to a Belgian acquisition which was included in the Group's financial reporting on 21 January 2004.

### Profit performance

Exel's operating profit for the period was up 14.8 per cent from a year earlier, and stood at EUR 2.2 (1.9) million. Operating margin, as percentage of net sales, rose to 10.1 (9.4) per cent. This relative increase in operating profit was due to improved labour productivity and more efficient use of raw materials. However, operating profit was affected by costs related to market expansion.

Net financial expenses fell clearly to EUR 58 thousand. Pre-tax profit was EUR 2.1 (1.8) million, and profit for the period totalled EUR 1.5 (1.2) million.

### Balance sheet and financial position

Consolidated balance sheet total stood at EUR 48.5 (46.0) million at the end of the period. This

### Key financial figures

EUR 1,000	Q1/2005	Q1/2004	Change %	2004
Net sales	21,738	20,514	+ 6.0	83,857
Operating profit	2,204	1,920	+14.8	13,702
% of net sales	+ 10.1	+ 9.4	+8.4	16.3
Profit for the period	1 544	1,215	+27.2	9,126
Equity	22,238	18,676	+19.0	20,692
Interest-bearing net liabilities	9,744	12,236	-20.4	7,447
Invested capital	36,006	34,342	+4.8	33,290
Return on equity, %	28.8	26.9	+7.1	47.8
Return on investment, %	25.6	25.2	+1.6	45.2
Solvency ratio, %	46.0	40.8	+12.7	44.9
Net gearing, %	43.8	65.5	-33.1	36.0
Earnings per share, EUR	0.28	0.23	+21.9	1.69
Earnings per share, EUR, diluted	0.27	0.22	+22.9	1.59
Equity per share, EUR	3.96	3.47	+14.2	3.69

increase was mainly due to growth in inventories. Stocks of finished goods in the main market areas were higher than last year because of preparations for the Nordic Walking season, which has already started. In addition, stocks were increased by the fact that US distribution has been managed by Exel since the fourth quarter of last year.

At the end of the period, equity stood at EUR 22.2 (18.7) million and the solvency ratio was 46.0 (40.8) per cent. Interest-bearing liabilities were EUR 13.8 (15.7) million, EUR 5.9 (4.9) million of which were short-term liabilities. Interest-bearing net liabilities came to EUR 9.7 (12.3) million and the debt-to-equity ratio was 43.8 (65.5) per cent.

First-quarter cash flow from business operations was negative, amounting to EUR -1.7 (+2.9) million, due to the exceptionally low level of working capital at the turn of the year resulting mostly from accounts receivable. In addition, because of the good results in 2004, EUR 1.5 million in taxes for last year were paid during the first quarter of 2005. Need for finance resulting from business operations was covered with short-term credit limits and by decreasing liquid assets. At the end of the period, liquid assets stood at EUR 4.0 million, compared with EUR 5.1 million at the turn of the year.

EUR 1,000	Q1/2005	Q1/2004	Change %	2004
Net sales	12,509	11,730	+6.6	48,349
Operating profit	1,819	965	+88.4	7,845
Operating margin, %	14.5	8.2	+76.8	16.2
Average personnel	204	197	+3.6	224

### Capital expenditure

Capital expenditure totalled EUR 0.5 million. The report period saw no launch of major new investments, so the focus was on completing maintenance and productivity-enhancing investments started earlier.

### Personnel

The number of Exel employees totalled 432 (428) on 31 March 2005, 302 (320) of whom in Finland and 130 (108) abroad. The number of employees during the reporting period averaged 424 (406). This increase from last year is mainly due to the Belgian unit becoming a Group company. The use of temporary labour has decreased within domestic units.

### Business segments

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

### Industry

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

Industry's net sales grew by 6.6 per cent on a year earlier, due to new profile applications in Finland and abroad, especially in Belgium. The antenna profile market was down from last year, but still achieved a good volume level.

