



Interim Report
1 January - 31 March 2006

First quarter in brief

- Net sales rose to EUR 25.6 million (21.7 in the first quarter 2005) or 18 per cent over the previous year
- Operating profit was EUR 0.6 (2.2) million. The result includes EUR 1.9 million of restructuring costs mainly related to the reorganisation of Sport Division production
- Earnings per share were EUR 0.03 (0.13) adjusted for full dilution
- Pacific Composites Pty. Ltd. is included in group accounts as of 1.3.2006
- Demand for industrial profiles remained healthy
- Industry Division reported continued growth both in sales, up 38 % to 17.3 (12.5) million, and in operating profit, up 49 per cent to EUR 2.7 (1.8) million
- Restructuring of Sport Division's production and logistics operations proceeds according to plan
- Sport Division sales down by 10 %, operating loss -2.1 (+0,4) million including the restructuring costs of EUR 1.9 million, out of which about EUR 1.7 million are write-offs

IFRS reporting

Exel has applied IFRS reporting since the beginning of 2005. This interim report has been prepared in accordance with the recognition and measurement principles of IFRS, which are the same as in the 2005 financial statements.

The financial statements of Pacific Composites Pty. Ltd., which was acquired by Exel Oyj on 28.2.2006, are included in the consolidated financial statements as of 1.3.2006.

Net sales

Exel's consolidated net sales for January-March grew by 17.8 per cent over the previous year to EUR 25.6 (21.7) million. The net sales for the first quarter include the operations of Pacific Composites Pty. Ltd. for the month of March. The company has subsidiaries in Australia, Great Britain and China. The acquisition was executed under the name of Exel Composites Pty. Ltd., a holding company established in Australia. Pacific Composites contributed EUR 2.2 million of the net sales.

Profit performance

Exel's operating profit for the first quarter was EUR 0.6 (2.2) million. Operating profit as a percentage of net sales was 2.4 (10.1) per cent. The operating profit before restructuring costs was EUR 2.5 million, which is higher than previous year.

The Group's net financial expenses were EUR 0.2 (0.1) million. The Group's pre-tax profit was EUR 0.5 (2.1) million, and profit for the reporting period totalled EUR 0.3 (1.5) million.

Balance sheet and financial position

The consolidated balance sheet total at the end of the reporting period stood at EUR 83.9 (48.5) million. Main part of the increase or some EUR 28 million was due to the Australian acquisition and EUR 2 million was due to last year's Austrian acquisition.

At the end of the reporting period, equity stood at EUR 29.4 (22.2) million, and the solvency ratio was

Key Financial Figures

EUR million	1.1.-31.3.2006	1.1.-31.3.2005	Change %	1.1.-31.12.2005
Net sales	25,6	21,7	17.8	91,3
Operating profit	0,6	2,2	-72.6	12,4
% of net sales	2,4	10,1		13,5
Profit for the period	0,3	1,5	-79.1	8,9
Equity	29,4	22,2	32.2	27,0
Interest-bearing net liabilities	25,5	9,7	161.7	8,2
Invested capital	62,6	36,0	73.7	41,0
Return on equity, %	4.6	28.8		37.3
Return on investment, %	5.0	25.6		34.0
Solvency ratio, %	35.1	46.0		50.0
Net gearing, %	86.7	43.8		30.2
Earnings per share, EUR	0.03	0.14	-78.6	0.78
Earnings per share, EUR, diluted	0.03	0.13	-76.9	0.76
Equity per share, EUR	2.49	1.84	35.3	2.34

35.1 (46.0) per cent. Interest-bearing liabilities were EUR 33.2 (13.8) million, of which short-term liabilities accounted for EUR 6.0 (5.9) million. Net interest-bearing liabilities were EUR 25.5 (9.7) million, and the net gearing was 86.7 (43.8) per cent.

The development of cash flow from business operations remained positive in the first quarter and was EUR +1.3 (-1.7) million. Capital expenditure was financed with cash flow from business operations. The acquisition was financed with a long-term loan amounting to EUR 18 million and issue of share capital. At the end of the reporting period, the Group's liquid assets stood at EUR 7.7 million, compared with EUR 5.8 million at the end of 2005.

Capital expenditure

The Group's capital expenditure totalled EUR 0.8 (0.5) million. The estimated total cost of the acquisition of Pacific Composites Pty. Ltd. including transaction costs was EUR 21 million. The final acquisition price will be determined based on the final audited accounts as of the acquisition date.

