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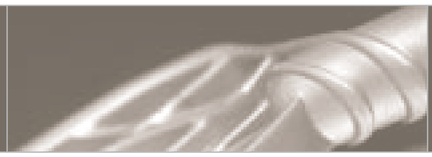
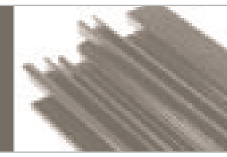
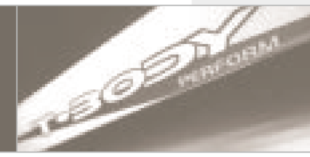
Interim Report 1 January - 30 June 2004





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Overview:

- Record sales also in the second quarter, EUR 23.2 million (13.7), an increase of 69%
- First half-year sales EUR 43.7 million (26.0), up by 68%; both business divisions, Industry and Sport, achieved strong sales growth
- Operating profit for first half-year EUR 6.8 million (2.0), an increase of 243%
- Second half-year sales and profit performance continue to look strong

Operating environment

There has been strong demand in our main markets in Central Europe especially for carbon-fibre-based profiles and products belonging to our Nordic Fitness Sports™ (NFS) concept. At the same time, the products of earlier development projects have become heavily commercialized. We expect this trend to continue in the near future. No significant changes have occurred among our competitors. Due to our strong growth, we have further strengthened our market shares in the pultrusion market.

Certain of our major customers are transferring their production nearer the main markets, e.g. in North America and the Far East, which must also be taken into account in planning Exel's future production expansion and capital expenditure.

There is growing pressure for price increases of many raw materials. This is especially so with carbon fibre, partly due to growth in demand.

Industry division

The Industry division's net sales increased during the first half of the year by 91% to EUR 25.1 million (13.2). The division's sales grew due to the acquisition of a new production facility in Belgium (roughly EUR 4.4 million) and strong growth in the specialty profiles market, mainly from new customer applications. Profitability also remained good as operating profit increased to EUR 3.6 million (1.5) due to sales volume growth, improved production efficiency and good capacity utilization rate. However, keen price competition continues in the marketplace.

Product development projects continue in our profiles product group, mainly in relation to applications for the automotive industry, infrastructure construction and wind power.

Antenna profile markets remained strong throughout the review period, due to the revival of GSM and 3G network construction, especially outside Europe. Network construction pace is expected to level off in the second half-year.

Sales of paper machine profiles increased during the review period. Growth potential is provided particularly by new profile products designed to improve machine uptime ratios, facilitate runnability and lighten and/or stiffen structures.

The sales of lattice masts continued to set new records during the period. Demand is expected to maintain at a high level in anticipation of the International Civil Aviation Organization's (ICAO) frangibility regulations that take effect in 2005 and require airport lighting system support masts to be breakable upon possible impact.

The integration of Bekaert's pultrusion business acquired in January 2004 is progressing in both Belgium and Spain. Efficiency measures in various process segments are progressing on schedule, and operational profitability is expected to improve by the end of the year.

Sport division

The Sport division's net sales increased during the first half of the year by 45% to EUR 18.6 million (12.8). The NFS™ concept is gaining customers and attracting strong interest in the otherwise slowly growing sporting goods markets. Profitability improved significantly, and the operating profit increased to EUR 3.2 million (0.5).

The NFS™, and particularly the Nordic Walking market in German-speaking Central Europe, is continuing its strong growth. Exel's market share has remained solid within the sport. The new collection for 2005/2006 has been very well-received by customers. Nordic Walking is currently being introduced to new countries. Advance sales of other pole products are at the previous year's level.

Floorball sales in our main markets, i.e. Finland, Sweden and Switzerland, have also remained at last year's levels. Exel is currently making efforts to create markets in new countries.

Laminate sales have remained at the previous year's level, although the sales of Exel GmbH's Plastics products have increased slightly on the previous year. New laminate applications have been introduced to the markets. In water sports, demand for windsurfing masts is holding steady, but the overall market continues to shrink worldwide. As a result, sales are forecast to be lower than in the previous year.