Profitability remained at a good level despite raw material prices that rose last year. Part of this price pressure was successfully passed on within the production chain. Operating profit grew by 88 per cent, to EUR 1,819 million, up from EUR 0.965 million a year earlier. This improvement in profitability was caused by higher sales volumes and productivity gains at the main factories. The Belgian factory in particular has achieved better productivity than last year.

There was a short supply of carbon fibre throughout the reporting period, which will continue during throughout the year. This is due to major new projects, the most important of which are the Airbus A380 programme, defence projects in the US and the development of China's infrastructure. The shortage of carbon fibre will restrain the commercialisation of a few significant projects in 2005. Most carbon fibre suppliers have announced new investments in raising production capacity. The resulting new capacity will be available on the market in stages during 2006.

During the reporting period, the Industry division made a decision to build a factory in China. Preliminary negotiations have progressed according to schedule, and the aim is to start up a new production facility in Shenzhen, southern China, by the autumn of 2006. Initially, the new factory will focus on serving existing customers in the Far East, and on attracting new customers in the Chinese market. The establishment of the Chinese factory will also incur additional costs during 2005.

Europe's pultrusion industry continues to consolidate. During the reporting period, we concluded negotiations over the acquisition of the business of Austria's Faserprofil GmbH, which will form part of the Industry division. This acquisition will increase annual net sales by about EUR 4 million, and the acquired business is more profitable than the industry average. Faserprofil will enable Exel to become a component supplier for the electronics industry. The company holds an expertise in epoxy pultrusion and skilled personnel.

#### Sport

The Sport division's key financial figures for the first quarter were as follows:

Sport's net sales grew by 5.1 per cent during the reporting period. Growth was significantly higher in the main products, winter sports poles and floorball equipment, but a fall in sales of water sports equipment reduced the division's total sales growth.

Operating profit fell from EUR 0.955 million last year to EUR 0.385 million. The Sport segment continued its dedicated efforts to open new Nordic Walking markets and launch our concept, reducing the division's operating profit markedly.

The Nordic Walking market remained buoyant also in the main markets in Central Europe. The launch of this concept in new countries was mainly focused on North America and China. In the US, we launched the operations of our subsidiary Exel USA Inc, which is currently reflected in higher costs, but at the same time Nordic Walking is gaining a clear foothold among American consumers. We expect more active business at the very end of 2005, and especially in 2006. In China, we have started co-operation with our partner CISS, and training provided to Nordic Walking instructors has begun. Our publicity campaign for this activity has progressed according to plan. We are in the process of applying for licences in China and expect to move into the commercial phase during the second half of 2005.

The advance sales season in cross-country ski poles and floorball equipment has made good progress, with advance sales higher than a year ago. This increase is due to the greater popularity of cross-country skiing in Central Europe, as well as successful new products within floorball equipment.

#### Shares

On 1 March 2005, an increase of EUR 32,970 in Exel Oyj's share capital was recorded in the trade register, based on the exercise of share options. A total of 94,200 new shares were subscribed. Following this subscription, Exel Oyj's share capital is EUR 1,965,250, consisting of 5,615,000 shares each at a book value of EUR 0.35.

During the reporting period, the highest share quotation was EUR 26.98 (14.79) and the lowest EUR 22.70 (13.95), and the share closed at EUR 25.60 (14.10). The share price averaged EUR 24.89 (14.29) during the period.

A total of 611,207 (644,483) shares were traded during the period, accounting for 10.9 (11.9) per cent of the average number of outstanding shares. Based on the closing price during the first quarter,

market capitalisation totalled EUR 143.7 (75.9) million.

#### Events after the period

Exel Oyj's wholly owned subsidiary, Exel Sports Oy, started operations on 1 April 2005. Exel Sports Oy assumed responsibility for the sales, marketing, logistics and product development of consumer products, and 25 employees from Exel Oyj joined the new company's payroll. Mika Sulin, who was appointed as the new Managing Director, will resign from the Board of Directors of Exel Oyj and assume his operational role on 1 June 2005.

