

An aerial photograph of a green tractor with a long implement in a vast green field. A large, semi-transparent rainbow graphic is overlaid on the right side of the image. In the bottom right corner, there is a close-up of a purple flower.

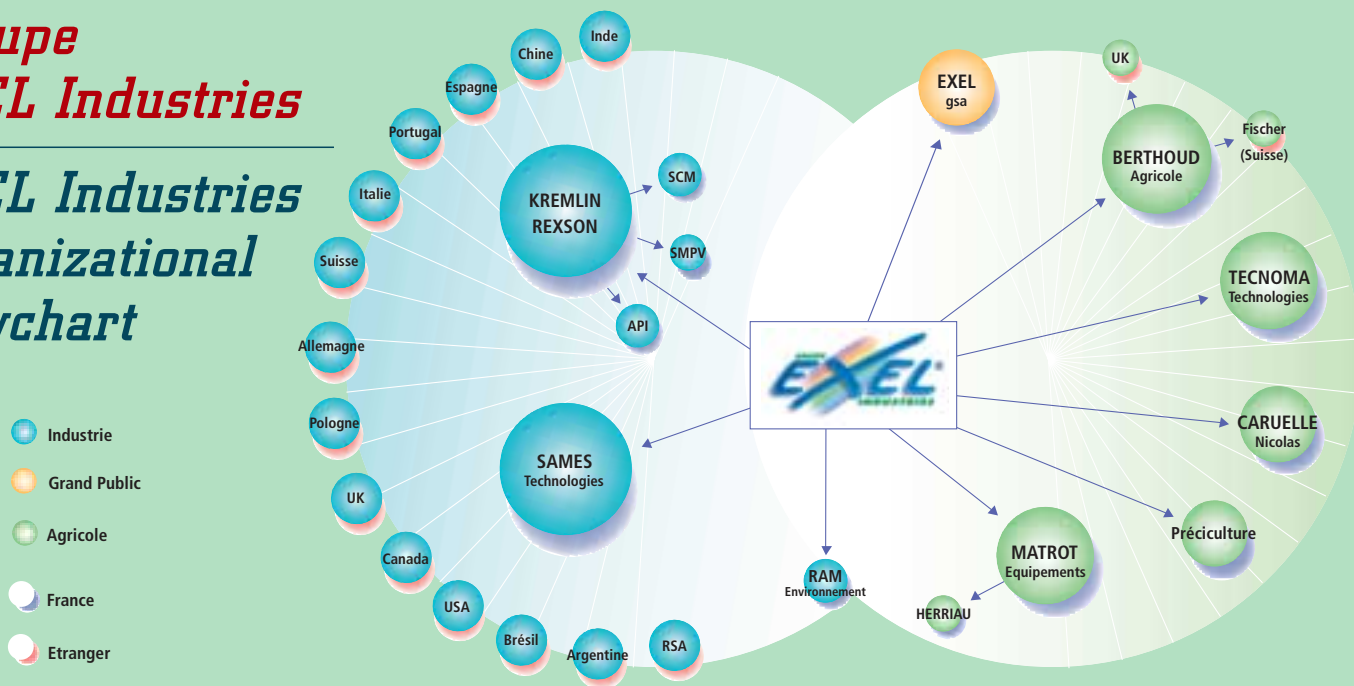
EXEL INDUSTRIES

RAPPORT ANNUEL
ANNUAL REPORT

2004

Groupe EXEL Industries

EXEL Industries organizational flowchart



Sommaire Contents

Groupe EXEL Industries	P. 02
EXEL Industries organizational flowchart	
Message du Président Chairman's Statement	p. 03
Stratégie, évolution des marchés et perspectives	P. 04
Strategy, market developments and future prospects	
Développement international	P. 04
International development	
Recherche et Développement	P. 05
Research and Development	
Les membres du Comité Stratégique	P. 05
The Members of the Management Comitee	
Chiffres clés	P. 06
Key figures	
EXEL Industries en bourse	P. 07
EXEL Industries on the stock market	
Un métier : la pulvérisation	P. 08
The spraying business	
Une organisation multimarques et multi-réseaux	P. 08
A multi-brand, multi-network organization	
Un matériel hi-tech et performant	p. 09
A High-tech high-performance product	
Des marchés porteurs	p. 09
Buoyant markets	
Industrie	p. 10
Industry	
Agriculture	p. 12
Agriculture	
Le marché grand public	p. 14
The general public	
Histoire du Groupe	p. 15
Group background	





Patrick Ballu

Président & Directeur Général
Chairman & Managing Director

Message du Président

Chairman's Statement

**Madame, Monsieur,
Cher(e)s actionnaires,**

Notre exercice 03-04 s'est déroulé dans un contexte perturbé et nous avons dû faire face à une nouvelle chute du dollar. Notre activité a été fortement contrastée au cours de cette période, aussi bien pour notre pôle protection des végétaux que protection des matériaux.

L'activité du pôle protection des végétaux a baissé de - 5,4 %. La première partie de l'exercice a subi les effets négatifs de la canicule et les inquiétudes des exploitants liées à la renégociation de la PAC de l'année précédente. La fin de l'exercice a été plus dynamique et le chiffre d'affaires a recommencé à progresser. Grâce aux efforts de réduction de coûts et à l'amélioration de notre productivité, la marge du pôle protection des végétaux s'est améliorée.