Net sales and profits

Consolidated net sales increased by 68% compared with the corresponding period last year. Net sales growth by business division was as follows:

Net sales (EUR million)

	1-6/2004	1-6/2003	Change
Industry	25.1	13.2	90.7%
Sport	18.6	12.8	44.7%
Total	43.7	26.0	68.0%

Consolidated operating profit totalled EUR 6.8 million (2.0). Growth in the operating profit was as follows:

Operating profit (EUR million)

	1-6/2004	1-6/2003	Change
Industry	3.6	1.5	137%
Sport	3.2	0.5	603%
Total	6.8	2.0	243%

The profitability improvement was mainly due to increased sales volumes, good capacity utilization and improved production efficiency in both business divisions.

Net financial expenses

Net financial expenses totalled EUR 202,000 (252,000). Despite growth in working capital and the acquisition of Bekaert's pultrusion operations, it was possible to reduce net financial expenses due to the ambitious loan repayment programme of 2003 and strong cash flow from operations.

Balance sheet, financing and liabilities

The balance sheet total stood at EUR 47.5 (34.6) million on June 30, 2004. The acquisition of Bekaert's pultrusion operations contributed some EUR 7.2 million to this increase, with the rest being accounted for by the working capital needs of strong net sales growth. Interest-bearing net liabilities increased to EUR 11.3 (9.6) million due to the acquisition. Total liabilities remained roughly unchanged.

Investments

The Group's investments in fixed assets totalled EUR 4.3 million (1.0), of which the acquisition of Bekaert's pultrusion operations accounted for EUR 2.6 million (total acquisition price approx. EUR 7.2 million). Projects to expand capacity in the Sport division (Nordic Walking products) and to automate production are underway. A new production line was completed in the first half-year at Exel's Kiihtelysvaara facility and a decision to build a second line has been made. Capital expenditure on the above capacity expansions is estimated to total approximately EUR 3.0 million in 2004.

Personnel

The number of personnel on June 30, 2004 was 467 (359). The increase was caused by the integration of Bekaert's pultrusion operations into the Group (some 40 persons) and additional labour needs at Finnish factories due to higher production volumes (some 65 persons).

Shares and share ownership

Exel Oyj's share capital totals EUR 1,884,120, and consists of 5,383,200 shares each with a nominal value of EUR 0.35. The members of the Board of Directors and the President hold 98,100 shares, or 1.8 % of the share capital.

The number of shares traded on the Helsinki Exchanges during the review period amounted to 33.2% of all shares. During the period the highest share price quoted was EUR 16.25, and the lowest EUR 11.75. The closing price for the review period was EUR 16.11. Market capitalization was EUR 86.7 million on June 30, 2004.

Flagging notifications

On June 9, 2004 Exel was notified that Metso Capital Oy's ownership share 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 transaction Metso Capital owns no Exel shares.

Corporate governance

Exel's corporate governance complies with the Companies Act, the legislation covering the securities market and other official regulations related to the governance of public joint stock companies. Furthermore, Exel follows the recommendations issued by Helsinki Exchanges, the Central Chamber of Commerce and the Confederation of Finnish Industry and Employers on the governance of listed companies. For further information on the corporate governance, please visit our website at www.exel.net.

Prospects for the rest of 2004

Demand for Nordic Walking products and specialty profiles is expected to remain high throughout the year. The antenna profile market growth is expected to level off in the second half-year. Integration of the Belgium operations into the Exel Group is progressing as planned, but will still require some resources. There are upward pressures on raw materials prices, and carbon fibre prices are forecast to rise. Net sales for 2004 are expected to be significantly higher than in 2003 due to both the Belgium acquisition and strong organic growth. Net sales are expected to increase strongly also in the second half of the year, although not as quickly as in the first half of the year. Profit before income taxes and financial expenses is expected to improve significantly on the previous year due to both net sales growth and more efficient operations.