Personnel

The number of people employed by the Exel Group on 31 March 2006 was 621 (432). Of these 303 (302) worked in Finland and 318 (130) abroad. The number of employees during the reporting period averaged 518 (424). The increase from last year is mainly due to the acquisition of Pacific Composites.

The Sport Division's personnel negotiations, which were connected with the transfer of the finishing and assembly operations of consumer products (poles and floorball) to the Far East for cost reasons, were concluded. As a result of the negotiations, 54 full-time jobs and part-time jobs will be discontinued at the end of September 2006.

Business segments

The Group's operations are divided into two primary segments: the Industry Division and the Sport Division.

Industry Division

The Industry Division's net sales grew by 38 per cent on those posted a year earlier. Of the increase, EUR 3.2 million arose from the acquisition of Pacific Composites and the Austrian acquisition, while the remaining EUR 1.6 million represented organic growth. Demand in the profiles market has continued to be strong in the first quarter. The production utilisation rate was high at most production plants.

The Group's strategic focus area, the Industry Division continued its expansion. At the end of February the Australian company Pacific Composites Pty. Ltd. was acquired with production operations in Australia, Great Britain and China. The acquisition further enables Exel to serve international customers globally. At the same time, Exel's establishment in China and the Far East markets will be accelerated and the range of product offerings broadened. The net sales of the acquired company in the 2005 calendar year were approximately EUR 22 million and pre-tax profit approximately EUR 2.5 million.

The factory project in Shenzhen, China is being postponed for the time being, since Pacific Composites has new production facilities in Nanjing, China. Following the acquisition, Exel has the possibility to begin production in China faster than previously planned.

As a result of the acquisition of Pacific Composites, the Industry Division's European production strategy is being reassessed. The Industry Division currently has 8 production plants in Europe. Exel is looking at consolidating its factories in Great Britain. Furthermore, the production of profiles that is currently subcontracted in Spain will be transfer-red to other units in Europe. According to pre-liminary estimates, this rationalising of production will create non-recurring costs of approximately EUR 0.5 million.

INDUSTRY DIVISION

The Industry Division's key financial figures for the reporting period:

EUR 1,000	1.1.-31.3.2006	1.1.-31.3.2005	Change %	1.1.-31.12.2005
Net sales	17,3	12,5	38.4	56,8
Operating profit	2,7	1,8	49.1	10,8
% of net sales	15.7	14.5		19.0
Average personnel	292	214	36.4	236

Profitability remained at a good level despite a considerable increase in raw material prices. Some of this price pressure has been systematically passed on within the production chain. Operating profit grew to EUR 2.7 million from EUR 1.8 million the previous year. The improvement in profitability is due to the increased sales and better usage of the production capacity.

The acquisition price of Pacific Composites will be allocated according to IFRS 3 standard, partly to the assets and liabilities of the acquired balance sheet. During the first quarter the preliminary allocation has been made to the inventory and order stock, which have been valued at sales price. Therefore the inventory and order stock of the acquisition date does not create any sales margin during March-May this year.

Carbon fibre raw materials remain in short supply in the markets. Exel has for the most part ensured adequate fibre supplies for this year's projects, but the low supply is limiting the development of new applications and could impact sales of some product groups towards the end of the year. The main carbon fibre suppliers have announced investments to increase capacity. The new capacity will enter the markets in stages from the second half of 2006. The shortage is expected to continue into the beginning of 2007.

Sport Division

The Sport Division's net sales decreased by 10 per cent from the previous year's level. In line with previous forecasts, the Nordic Walking markets in Central Europe remained weak during the first quarter. The decrease in sales stems entirely from this market segment. The floorball and laminate components groups increased sales over last year. Exel was investing heavily in opening new markets, especially in North America and China.

At the end of January, the decision was taken to subcontract the surface treatment, assembly and packaging operations for Nordic Walking and floorball products to China. This transfer is taking place in phases throughout the year with the goal of having all these operations handled completely in China by the beginning of 2007. This has entailed the restructuring of operations at the Mäntyharju factory. At the same time, the decision was made to outsource the warehousing and delivery operations of Exel Sports Oy to service providers.