L'activité du pôle protection des matériaux a progressé de + 3,6 % à taux de change constant. Le premier semestre a été affecté par l'évolution défavorable de l'investissement des entreprises et par la baisse continue du dollar, ce qui a déprimé la marge du pôle. Au second semestre, la conjoncture est redevenue plus porteuse et nous avons enregistré une nette hausse du chiffre d'affaires. Cette bonne dynamique, au total, a eu un effet favorable sur la marge du pôle protection des matériaux, qui s'améliore d'une année à l'autre.

Ainsi, grâce à l'effort de toutes nos équipes, à une politique de développement ciblé et à une organisation efficace, notre Groupe a prouvé sa capacité à améliorer ses performances dans un contexte délicat. En effet, notre résultat d'exploitation a progressé de près de + 6 %, notre résultat net de + 16 % et la structure de notre bilan s'est à nouveau renforcée.

Aujourd'hui, nos perspectives de développement sont mieux orientées et la conquête des marchés export nous offre des relais de croissance très importants, autant pour notre activité matériaux (Asie, Etats-Unis, etc.) que pour notre activité végétaux (PECO, ex-CEL, etc.). En effet, nous avons l'ambition d'être dans les leaders sur tous les marchés significatifs.

Ces perspectives, portées par l'esprit de rigueur, de conquête et d'innovation de l'ensemble de nos collaborateurs, nous permettent d'aborder l'avenir avec confiance.

**Dear Sir/Madam,
Dear shareholders,**

The backdrop for us in 03-04 financial year was unsettled and we had to face a further fall in the dollar. There were sharp contrasts in our activities over this period, both in our plant protection and materials protection businesses.

Sales in plant protection fell by 5.4%. The first part of the year suffered from the negative effects of the heatwave and uncertainties amongst farmers about the renegotiation of the CAP in the previous year. The end of the year was more dynamic and turnover began to rise again. Thanks to cost reduction measures and improvement in our productivity, the plant protection division's margin improved.

The materials protection segment grew by 3.6% on like-for-like exchange rates. The first half was affected by the unfavourable development in corporate investment and the continued fall in the dollar which depressed the segment's margin. In the second half, the climate became more buoyant and we saw a considerable rise in turnover. Overall this strong momentum had a favourable effect on the materials protection segment's margin which rose year-on-year.

So thanks to the efforts of our teams of employees, a targeted growth policy and an efficient organisational structure, our Group has demonstrated its capacity to improve its performance in a difficult climate. Our operating profit actually grew by almost 6% and our net profit by 16% whilst our balance sheet again became stronger.

Our current growth prospects are better focussed and the conquering of export markets offers us considerable growth sources, both for our materials business (Asia, USA etc) and for our plant business (Central and Eastern European countries, former CIS countries etc). Actually, we aim to be amongst the leaders on all significant markets.

These prospects, upheld by the precision, fighting spirit and innovation of all our employees, mean that we can look to the future with confidence.

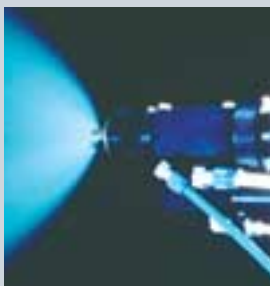
Patrick Ballu

Stratégie, évolution des marchés et perspectives

La stratégie d'EXEL Industries vise à conforter son leadership technologique et commercial sur l'ensemble de ses marchés, à apporter à ses clients des produits et services à forte valeur ajoutée, qui permettent au Groupe de cibler les meilleures valeurs ajoutées du secteur. Pour y parvenir, EXEL Industries met en œuvre plusieurs axes stratégiques de développement :

- La stratégie est multimarques. Cela permet au Groupe d'avoir l'offre la plus large, de couvrir l'ensemble des besoins et des attentes de ses clients, au travers de plusieurs réseaux de distribution différents, voire concurrents, et de continuellement optimiser son positionnement concurrentiel.
- L'innovation est l'un des piliers de la croissance. La Recherche & Développement mobilise d'importantes ressources humaines (6 % de l'effectif) et financières (4 % du Chiffre d'affaires). Le Groupe vise à posséder, en permanence, la gamme la plus étendue et la plus innovante du marché, pour couvrir tous les segments de clientèle.
- L'organisation industrielle est souple et réactive. EXEL Industries a développé une grande expertise en terme d'organisation industrielle. Le Groupe est organisé pour adapter rapidement ses capacités de production aux variations d'amplitude de la demande.
- La stratégie financière est ambitieuse et prudente. Ambitieuse, EXEL Industries vise à atteindre les meilleures rentabilités sur chacun de ses marchés. Prudente, le Groupe est très attentif au respect de ses grands équilibres financiers. Ainsi, EXEL Industries entretient une politique dynamique de croissance externe, tout en restant très vigilant sur les prix d'acquisitions et attentif au retour sur capitaux investis.

Strategy, market developments and future prospects



EXEL Industries' strategy is to consolidate its technological and commercial leadership in all its markets, and provide its customers with high-added value products and services, which allow the Group to target the best added values in the sector. To achieve this, EXEL Industries has adopted several strategic lines of development:

- A multi-brand strategy. This allows the Group to provide the widest possible range of solutions and cover all the needs and expectations of its customers, through several different, and even competitive distribution networks, while continuously optimizing its competitive position.
- Innovation, as one of the mainstays of growth. Research & Development mobilises considerable human resources (6% of the number of employees) and financial resources (4% of Turnover). The Group's aim is to continuously provide the widest possible and most innovative range of products and on the market, to cover the widest possible range of customers.
- A flexible, responsive industrial organization. EXEL Industries has developed extensive expertise in terms of industrial organization. The Group is organized to allow it to adapt its production capabilities rapidly to meet variations in demand.
- An ambitious, prudent financial strategy. Ambitious, as EXEL Industries' aim is to achieve the best possible return on investment in each of its markets. Prudent, as the Group is particularly attentive to its overall financial stability. EXEL Industries thus maintains a dynamic policy of external growth, while remaining on its guard as regards acquisition prices and attentive to return on invested capital.