Mäntyharju, July 22, 2004

Exel Oyj
Board of Directors

Ari Jokelainen
President

Consolidated Income Statement, EUR 1,000

	1-6/04	1-6/03	change %	1-12/03
NET SALES	**43,695**	**26,006**	**68**	**57,281**
Increase (+)/decrease (-) of finished goods and work in progress	2,580	977	164	834
Production for own use	133	93	44	323
Other operating income	120	191	-37	342
Materials and services	-17,908	-9,859	82	-21,716
Personnel expenses	-9,480	-6,939	37	-14,329
Depreciation	-1,689	-1,627	4	-3,184
Other operating expenses	-10,642	-6,856	55	-14,205
OPERATING PROFIT	**6,810**	**1,986**	**243**	**5,345**
Financial income and expenses (net)	-202	-252	-20	-436
PROFIT BEFORE EXTRAORDINARY ITEMS	**6,608**	**1,734**	**281**	**4,910**
Extraordinary items				
PROFIT BEFORE INCOME TAXES	**6,608**	**1,734**	**281**	**4,910**
Income taxes	-2,138	-600	256	-1,537
PROFIT FOR THE PERIOD	**4,469**	**1,134**	**294**	**3,373**

The taxes taken into account are based on the profit for the period.

Consolidated Balance Sheet, EUR 1,000

	30.6.04	30.6.03	change %	31.12.03
ASSETS				
Non-current assets				
Intangible assets	3,411	3,179	7	3,126
Consolidation goodwill	294	366	-20	330
Tangible assets	12,689	10,389	22	10,470
Investment	95	127	-25	95
Current assets				
Inventories	12,218	9,258	32	8,747
Receivables	13,316	8,756	52	8,626
Cash in hand and at bank	5,504	2,531	117	2,753
Total	**47,527**	**34,607**	**37**	**34,147**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Equity				
Share capital	1,884	1,855	2	1,870
Other equity	15,814	13,164	20	15,666
Liabilities				
Deferred tax liability	15	106	-86	14
Non-current	7,768	5,157	51	4,077
Current	22,046	14,325	54	12,521
Total	**47,527**	**34,607**	**37**	**34,147**

Funds Statement EUR 1,000

	1-6/04	1-6/03	change %	1-12/03
Cash flow from business operations	6,919	748	825	6,409
Acquired business operations	-7,181			
Investment in tangible and intangible assets	-1,588	-1,005	58	-2,599
Income from surrender of tangible and intangible assets				79
Rights issue				282
Withdrawal of non-current loans	5,000	30	16,567	53
Repayments of non-current loans	-1,060	-1,078	-2	-2,192
Withdrawals of/repayments of current loans	4,970	2,367	110	-747
Dividend paid	-4,307	-1,060	306	-1,060
Other	-2	4	-150	4
Change in liquid funds	**2,751**	**6**	**45,750**	**229**

Indicators EUR 1,000

	30.6.04	30.6.03	change %	31.12.03
Gross investment	4,257	1,005	324	2,519
% of net sales	10%	4%		4%
R&D expenses	997	806	24	1,707
% of net sales	2%	3%		3%
Average personnel	437	356	23	355
Personnel at end of period	467	359	30	355
Order book	13,986	10,945	28	11,449
Solvency ratio, %	37%	44%		52%
Return on equity, %	46%	15%		21%
Return on investment, %	51%	15%		21%
Net gearing %	64%	64%		29%
Earnings per share, EUR	0.83	0.21	294	0.64
Equity per share, EUR	3.29	2.79	18	3.26

Derivatives
Derivatives are used for hedging purposes only.
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 11-month forward contracts.

Interest rate derivatives (NPV)	**Face value**	**Fair market value**
Interest swaps	3,081	-10
Currency derivatives		
Forward contracts	672	20

Consolidated contingent liabilities on 31 March 2004				
Corporate mortgages	12,500	12,500		12,500
Mortgages on land and buildings	2,954	2,954		2,954
Other contingent liabilities	2,522	2,536		2,536

The columns 1-6/04 and 1-6/03 are unaudited.