Due to the restructuring, personnel negotiations affecting the Sport Division were carried out during February and March. The negotiations were based on the employer's negotiation proposal. As a result of the negotiations, the amount of employment contracts to be terminated is 54 persons. In addition, approximately 20 non-permanent employees on fixed-term contracts will not have their contracts renewed. It has been agreed with the personnel re-

presentatives that an extended six-month term of notice, instead of the normal term of notice, is applicable to all terminated contracts. Thus, significant personnel reductions will take place at the end of September 2006. The restructuring is expected to generate savings on the level of 2 million from 2007 onwards.

The Sport Division's operating loss before restructuring costs was EUR -0.2 (+0.4) million. In addition, non-recurring costs amounting to EUR 1.9 million were recorded stemming from the transfer of production operations. The strong focus on opening new Nordic Walking markets, the strengthening of the Exel Sports Oy organisation, and the launch of the Nordic Fitness Sports concept continued to negatively impact the division's operating profit in the first quarter.

Shares

During the reporting period, on 2 February 2006, an increase in the share capital of EUR 12,780 due to a subscription of shares under the warrant programme was registered in the Finnish Trade Register. A total of 71,000 shares were subscribed.

As a result of the increase, the share capital of Exel Oyj is now EUR 2,082,582 and the total number of shares is 11,569,900, each with a counter-value of EUR 0.18.

The increase in the share capital of Exel Oyj with EUR 41,533 to EUR 2,124,115 was registered in the Finnish Trade Register after the reporting period on 5 April 2006. The increase in share capital has been subscribed by Lemarne Corporation Ltd. and it is a part of the payment of the purchase price of Pacific Composites Pty. Ltd. realised at the end of February. The increase in share capital was carried out by virtue of authorisation given by the Annual General Meeting to the Board of Directors on 14 April 2005. As a result, Exel Oyj's share capital is EUR 2,124,115 after the increase and the total number of shares is 11,800,643. Exel received a total of EUR 2,788,968 as shareholders' equity.

The highest share quotation during the reporting period was EUR 14.84 (13.49) and the lowest EUR 10.80 (11.35). The share price closed at EUR 14.59 (12.80). The average share price during the reporting period was EUR 12.99 (12.45).

During the reporting period 2,574,569 (1,222,414) shares were traded, accounting for 22.3 (10.9) per cent of the average number of outstanding shares. Based on the closing price in the reporting period, market capitalisation totalled EUR 168.8 (143.7) million.

Events after the period

The Annual General Meeting of Exel Oyj was held on 6 April 2006. The accounts of the Group were

approved and the members of the Board of Directors and the President were discharged from liability for the financial year 2005. The AGM approved the proposal to distribute a dividend of EUR 0.40, corresponding to a total of EUR 4,720,257 based on the number of shares on the date of the AGM. It also 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 confirmed the number of members of the Board of Directors as five and elected a new Board. Esa Karppinen, Kari Haavisto, Peter Hofvenstam, Vesa Kainu and Ove Mattsson were re-elected to the Board. Ove Mattsson was re-elected Chairman of the Board.

Outlook

Pacific Composites will be integrated with the Group during 2006 and will significantly increase net sales for the Industry Division. The acquisition will strengthen and accelerate the growth of the Industry division, especially in Far East markets already during 2006.

As a result of the acquisition, the Industry Division's production strategy is being assessed in Europe. According to preliminary estimates, the rationalising of production will create non-recurring costs of approximately EUR 0.5 million. Carbon fibre raw materials are expected to remain in short supply also during 2006, which limits growth opportunities and could impact sales of some product groups towards the end of the year.

The main markets for Nordic Walking in Central Europe remain leveled as retail chains sell out existing stocks. The chains are expected to focus on the leading pole brands, including Exel. Efforts to open new Nordic Walking markets continue. The transfer of pole and floorball assembly and finishing combined with outsourcing logistics, will improve the Sport Division's profitability beginning in 2007.

Based on the above, net sales are expected to increase significantly. Due to the considerable reorganisation of the Sport Division's production and the integration of Pacific Composites, the result will be impacted by non-recurring items, as a result of which the pre-tax profit is expected to be lower than in 2005.