Développement international

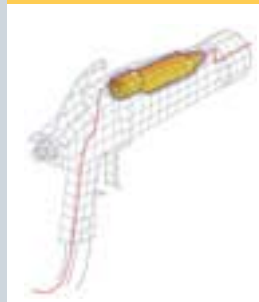
La conquête des marchés export constitue un axe de développement majeur pour l'ensemble des pôles d'activité d'EXEL Industries.

Depuis quelques années, le pôle protection des végétaux a accéléré sa couverture en Europe de l'Ouest et intensifié son développement dans toute l'Europe de l'Est (relais de croissance prometteur). Le pôle protection des matériaux, déjà très présent à l'export (65 % du CA), élargit son déploiement international dans les zones en fort développement industriel telles que l'Asie ou encore l'Amérique du Sud.

International development

The winning of export markets is one of the main lines of development of all EXEL Industries' lines of business.

For several years now, the plant protection branch has speeded up its coverage in Western Europe and intensified its development throughout Eastern Europe (promising growth vector). The materials protection branch, which is already highly focused on export markets (65% of turnover) is broadening its international deployment in areas undergoing strong industrial development such as Asia or South America.



Recherche et Développement

Une culture de l'innovation

La Recherche & Développement, pilier de la culture du Groupe, est un des moteurs de notre croissance et de notre réussite. Nos équipements de haute précision nécessitent la maîtrise de nombreuses technologies de pointe et un grand savoir-faire. Pour le protéger, nous déposons régulièrement des brevets (plus de 180 sont actifs), dans de nombreux pays. Cette politique nous permet d'anticiper les évolutions technologiques et de maintenir notre avance. Etant souvent des précurseurs, il n'est pas rare qu'un produit élaboré par nos équipes devienne progressivement un standard du métier.

Research and Development

Innovation, a house style

Research & Development, the mainstay of the Group's house style, is one of the locomotives behind our growth and success. Our high-precision equipment calls for expertise in many fields of advanced technologies and extensive know-how. To protect our R & D, we take out patents regularly in many countries (more than 180 active patents). This policy allows us to anticipate technological changes and maintain our lead. As they are often forerunners in the market, it is not unusual for the products developed by our teams to gradually become a business standard.

Près de 6 % des effectifs et 4 % du Chiffre d'Affaires d'EXEL Industries sont consacrés à la R & D.

The company has assigned nearly 6% of its staff to research and development, which has a budget representing 4% of sales.



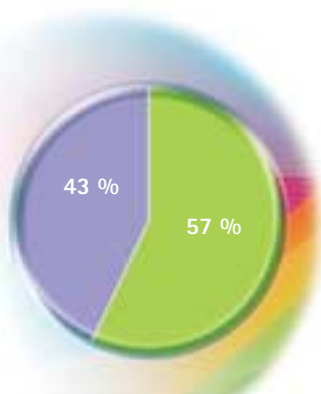
Les membres du Comité Stratégique

The Members of the Management Committee

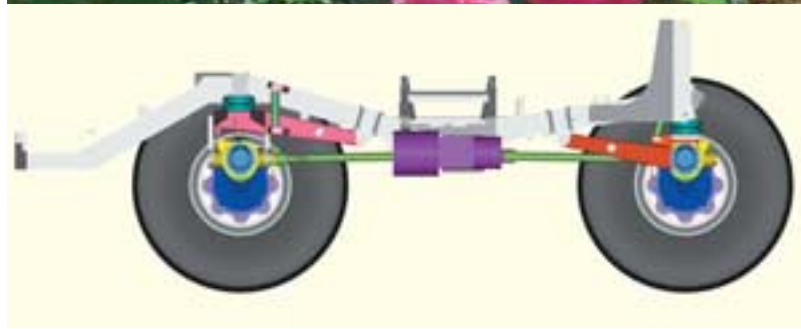
- 1/** Patrick BALLU, P & DG d'EXEL Industries
- 2/** Marc BALLU, DG d'EXEL Gsa
- 3/** René MARCHÈSE, DG de Tecnomatix et de Préciculture
- 4/** Bertrand PIGNOLET, DG de Caruelle-Nicolas et de RAM
- 5/** Pierre-Olivier CHARREYRON, DG de SAMES
- 6/** Vincent PASSOT, Contrôleur de gestion
- 7/** Marie-Pierre DU CRAY-SIRIEIX, Directrice juridique
- 8/** Gueric BALLU, Directeur Stratégie et Développement d'EXEL Industries, DG de Matrot
- 9/** Georges CORNATON, DG de Berthoud
- 10/** Daniel TRAGUS, DG de Kremlin-Rexson
- 11/** Philippe VIÉVILLE, Administrateur



Répartition du Chiffre d'Affaires
Sales breakdown pie chart



■ France : 152,3 M€
■ Reste du monde : 114 M€
Rest of the world



Chiffres clés Key figures

L'exercice 03-04 a été marqué par un contexte perturbé et un dollar faible.