On 1 April 2005, Exel acquired the business operations, fixed assets and inventories of Austria's Faserprofil GmbH:n (FAS) to be transferred to Exel's new subsidiary Exel Composites GmbH. The new subsidiary manufactures and sells speciality fibreglass profiles for the electronics, railway, paper machine and mechanical industries. It has production facilities in Kapfenberg, Austria and has a staff of around 25. Its annual net sales total about EUR 4 millions. As a result of this acquisition, it is estimated that Exel's annual net sales will grow by about the same amount.

Held on 14 April 2005, the Annual General Meeting decided to double the number of shares without increasing share capital. The meeting also decided on a bonus issue and an alteration of the Articles of Association. It authorised Exel's Board of Directors to acquire and convey the company's own shares, and to increase the company's share capital by a maximum of EUR 100,000.

The AGM re-elected Ove Mattsson (Chairman), Kari Haavisto, Peter Hofvenstam and Vesa Kainu to the Board, and elected Torgny Eriksson, Esa Karppinen and Matti Virtaala to the Board. Mika Sulin, a former Board member, will take up his duties as Exel Sports Oy's Managing Director on 1 June 2005.

#### Outlook

Profitability has remained at a good level for the first quarter. However the competition in existing Nordic Walking markets is expected to intensify and opening new market will require major investments in marketing and sales. Encouragingly, raw material markets have stabilised with the exception of carbon fibre. In the short term, the supply of carbon fibre will slow growth in the Industry division. The acquisition of Faserprofil will strengthen our position in the Central European profile markets. The combined effect will result in revenue growth whilst profit after financial items will remain close to the level of last year.

Mäntyharju, 3 May 2005

#### Exel Oyj

Board of Directors

EUR 1,000	Q1/2005	Q1/2004	Change %	2004
Net sales	9,229	8,784	+5.1	35,508
Operating profit	386	955	-59.6	5,858
Operating margin, %	4.2	10.9	-61.5	16.5
Average personnel	220	209	+5.3	217

**SUMMARISED CONSOLIDATED  
INCOME STATEMENT**

	Q1/2005	Q1/2004	Change, %	2004
<b>Net sales</b>	<b>21,738</b>	<b>20,514</b>	<b>+ 6.0</b>	<b>83,857</b>
Other operating income	50	21	+ 140.1	111
Operating expenses	-18,793	-17,895	5	-67,085
Depreciation and impairment	-791	-720	+ 9.9	-3,181
<b>Operating profit</b>	<b>2,204</b>	<b>1,920</b>	<b>+ 14.8</b>	<b>13,702</b>
Financial income and expenses	-58	-107	- 45.7	-467
<b>Profit before income taxes</b>	<b>2,146</b>	<b>1,813</b>	<b>+ 18.4</b>	<b>13,236</b>
Income tax charge	-602	-598	+ 0.6	-4,110
<b>Profit for the period</b>	<b>1,544</b>	<b>1,215</b>	<b>+ 27.2</b>	<b>9,126</b>
Earnings per share, EUR	0.28	0.23	+21.9	1.69
Earnings per share, EUR, diluted	0.27	0.22	+22.9	1.59