Kapfenberg, 5 May 2006

Exel Oyj
Board of Directors

Ari Jokelainen
President & CEO

SPORT DIVISION

The Sport Division's key financial figures for the reporting period:

EUR 1,000	1.1.-31.3.2006	1.1.-31.3.2005	Change-%	1.1.-31.12.2005
Net Sales	8,3	9,2	- 10.2	34,5
Operating profit	- 2,1	0,4	-648.3	1,6
% of net sales	- 25.5	4.2		4.6
Average personnel	227	220	3.2	231

CONDENSED CONSOLIDATED INCOME STATEMENT	Q1/2006	Q1/2005	Change, %	2005
Net sales	25,600	21,738	17.8	91,288
Other operating income	30	50	-40.0	186
Operating expenses	-23,173	-18,793	-23.3	-75,502
Depreciation and impairment	-1,854	-791	-134.4	-3,584
Operating profit	603	2,204	-72.6	12,388
Net financial items	151	-58	-160.3	-342
Profit before tax	452	2,146	-78.9	12,046
Income taxes	-129	-602	78.6	-3,144
Profit for the period	323	1,544	-79.1	8,902
Attributable to:				
Equity holders of the parent company	326	1,544	-78.9	8,902
Minority interest	-3	-	-	0
Earnings per share, EUR	0.03	0.14	-78.6	0.78
Earnings per share, EUR, diluted	0.03	0.13	-76.9	0.76

CONDENSED CONSOLIDATED BALANCE SHEET	31 March 2006	31 March 2005	Change	31 December 2005
Assets				
Non-current assets				
Goodwill	14,122	3,188	10,934	3,877
Other intangible assets	834	862	-28	880
Tangible assets	20,299	13,534	6,765	15,395
Deferred tax assets	1,933	734	1,199	1,070
Other non-current assets	70	101	-31	103
Non-current assets total	37,258	18,419	18,839	21,325
Current assets				
Inventories	19,847	13,056	6,791	15,361
Trade and other receivables	19,088	13,002	6,086	12,157
Other liquid assets	829	1,254	-425	1,324
Cash at bank and in hand	6,829	2,770	4,059	4,454
Current assets total	46,594	30,082	16,511	33,295
Total assets	83,852	48,501	35,350	54,621
Shareholders' equity				
Share capital	2,083	1,965	118	2,070
Share issue	2,789	0	2,789	287
Share premium reserve	5,416	4,174	1,242	5,142
Retained earnings	18,779	14,555	4,224	10,628
Profit for the period	323	1,544	-1,221	8,902
Total equity	29,390	22,238	7,152	27,029
Minority share	7	-	7	11
Non-current liabilities				
Interest-bearing liabilities	27,135	7,888	19,247	9,611
Deferred tax liabilities	1,205	312	893	407
Current liabilities				
Interest-bearing liabilities	6,018	5,880	138	4,346
Trade and other non-current liabilities	20,095	12,183	7,912	13,217
Total liabilities	54,455	26,263	28,190	27,581
Total equity and liabilities	83,852	48,501	35,350	54,621

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	Share capital	Share issue	Share pre- mium reserve	Retained earnings	Minority interest	Total
Balance at 1 January 2005	1,932	817	3,390	14,553	0	20,692
Share issue	33	-817	784	0	-	0
Exchange rate differences	-	-	0	2	-	2
Other items	-	-	-	0	-	0
Dividend	-	-	-	0	-	0
Profit for the period	-	-	-	1,544	0	1,544
Balance at 31 March 2005	1,965	0	4,174	16,099	0	22,238
Balance at 1 January 2006	2,070	287	5,142	19,530	10	27,039
Share issue	13	2,502	274	0	-	2,789
Exchange rate differences	-	-	-	-681	-	-681
Other items	-	-	-	-73	-	-73
Dividend	-	-	-	0	-	0
Profit for the period	-	-	-	326	-3	326
Balance at 31 March 2005	2,083	2,789	5,416	19,101	7	29,397