Pour le pôle matériaux, le premier semestre a été affecté par l'évolution défavorable de l'investissement des entreprises et par la baisse du dollar, ce qui a déprimé la marge du pôle. Cependant, au second semestre, la conjoncture est redevenue plus porteuse et le Groupe a enregistré une nette hausse de son chiffre d'affaires. Cette bonne dynamique, au total, a eu un effet favorable sur la marge du pôle protection des matériaux, qui s'améliore d'une année à l'autre.

Quant au pôle protection des végétaux, la première partie de l'exercice a subi les effets négatifs de la canicule et les inquiétudes des exploitants liées à la renégociation de la PAC de l'année précédente. La fin de l'exercice a été plus dynamique et le chiffre d'affaires a recommencé à progresser. Pour autant, malgré cette baisse du chiffre d'affaires annuel et grâce aux efforts de réduction de coûts et aux adaptations tarifaires, la marge du pôle protection des végétaux s'est améliorée.

Sur l'exercice, les efforts de réduction des coûts et l'amélioration de la productivité ont été payants. Le résultat d'exploitation a progressé de + 5,8 % à 18,7 M€ et le résultat net après survaleur s'est amélioré de + 16 % à 11,5 M€. Sur cette période, les fonds propres se sont accrus de + 8 %, à 98,2 M €. La trésorerie (nette de dettes) ressort à + 17,5 M€ contre + 12 M€ l'année précédente.



The 03-04 financial year was characterised by an unsettled climate and a weak dollar.

In the materials segment, the first half was affected by the unfavourable development in corporate investment and the fall in the dollar, which depressed the segment's margin. However, in the second half, the climate became more buoyant and the Group saw a considerable rise in its turnover. Overall this strong momentum had a favourable effect on the materials protection segment's margin which rose year-on-year.

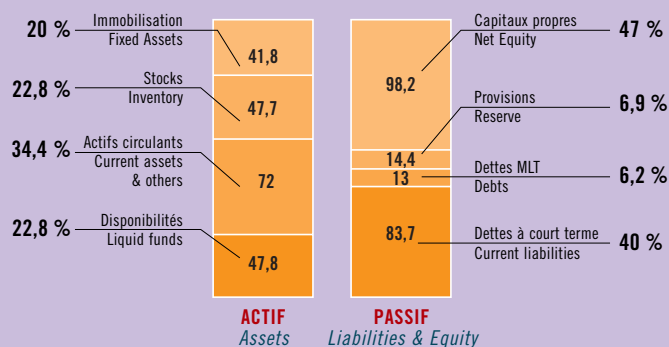
Overall this strong momentum had a favourable effect on the materials protection segment's margin which rose year-on-year.

In the plant protection segment, the first part of the year suffered from the negative effects of the heat-wave and the uncertainties amongst farmers about the renegotiation of the CAP in the previous year. The end of the year was more dynamic and turnover began to rise again. However, despite this fall in annual turnover, thanks to cost-cutting initiatives and price adjustments, the plant protection segment's margin improved.

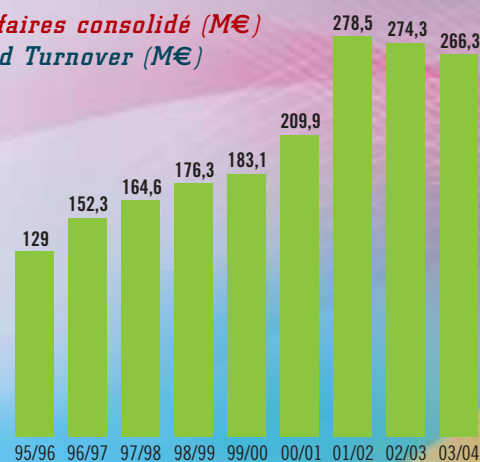
Over the financial year, cost-cutting programmes and productivity improvements paid off. Operating profit grew by 5.8% to €18.7 million and net profit after goodwill rose 16% to €11.5 million. Over this period, equity capital rose by 8% to €98.2 million. Cash flow (net of debt) amounted to €17.5 million compared with €12 million last year.

En millions d'Euros / In millions of Euros	01/02	02/03	03/04
• Chiffre d'Affaires /Sales	278,5	274,3	266,3
• C.A. export /Sales abroad	120,5	108,5	114
• Résultat d'exploitation /Operating Income	16,4	17,7	18,7
• Résultat courant /Income before tax	13,7	16,1	17,1
• Cash Flow	18,4	17,7	19,9
• Fonds propres Groupe /Total equity	84,5	90,3	98,2
• Disponible bancaire net /Net Liquidities	15,2	30,7	30,4
• Effectifs /Manpower	1792	1776	1740

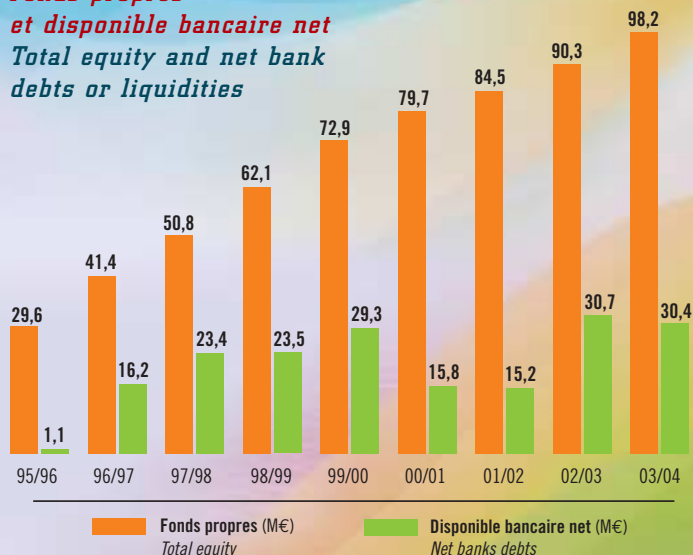
Le bilan (en M€) The balance sheet (in M€)



