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Interim Report
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www.exel.net

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 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

Strong positive development continued

Demand for Exel Group's specialty products continued to be strong in the third quarter of 2004 and the consolidated net sales in January-September 2004 increased by 57% to EUR 64.1 million. Operating profit improved significantly by 159% to EUR 10.0 million.

Highlights of result

- Sales from January-September continued their strong increase and totalled EUR 64.1 million (40.8), an increase of 57%
- Strong growth continued in the third quarter, with sales of EUR 20.4 million (14.8), up 38%
- The Industry division's net sales increased by 81% to EUR 36.7 (20.2) million
- Operating profit from January-September continued to grow substantially, totalling EUR 10.0 million (3.9), a growth of 159%
- Growth in the third quarter was also profitable and operating profit grew by 70% to EUR 3.2 million (1.9)
- The development of sales and profits continue to look strong for the rest of the year

Operating environment

The demand for specialty products, in particular carbon-fibre-based profiles and products belonging to Exel's Nordic Fitness Sports™ (NFS) concept, has continued to be strong in Central Europe, Exel's main market. Exel expects this trend to continue in the near future. No significant changes have occurred among the main competitors and, due to the strong growth, Exel has further strengthened its market share in the pultrusion market.

The Far East will be increasingly significant, both as a new market area and as a production location of goods of the Group's existing customers. Exel has started analyzing the potential for establishing a production facility in China. The long-term intention is to increase Exel's market share in this emerging market. Investment in new capacity in China will inevitably have short-term cost effects.

The raw material markets are in a state of flux. Suppliers have suggested significant price increases on many of our key raw materials, justified by the strong increase in the price of oil and other cost factors. Exel aims to minimize the cost effects of raw materials by utilizing new raw material sources and increasing the efficiency of its purchasing policies.

Industry division

The Industry division's net sales January - September 2004 increased by 81% and totalled EUR 36.7 million (20.2). The division's sales grew due to the addition of a new production facility in Belgium (roughly EUR 6.6 million) and strong growth in the specialty profiles market, mainly from new customer applications. Profits also developed well as operating profit increased to EUR 5.6 (2.2) million, an increase of 157% on the corresponding period previous year. The profit improvement is due to sales volume growth, improved production efficiency and good capacity utilization. However, keen price competition continues in the marketplace.

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

From an annual perspective, the antenna profile markets have been growing. In the first half of the third quarter deliveries were temporarily at a slightly lower level than in the first half of the year. The pressure on the margins continues to be tough. According to telecom network builders, the market will continue to grow slightly during the rest of the year.

Sales of paper machine profiles continued to increase during the third quarter. The commercial stage of a number of new profile applications has commenced.

The sales of lattice masts continued at a strong level, and 2004 will be a record year for the lattice mast business. Demand is expected to be maintained at a high level also after the turn of the year, as the International Civil Aviation Organization's (ICAO) frangibility regulations will take effect in 2005. The regulations 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. The development of a number of significant transportation equipment industry applications has been completed, and their commercial stage will begin in early 2005.

Sport division

The net sales of the Sport division during January - September 2004 totalled EUR 27.4 million (20.5), an increase of 34% on the corresponding period previous year. Profits continued to develop favourably, and the operating profit was EUR 4.4 million (1.7), an increase of 162% on the corresponding period last year. A substantial proportion of the third quarter's sales consisted of conventional product categories such as cross-country ski poles and floorball products - two categories in which Exel has managed to retain a good market share and profitability, even though competition has intensified.

The NFS™, and particularly the Nordic Walking market in German-speaking Central Europe, continued its growth in the third quarter. This strong market growth already began in the third quarter of 2003. Exel's market share has remained very solid within the product category. Exel continues its strong marketing efforts to develop the concept in new countries. These efforts currently affect the Sport division's profitability.

Floorball sales in Exel's main markets, i.e. Finland, Sweden and Switzerland, have also remained at last year's level. The total market has not increased, but Exel has managed to retain its strong market shares.

Laminate sales have remained at the previous year's level, and Exel continues to seek new growth in applications outside the sports equipment industry. In water sports, Exel has managed to retain its share of the wind surfing masts market, but the overall market continues to shrink worldwide.

Net sales and profits

Consolidated net sales increased by 57% compared with the same period last year. Net sales growth by business division was as follows:

Net sales (EUR million)

	1-9/2004	1-9/2003	Change
Industry	36.7	20.2	81.1%
Sport	27.4	20.5	33.6%
Total	64.1	40.8	57.2%

Consolidated operating profit totalled EUR 10.0 (3.9) million. Growth in the operating profit was as follows:

Operating profit (EUR million)

	1-9/2004	1-9/2003	Change
Industry	5.6	2.2	156.8%
Sport	4.4	1.7	162.1%
Total	10.0	3.9	159.1%

The profit 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 297,000 (339,000). Despite the expansion in working capital, which was the result of the growth in sales, and the acquisition of Bekaert's pultrusion operations, it was possible to reduce net financial expenses due to the strong cash flow from operations and the loan repayment programme.

Balance sheet, funding and liabilities

The balance sheet total stood at EUR 43.6 million (34.4) on September 30, 2004. The acquisition of Bekaert's pultrusion operations contributed roughly EUR 7.2 million to this increase, with the rest being accounted for by the working capital requirements of strong net sales growth. Interest-bearing net liabilities increased to EUR 10.4 million (7.8) due to the acquisition. Total liabilities remained roughly unchanged.