**CONDENSED CONSOLIDATED
CASH FLOW STATEMENT**

	Q1/2006	Q1/2005	Change	2005
Cash flow from operating activities				
Profit for the period	323	1,544	-1,221	8,902
Adjustments	2,913	1,485	1,428	6,935
Change in working capital	-387	-2,700	2,313	-2,760
Cash flow generated by operations	2,849	325	2,520	13,077
Interest paid	-193	-116	-77	-498
Interest received	40	22	18	162
Other financial items	0	0	0	0
Income taxes paid	-1,385	-1,925	540	-4,823
Net cash flow from operating activities	1,311	-1,690	3,001	7,918
Cash flow from investing activities				
Acquisitions	-18,687	0	-18,687	-2,056
Capital expenditure	-848	-518	-330	-2,377
Proceeds from sale of fixed assets	0	0	0	62
Cash flow from investing activities	-19,535	-518	-19,017	-4,371
Cash flow from financing				
Share issue	2,789	0	2,789	1,360
Proceeds from long-term borrowings	18,000	0	18,000	2,000
Installments of long-term borrowings	-608	-615	7	-2,011
Change in short-term loans	16	1,737	-1,721	-30
Installments of finance lease liabilities	-93	-40	-53	-307
Dividends paid	0	0	0	-3,931
Net cash flow from financing	20,104	1,082	19,022	-2,919
Change in liquid funds	1,880	-1,126	3,006	628
Liquid funds in the beginning of period	5,778	5,150	628	5,150
Change in liquid funds	1,880	-1,126	3,006	628
Liquid funds at the end of period	7,658	4,024	3,634	5,778

QUARTERLY KEY FIGURES

	Q1/2006	Q4/2005	Q3/2005	Q2/2005	2005
Net sales by segment					
Industry	17,315	15,072	13,755	15,459	12,509
Sport	8,285	6,875	8,647	9,744	9,229
Net sales, total	25,600	21,947	22,402	25,203	21,738
Operating profit by segment					
Industry	2,713	3,235	2,484	3,271	1,818
Sport	-2,111	-1,066	525	1,735	386
Operating profit, total	603	2,169	3,009	5,006	2,204
Net financial items	-151	-112	-60	-112	-58
Profit before taxes	452	2,057	2,949	4,894	2,146
Income taxes	-129	-332	-878	-1,332	-602
Profit for the period	323	1,725	2,071	4,562	1,544
Earnings per share, EUR	0.03	0.15	0.18	0.32	0.14
Earnings per share, EUR, diluted	0.03	0.14	0.17	0.31	0.13
Average number of shares undiluted, 1000 shares	11,652	11,359	11,302	11,230	11,230
Average number of shares, diluted, 1000 shares	11,896	11,550	11,574	11,393	11,524
Average number of personnel	518	469	498	485	417

COMMITMENTS AND CONTINGENCIES**On own behalf**

	31 March 2006	31 March 2005	31 December 2005
Mortgages	2,953	2,954	2,953
Corporate mortgages	12,500	12,500	12,500
Lease liabilities			
– in next 12 months	232	456	462
– in next 1-5 years	217	1,741	1,775
Other commitments	64	64	66

DERIVATIVE FINANCIAL INSTRUMENTS, nominal values**Foreign exchange derivatives**

	31 March 2006	31 March 2005	31 December 2005
Forward contracts	8,594	503	0
Purchased currency options	1,637	750	0
Sold currency options	811	371	0
Interest rate derivatives			
Interest rate swaps	6,332	2,553	1,748

CONSOLIDATED KEY FIGURES

	Q4/2005	Q3/2005	Change %	2005
Net sales	25,600	21,738	17.8	91,288
Operating profit	603	2,204	-72.6	12,388
% of net sales	2.4	10.1		13.6
Profit before tax	452	2,146	-78.9	12,046
% of net sales	1.8	9.9		13.2
Profit for the period	323	1,544	-79.1	8,902
% of net sales	1.3	7.1		9.8
Shareholders' equity	29,390	22,238	32.2	27,029
Interest-bearing liabilities	33,154	13,768	140.8	13,957
Cash and cash equivalents	7,318	4,024	81.9	5,778
Net interest-bearing liabilities	25,496	9,744	161.7	8,179
Capital employed	62,551	36,006	73.7	40,997
Return on equity, %	4.6	28.8		37.3
Return on capital employed, %	5.0	25.6		34.0
Equity ratio, %	35.1	46.0		50.0
Net gearing, %	86.7	43.8		30.2
Capital expenditure	16,958	518	3173.7	4,119
% of net sales	66.2	2.4		4.5
Research and development costs	49,2	681	-27.8	2,323
% of net sales	1.9	3.1		2.5
Order stock	13,718	11 132	23.2	12,381
Earnings per share, EUR	0.03	0.14	-78.6	0.78
Earnings per share, EUR, diluted	0.03	0.13	-76.9	0.76
Equity per share, EUR	2.49	1.84	35.3	2.34
Average number of shares				
– cumulative	11,652	10 766	8.2	11,359
– cumulative, diluted	11,896	11 136	6.8	11,550
Average number of employees	518	424	22.2	467

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