Chiffre d'Affaires consolidé (M€) Consolidated Turnover (M€)



Fonds propres et disponible bancaire net Total equity and net bank debts or liquidities



EXEL Industries en bourse

EXEL Industries on the stock market

Informations sur le titre Information on the share

> Place de cotation / Indice de référence

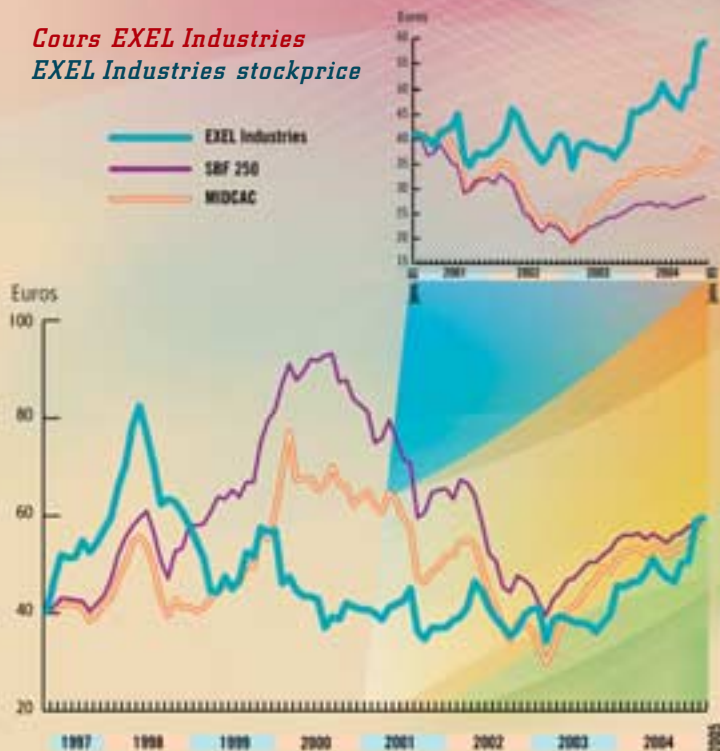
Place of listing / reference index

Paris Second Marché / NextPrime
Indice SBF 250 – Code ISIN : FR0004527638

> Vie du titre Share evolution

- Capitalisation boursière au 30/12/2004
Market Capitalization: 203,6 M€
- Nombre de titres inscrits
Number of shares listed: 3 393 950
- Nombre de titres échangés en 2004 / Number of shares traded in 2004: 263 698 soit 13,03 M€
- Dividende global versé par action pour l'exercice 2003/2004 / Dividend paid in 2003/2004: 1,10 €
- Moyenne de capitaux échangés / Average daily volume: 1 400 titres / jour
- Flottant / Float: 24,4 % du capital

Cours EXEL Industries EXEL Industries stock price



Le titre EXEL Industries a été introduit à 35,8 € le 20 juin 1997 au Second Marché de la Bourse de Paris.

Fin 2004, le cours atteignait 64,95 € (14/12/04) en forte hausse, de + 54,6 %, par rapport au 1^{er} janvier 2004.

EXEL Industries' shares were introduced on to the Paris Second Marché on 20 June 1997 at a price of €35.8.

On 14 December 04, the share price was sharply up at €64.95, a rise of 54.6% compared with 1 January 2004.



EXEL Industries distingué

- **Patrick BALLU, Président et Directeur Général d'EXEL Industries, s'est vu remettre par Patrick DEVEDJIAN, Ministre de l'Industrie, le Prix de "l'Entrepreneur de l'année" catégorie industrie, au palmarès national du Grand Prix de l'Entrepreneur 2004.** Par cette distinction, Patrick BALLU est notamment récompensé pour avoir transformé une PME familiale, née en 1952, en leader mondial des pulvérisateurs pour la protection des végétaux et la protection des matériaux. Le jury a particulièrement apprécié son modèle de croissance externe réussie et sa vision de manager, qui lui a permis d'organiser son groupe en une fédération de PME dynamiques.
- **EXEL Industries a été également une des entreprises lauréates du "Grand Prix 2004 de la croissance durable",** organisé par l'ASMEP (Association des Moyennes Entreprises Patrimoniales), Lombard Odier et avec le soutien du Sénat. Ce prix distingue les entreprises patrimoniales et leurs dirigeants particulièrement performants dans **les domaines de la croissance durable et du respect de critères éthiques.** Le jury a notamment salué la gestion du Groupe et son fort développement, avec un chiffre d'affaires qui a été multiplié par 23 en 23 ans.