Investments

The Group's investments in fixed assets totalled EUR 4.9 million (1.4), 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 of the year at Exel's Kiihtelysvaara factory and a decision to build a second line has been made. Capital expenditure on the above capacity expansions is estimated to total approx. EUR 3.0 million in 2004.

Personnel

The number of personnel on September 30, 2004 was 420 (342). The increase was caused by the integration of Bekaert's pultrusion operations into the Group (some 50 persons) and additional labour needs at Finnish factories (some 20 persons) and at German factories (some 10 persons) due to higher production volumes.

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.

Trading on the Helsinki Exchanges during the review period amounted to 48.5% % of all shares. During the period the highest share price quoted was EUR 23.95, and the lowest EUR 11.75. The closing price for the period was EUR 23.80. Market capitalization was EUR 128.1 million on September 30, 2004.

Decisions of the Extraordinary General Meeting

The Extraordinary General Meeting held on September 15, 2004 decided that an extra dividend of EUR 0.50 per share be paid for the financial period which ended on December 31, 2003.

IFRS reporting

Exel will adopt IFRS reporting standards from the beginning of 2005. Preparations have proceeded as planned.

Outlook for the rest of 2004

The positive sales development during January-September is expected to continue in the last quarter of 2004. Demand for profiles and Nordic Walking products is expected to remain high for the rest of the year. The integration of the Belgium operations into the Group is progressing as planned, but will still require some resources. There are upward pressures on raw materials prices. The profit development continues to look strong for the rest of the year.

Mäntyharju, November 2, 2004

Exel Oyj — Board of Directors

Ari Jokelainen — President & CEO

Consolidated Income Statement, EUR 1,000

	1-9/04	1-9/03	change %	1-12/03
NET SALES	**64,081**	**40,760**	**57**	**57,281**
Increase (+)/decrease (-) of finished goods and work in progress	2,135	619	245	834
Production for own use	241	202	19	323
Other operating income	78	323	-76	342
Materials and services	-25,172	-15,159	66	-21,716
Personnel expenses	-14,069	-10,435	35	-14,329
Depreciation	-2,548	-2,421	5	-3,184
Other operating expenses	-14,770	-10,039	47	-14,205
OPERATING PROFIT	**9,976**	**3,850**	**159**	**5,345**
Financial income and expenses (net)	-297	-339	-13	-436
PROFIT BEFORE EXTRAORDINARY ITEMS	**9,680**	**3,511**	**176**	**4,910**
Extraordinary items				
PROFIT BEFORE INCOME TAXES	**9,680**	**3,511**	**176**	**4,910**
Income taxes	-3,097	-1,074	188	-1,537
PROFIT FOR THE PERIOD	**6,582**	**2,437**	**170**	**3,373**

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

Consolidated Balance Sheet, EUR 1,000

	30.9.04	30.9.03	change %	31.12.03
ASSETS				
Non-current assets				
Intangible assets	3,216	3,013	7	3,126
Consolidation goodwill	276	348	-21	330
Tangible assets	12,708	10,205	25	10,470
Investment	95	95	0	95
Current assets				
Inventories	11,983	8,697	38	8,747
Receivables	11,991	9,754	23	8,626
Cash in hand and at bank	3,361	2,282	47	2,753
Total	**43,630**	**34,393**	**27**	**34,147**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Equity				
Share capital	1,884	1,855	2	1,870
Other equity	15,241	14,465	5	15,666
Liabilities				
Deferred tax liability	15	109	-86	14
Non-current	7,153	4,453	61	4,077
Current	19,338	13,512	43	12,521
Total	**43,630**	**34,393**	**27**	**34,147**

Funds Statement EUR 1,000

	1-9/04	1-9/03	change %	1-12/03
Cash flow from business operations	11,210	2,884	289	6,409
Acquired business operations	-7,181			
Investment in tangible and intangible assets	-2,354	-1,495	69	-2,599
Income from surrender of tangible and intangible assets		102		79
Rights issue	4	6		282
Withdrawal of non-current loans	5,099	54	9,343	53
Repayments of non-current loans	-2,184	-1,810	21	-2,192
Withdrawals of/repyments of current loans	3,011	1,060	184	-747
Dividend paid	-6,998	-1,060	560	-1,060
Other	1	16	-95	4
Change in liquid funds	**608**	**-243**	**350**	**229**

Indicators EUR 1,000

	30.9.04	30.9.03	change %	31.12.03
Gross investment	4,923	1,393	253	2,519
% of net sales	8%	3%		4%
R&D expenses	1,471	1,248	18	1,707
% of net sales	2%	3%		3%
Average personnel	443	355	25	355
Personnel at end of period	420	342	23	355
Order book	11,342	8,870	28	11,449
Solvency ratio, %	39%	48%		52%
Return on equity, %	51%	20%		21%
Return on investment, %	47%	21%		21%
Net gearing, %	61%	48%		29%
Earnings per share, EUR	1.22	0.45	170	0.64
Equity per share, EUR	3.18	3.03	5	3.26

The columns 1-9/04 and 1-9/03 are unaudited.

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 5-month forward contracts.

Interest rate derivatives (NPV)	**Face value**	**Fair market value**
Interest swaps	2,997	-21
Currency derivatives		
Forward contracts	420	3

Consolidated contingent liabilities	**30.9.04**	**30.9.03**	**31.12.03**
Corporate mortgages	12,500	12,500	12,500
Mortgages on land and buildings	2,954	2,954	2,954
Other contingent liabilities	3,000	2,477	2,390