**SUMMARISED CONSOLIDATED  
BALANCE SHEET**

	31 March 2005	31 March 2004	Change	31 December 2004
<b>Assets</b>				
<b>Non-current assets</b>				
Intangible assets	862	436	426	926
Goodwill	3,188	3,188	0	3,188
Tangible assets	13,534	14,225	-691	13,742
Deferred tax assets	734	242	492	310
Other non-current assets	101	101	0	100
<b>Current assets</b>				
Inventories	13,056	10,804	2,252	13,269
Trade receivables and other receivables	13,002	13,536	-534	9,568
Cash in hand and at bank	4,024	3,430	594	5,150
<b>Total assets</b>	<b>48,501</b>	<b>45,962</b>	<b>2,539</b>	<b>46,253</b>
<b>Equity and liabilities</b>				
<b>Equity</b>				
Share capital	1,965	1,884	81	1,932
Share issue				817
Premium fund	4,174	3,149	1,025	3,390
Retained earnings	14,555	12,428	2,127	5,427
Profit for the period	1,544	1,215	329	9,126
<b>Total equity</b>	<b>22,238</b>	<b>18,676</b>	<b>3,562</b>	<b>20,692</b>
<b>Non-current liabilities</b>				
Non-current interest-bearing liabilities	7,888	10,739	-2,851	8,456
Deferred tax liabilities	312	14	298	297
<b>Current liabilities</b>				
Current interest-bearing liabilities	5,880	4,926	954	4,141
Trade payables and other non-interest-bearing liabilities	12,183	11,607	576	12,666
<b>Total liabilities</b>	<b>26,263</b>	<b>27,286</b>	<b>-1,023</b>	<b>25,560</b>
<b>Total equity and liabilities</b>	<b>48,501</b>	<b>45,962</b>	<b>2,539</b>	<b>46,253</b>

**STATEMENT OF CHANGES  
IN THE EQUITY**

	Share capital	Share issue	Share pre- mium fund	Retained earnings	Total
<b>Equity 1 January 2004</b>	<b>1,870</b>	<b>135</b>	<b>3,028</b>	<b>12,429</b>	<b>17,462</b>
Share issue	14	-135	121		
Translation differences				-1	-1
Dividend paid					
Profit for the period				1,215	1,215
<b>Equity 31 March 2004</b>	<b>1,884</b>	<b>0</b>	<b>3,149</b>	<b>13,643</b>	<b>18,676</b>
<b>Equity 1 January 2005</b>	<b>1,932</b>	<b>817</b>	<b>3,390</b>	<b>14,553</b>	<b>20,692</b>
Share issue	33	-817	784		
Translation differences				2	2
Dividend paid					
Profit for the period				1,544	1,544
<b>Equity 31 March 2005</b>	<b>1,965</b>		<b>4,174</b>	<b>16,099</b>	<b>22,238</b>

Summarised consolidated funds statement	Q1/2005	Q1/2004	Change	2004
<b>Cash flow from business operations</b>				
Profit for the period	1,544	1,215	329	9,126
Total adjustments	1,485	1,497	-12	7,623
Change in net working capital	-2,700	1,181	-3,881	1,657
<b>Cash flow from business operations</b>	<b>329</b>	<b>3,893</b>	<b>-3,564</b>	<b>18,406</b>
Net financial expenses	-94	-75	-21	-359
Taxes paid	-1,925	-834	-1,091	-2,136
<b>Net cash flow from business operations</b>	<b>-1,690</b>	<b>2,984</b>	<b>-4,674</b>	<b>15,911</b>
<b>Investment cash flow</b>				
Acquisitions		-7,181	7,181	-7,181
Investments in tangible and intangible assets	-518	-450	-68	-3,187
Capital gains on assets				44
Other cash flow from investments				
<b>Net investment cash flow</b>	<b>-518</b>	<b>-7,631</b>	<b>7,113</b>	<b>-10,324</b>
<b>Cash flow from financing</b>				
Rights issue				1,102
Change in long-term loans and other liquid assets	1,082	5,318	-4,236	2,700
Dividend paid				-6,998
Net cash flow from financing	<b>1,082</b>	<b>5,318</b>	<b>-4,236</b>	<b>-3,196</b>
<b>Change in liquid assets</b>	<b>-1,126</b>	<b>671</b>	<b>-1,797</b>	<b>2,391</b>
Liquid assets at period-start	5,150	2,759	2,391	2,759
Change in liquid assets	-1,126	671	-1,797	2,391
<b>Liquid assets at period-end</b>	<b>4,024</b>	<b>3,430</b>	<b>594</b>	<b>5,150</b>

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#### KEY FINANCIAL FIGURES BY QUARTER