EXEL Industries receives award

- **Patrick Ballu, EXEL Industries' Chairman & CEO, received the "Entrepreneur of the Year" industrial category award from the Minister of Industry, Patrick Devedjian at the national Grand Prix de l'Entrepreneur 2004 awards.** Patrick Ballu received the award notably for having transformed a family SME, formed in 1952, into a world leader in spraying equipment for plant protection and materials protection. The jury expressed particular regard for his successful external growth model and managerial vision whereby he has structured the group into a federation of dynamic SMEs.
- **EXEL Industries also won a "Grand Prix 2004 de la croissance durable" award,** organised by ASMEP (Association des Moyennes Entreprises Patrimoniales), Lombard Odier with the support of the Sénat. This prize acknowledges national companies and their directors that perform particularly well in the fields of sustainable development and compliance with ethical criteria. The jury notably paid tribute to the Group's management and its strong growth, whose turnover has grown 23-fold in 23 years.



Un métier : la pulvérisation

Notre métier

Concevoir, fabriquer et commercialiser des pulvérisateurs de précision, fiables et performants, en utilisant les technologies les plus avancées.

La pulvérisation nécessite la maîtrise de nombreux savoir-faire pour transformer un liquide en fines gouttelettes, bien calibrées, et les projeter avec précision, uniquement sur la cible. Pour cela, nous utilisons toutes les techniques possibles : pression du liquide, air comprimé, force centrifuge, ventilation, électrostatique.

Notre objectif

Permettre à nos utilisateurs de pulvériser la bonne dose au bon endroit et au bon moment, dans le plus grand respect de leur santé. Pour eux, nous recherchons aussi le rendement optimum et les gains de productivité, tout en veillant soigneusement à respecter l'environnement.

Notre vocation

Donner de la couleur aux objets et préserver l'environnement (pôle protection des matériaux). Soigner et protéger les cultures pour mieux nourrir les hommes, mais aussi soigner les plantes, les potagers et embellir les jardins (pôle protection des végétaux).



The spraying business

Our business

To design, manufacture and market precision, reliable and high performance sprayers, using the most advanced technologies.

Spraying calls for expertise in many fields of know-how, to convert a liquid into fine, well calibrated droplets, and spray them accurately onto the target alone. For this purpose, we use all possible techniques: liquid pressure, compressed air, centrifugal force, ventilation, electrostatic.

Our aim

To allow our users to spray the right dose in the right place at the right time, while making every effort to safeguard their health. For this purpose, we seek to maximise yield and productivity gains, while giving every consideration to environmental conservation.

Our vocation

To give objects colour and conserve and the environment (materials protection branch). To treat and protect crops to provide better food for people, and also treat plants and vegetable gardens, and make gardens more beautiful (plant protection branch).

Une organisation multi-marques et multi-réseaux

EXEL Industries propose la plus large gamme de prix et de produits et utilise la diversité des réseaux de distribution pour mieux couvrir et répondre à l'ensemble du marché. Chacune des marques du Groupe correspond à une niche ou à un positionnement marketing spécifique.

Leur philosophie, leur notoriété et leur originalité ont été cultivées, pour accroître leur part de marché et leur pénétration géographique.

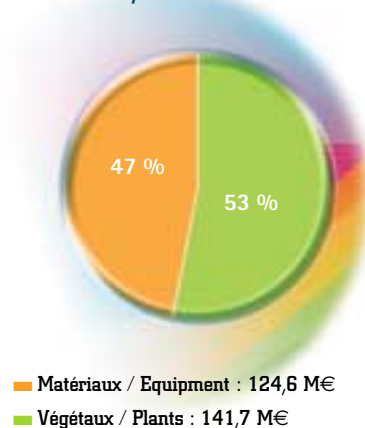
A multi-brand, multi-network organization

EXEL Industries offers the widest possible range of prices and products and uses a broad range of distribution networks to provide better coverage and meet all the needs of its markets. Each of the Group's brands corresponds to a niche market or a specific marketing sector.

Their philosophy, reputation and originality have been cultivated to increase their market share and geographical penetration.



Répartition du Chiffre d'Affaires
Sales breakdown pie chart



Un matériel high-tech et performant

Générer une plus grande productivité chez nos clients

Nos appareils pulvérisent souvent 5 fois, 10, 50, voire 100 fois leur propre valeur en produits consommables (phytosanitaires, engrais, peintures ou vernis...). Ils sont donc avant tout des générateurs de gains de productivité pour nos clients : économie de temps d'application, économie de matière active consommée (application utile sans perte), développement de la production et de sa marge (chaque traitement évite une perte de rendement ou génère un gain marginal mesurable).

Protéger l'utilisateur et préserver notre environnement,

voilà qui accélère le renouvellement de nos matériels. Aujourd'hui, nous veillons de plus en plus à la protection de l'opérateur (suppression des risques de blessure ou de contamination) et à la préservation de l'environnement (élimination des déchets, pertes, résidus, pollution ou désagrément de voisinage). Ces deux objectifs font partie intégrante de tous nos cahiers des charges, dès la création d'une nouvelle machine. Cela devient, non seulement un argument commercial, mais aussi une ardente obligation de citoyen. Les solutions positives que nous apportons, provoquent le renouvellement plus rapide du matériel.

A High-tech high-performance product

Generating higher productivity for our customers

Our devices often spray 5, 10, 50 or even 100 times their specific value in terms of consumed product (fertilizers, herbicides, paints, or varnishes, etc.). They are first and foremost generators of productivity gains for our customers: application time saving, saving of active material consumed (useful application without loss), increased production and profit margins (each treatment avoids yield loss or generates a measurable marginal gain).

Protecting the user and conserving our environment,

these are the goals which speed up the renewal of our products. Nowadays, ever increasing attention is given to protecting the operator (elimination of the risks of injury or contamination) and environmental conservation (elimination of waste, losses, residues, pollution or neighbourhood problems). These two objectives form an integral part of all our specifications, as soon as a new machine is produced. This becomes not only a sales argument, but also a fundamental civic duty. The positive solutions we propose bring about faster renewal of equipment.



Des marchés porteurs

EXEL Industries est présent sur trois marchés

- Les marchés agricoles, avec les grandes cultures, l'arboriculture, la viticulture, etc.
- Les marchés de l'industrie : toutes les entreprises sont plus ou moins concernées par la pulvérisation de peintures ou de vernis, de colles ou d'enduits.
- Le marché du grand public : les pulvérisateurs de jardin et de loisir sont distribués par le commerce traditionnel et dans la grande distribution.

Cette présence sur trois marchés différents permet de compenser les variations conjoncturelles et de multiplier les opportunités de croissance.

Buoyant markets

EXEL Industries has a presence in three markets

- The agricultural markets, with arable crops, orchards, vineyards, etc.
- The industrial markets: all businesses have a greater or lesser interest in the spraying of paints or varnishes, glues or coatings.
- The consumer market: garden and sprayers are sold by traditional businesses and supermarkets.

This presence in 3 different markets protects us from cyclical economic conditions and gives greater opportunities for growth.

Industrie Industry

Protéger et embellir les matériaux
Protecting and embellishing equipment

Des marchés porteurs

Leader sur le marché français, EXEL Industries détient près de 10 % du marché mondial, ce qui le place au 3^e rang mondial.

Nos trois marques ont des gammes de produits très complémentaires, ce qui assure une forte dynamique commerciale et technique :

- **KREMLIN** est spécialiste du matériel d'application de produits liquides (peintures, vernis...), avec une large gamme de pompes et de pistolets manuels et automatiques. Ses technologies d'avant-garde permettent aux clients de réaliser des gains de productivité importants tout en protégeant l'environnement et la santé de l'opérateur.
- **REXSON** est spécialiste du matériel d'application de produits épais pour l'industrie (colles, enduits, isolants, etc.) pour les usines automobiles et pour l'industrie en général, techniques en plein essor.
- **SAMES** est le n° 2 mondial des équipements de pulvérisation électrostatique de peinture liquide et en poudre. Très innovante et à l'origine des techniques de pulvérisation électrostatique, la société s'appuie sur de nombreux brevets. Ses équipements et ses systèmes sont utilisés non seulement sur les chaînes de fabrication et de peinture des constructeurs automobiles, mais aussi dans beaucoup d'autres industries.

La clientèle d'EXEL Industries couvre tous les secteurs d'activité :

- **L'ameublement** : mobilier de style, cuisine, menuiserie, construction modulaire...
- **La métallerie** : machines, engins T. P. et maintenance, charpentes, mobiliers métalliques, châssis, outils, containers maritimes, carrosserie...
- **La plasturgie** : yachts, plasturgie automobile, emballage et conditionnement, électroménager, hi-fi, vidéo, PC, téléphones, jouets...
- **Les transports** : matériel ferroviaire (TGV), camion, automobile, équipementiers automobiles, aéronautiques, cycles & motocycles...

Buoyant markets

As the leader in the French market, EXEL Industries has a near 10% share in the world market, which makes it the number three worldwide.

Our three brands have very complementary products, which makes for a strong commercial and technical impetus:

- **KREMLIN** is a specialist in application equipment for liquid products (paints, varnish, etc.), with a wide range of manual and automatic pumps and guns. Its advanced technologies allow customers to make significant productivity gains while protecting the environment and the operator's health.
- **REXSON** is a specialist in application equipment for thick products for industry (adhesives, filler compounds, insulation compounds, etc.) for motor vehicle production plants and for industry in general, with techniques undergoing rapid development.
- **SAMES** is the N° 2 worldwide in electrostatic spraying equipment for paint in liquid and powder form. Highly innovative and the creator of electrostatic spraying techniques, the company has registered many patents. Its equipment and systems are used not only on the manufacturing and painting lines of motor vehicle manufacturers, but also in many other industries.

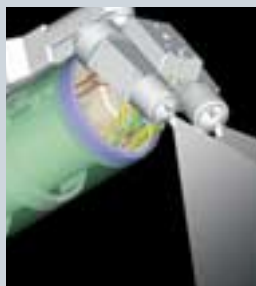
EXEL Industries' customers cover all sectors of business:

- **Furniture**: stylised furniture, kitchens, woodwork, modular construction, etc.
- **Metalworking**: machines, civil engineering and handling vehicles, frameworks, metal furnishings, chassis, tools, maritime containers, bodywork, etc.
- **Plastification**: yachts, motor vehicle plastification, packing and packaging, household electrical appliances, Hi-Fi, video, PC, telephones, toys, etc.
- **Transportation**: railway stock (high-speed train), motor vehicle, motor vehicle equipment manufacturers, aviation, cycles & motorcycles, etc.

De nombreuses et prestigieuses entreprises nous font confiance :

Many prestigious companies come back to us time and time again:

Mercedes, EADS, IKEA, Plastic Omnium, Philips, Caterpillar, Eurocopter, PSA, Faurecia, Valeo, Yamaha, Renault, Nissan, Opel, GM, Ford, Hyundai, Bénéteau, Valeo, Louis Vuitton, Schneider, Legrand, Bang & Olufsen, Alstom, Fiat, Scania, Iveco, Snecma, Audi, Volkswagen, etc.