	Q1/2005	Q4/2004	Q3/2004	Q2/2004	Q1/2004	2004
<b>Net sales by segment</b>						
Industry	12,509	11,689	11,523	13,408	11,730	48,348
Sport	9,229	8,087	8,864	9,773	8,784	35,509
<b>Total net sales</b>	<b>21,738</b>	<b>19,776</b>	<b>20,387</b>	<b>23,181</b>	<b>20,514</b>	<b>83,857</b>
<b>Operating profit by segment</b>						
Industry	1,819	2,327	2,041	2,512	965	7,845
Sport	386	987	1,263	2,653	955	5,858
<b>Total operating profit</b>	<b>2,204</b>	<b>3,314</b>	<b>3,304</b>	<b>5,165</b>	<b>1,920</b>	<b>13,702</b>
Financial income and expenses	-58	-131	-138	-91	-107	-467
<b>Profit before income taxes</b>	<b>2,146</b>	<b>3,182</b>	<b>3,167</b>	<b>5,074</b>	<b>1,813</b>	<b>13,236</b>
Income tax charge	-602	-922	976	-1,613	598	4,110
<b>Profit for the period</b>	<b>1,544</b>	<b>2,260</b>	<b>2,190</b>	<b>3,461</b>	<b>1,215</b>	<b>9,126</b>
Earnings per share, EUR	0.28	0.41	0.41	0.64	0.23	1.69
Earnings per share, EUR, diluted	0.27	0.37	0.38	0.62	0.22	1.59
Average number of shares, 1,000	5,615	5,499	5,384	5,383	5,383	5,413
Average number of shares, 1,000, diluted	5,762	5,732	5,634	5,581	5,568	5,732
Average personnel	424	424	456	453	406	441

**CONTINGENT LIABILITIES**

	31 March 2005	31 March 2004	31 December 2004
<b>For own liabilities</b>			
Mortgages given on land and buildings	2,954	2,954	2,954
Corporate mortgages given	12,500	12,500	12,500
Lease liabilities			
- maturity of less than one year	456	190	223
- maturity of one to five years	1,741	237	1,563
Other liabilities	64	59	67

**Face value of derivative contracts**

	31 March 2005	31 March 2004	31 December 2004
<b>Currency derivatives</b>			
Forward contracts	503	923	877
Purchased currency options	750		750
Sold currency options	371		371
<b>Interest rate derivatives</b>			
Interest swaps	2,553	3,441	2,636

**GROUP KEY FIGURES AND RATIOS**

	Q1/2005	Q1/2004	Change %	2004
Net sales	21,738	20,514	+ 6.0	83,857
Operating profit	2,204	1,920	+14.8	13,702
% of net sales	+ 10.1	+ 9.4	8.4	16.3
Profit before income taxes	2,146	1,813	18.4	13,236
% of net sales	9.9	8.8	11.7	15.8
Profit for the period	1,544	1,215	+27.2	9,126
% of net sales	7.1	5.9	+19.9	10.9
Equity	22,238	18,676	19	20,692
Interest-bearing liabilities	13,768	15,666	-12.1	12,597
Liquid assets	4,024	3,430	+17.3	5,150
Net interest-bearing liabilities	9,744	12,236	-20.4	7,447
Invested capital	36,006	34,342	+4.8	33,290
Return on equity, %	28.8	26.9	+7.1	47.8
Return on investment, %	25.6	25.2	+0.4	45.2
Solvency ratio, %	46.0	40.8	+12.7	44.9
Net gearing, %	43.8	65.5	-33.1	36.0
Gross capital expenditure	518	2,968	-82.5	5,803
% of net sales	2.4	14.5	-16.6	6.9
Research and development costs	681	612	+11.3	1,956
% of net sales	3.1	3.0	+5.0	2.3
Earnings per share, EUR	0.28	0.23	+21.9	1.69
Earnings per share, EUR, diluted	0.27	0.22	+22.9	1.59
Equity per share, EUR	3.96	3.47	+14.2	3.69
Outstanding shares, thousands				
- undiluted, average	5,615	5,383	+4.3	5,413
- diluted, average	5,762	5,568	+3.5	5,732

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