Préserver l'environnement

L'abattage des poussières ou des odeurs dans les mines, carrières, ports et silos.

Notre filiale RAM est le spécialiste de l'élimination des poussières par brumisation selon sa propre technologie de "Réduction de l'Action Moléculaire".

Les utilisations de cette technique sont nombreuses : points de chargement et de déchargement de matériaux pulvérulents, manutention de stockage ou de déstockage, dans des mines, des carrières ou des ports ; assainissement de centres de déchets malodorants ou d'immeubles en phase de destruction, etc.

L'élimination des poussières ou des odeurs a pour but de :

- préserver la santé et la sécurité des opérateurs,
- accroître la durée de vie des machines,
- épargner les nuisances au voisinage,
- protéger ou améliorer l'environnement.

Environmental conservation

Elimination of dust or smells in mines, quarries, ports and silos.

Our subsidiary RAM is a specialist in the elimination of dust by fogging in accordance with its proprietary "molecular action reduction" technology.

There are many applications for this technique: loading and unloading points of powder-like materials, handling and storage or removal from storage, in locations as varied as mines, quarries, ports, etc.

The purpose of eliminating dust or smells is to:

- protect the health and safety of operators,
- increase the service life of machines,
- avoid neighbourhood-related problems,
- protects the environment.

SILO-RAM

EXEL Industries a déposé les brevets d'une nouvelle technologie, SILO-RAM, qui permet d'éliminer la génération de poussières explosives dans les silos de stockage des céréales et d'en garantir ainsi la sécurité (le silo de Blaye, près de Bordeaux, a explosé en 1997 en faisant de nombreuses victimes).

*Effet RAM sur les poussières
RAM effect on dust*



ODO-RAM

Nouveau système de destruction des odeurs par pulvérisation (usines malodorantes, centre de déchets...).

SILO-RAM

EXEL Industries has registered patents for a new technology known as SILO-RAM, which eliminates the generation of explosive dust in silos storing cereals, and thus guarantees safety (the Blaye silo, near Bordeaux, exploded in 1997 claiming many victims).

ODO-RAM

New system for treating smells by spraying (bad-smelling factories, sorting centres, etc.).



Agriculture Farming

*Soigner et protéger les plantes pour mieux nourrir les hommes
Caring for and protecting plants so that people are better fed*

Un Groupe N°1 Mondial

Le Groupe propose la plus large gamme de pulvérisateurs destinés aux grandes cultures de plaine, à la vigne, aux arbres fruitiers et aux cultures tropicales.

EXEL Industries détient des marques très réputées : BERTHOUD, TECNOMA, CARUELLE, NICOLAS, MATROT, HERRIAU, SEGUIP et THOMAS. Elles sont concurrentes entre elles ou répondent à une niche particulière. Chacune est commercialisée par un réseau indépendant de distributeurs agréés, soigneusement formés, pour mieux réussir la vente et assurer parfaitement l'après-vente de nos machines. Cette organisation multi-marques et multi-réseaux permet au Groupe d'assurer un maillage très efficace de ce marché.

A l'avenir, le Groupe vise à accroître sa présence dans toutes les zones export les plus importantes. Parmi celles-ci, les pays de l'Est (PECO, ex-CEI, etc.) constituent un relais de croissance important et prometteur, compte tenu de leur potentiel agricole. Dans un premier temps, les ventes export du Groupe devraient bénéficier de l'intégration à l'Union des 10 nouveaux pays de l'Europe, qui représentent le tiers des terres agricoles de l'Union élargie et qui bénéficieront des aides de la PAC.

Le pulvérisateur, un outil de productivité

Le pulvérisateur est l'outil de productivité par excellence. C'est l'outil le plus utilisé après le tracteur. Il sert 8 mois sur 12 pour réaliser 4 à 20 traitements dans chaque parcelle cultivée. Engrais, insecticide, fongicide, herbicide, régulateur de croissance, tels sont les médicaments qu'il faut apporter aux plantes, au bon moment et avec précision, pour améliorer leur rendement et assurer leurs qualités.

Une organisation industrielle flexible

Nos usines sont organisées pour répondre sagement à la demande qui varie au cours de l'année (saisonnalité). Flexibilité et croissance rapide d'un mois sur l'autre : tels sont nos atouts. Les agriculteurs ont des besoins variés et évolutifs, auxquels nous sommes très attentifs. C'est pourquoi, chaque pulvérisateur est assemblé à la commande, avec toutes les options du client, et testé en usine pour être prêt à servir

A leading world Group

The Group offers a large range of spraying equipment for large-scale plains, vineyards, fruit trees and tropical crops.

EXEL Industries owns three brands with very strong reputations: BERTHOUD, TECNOMA, CARUELLE NICOLAS, MATROT, HERRIAU, SEGUIP and THOMAS. They compete with each other or respond to a specific niche market. Each brand is marketed by an independent network of registered distributors, who are carefully trained to enable them to successfully sell products and fully handle the after-sales services for our machines. This multi-brand and multi-network structure allows the Group to cover this market in a highly effective manner.

In future, the Group intends to increase its presence in all the biggest export regions. Amongst these regions, Eastern countries (Central and Eastern European countries, former CIS countries etc) represent a major promising source of growth as a result of their agricultural potential. Initially, the Group's export sales should also benefit from the integration of the 10 new European countries that have joined Europe, which account for one-third of the agricultural land in the enlarged Union and which will benefit from CAP subsidies.

The sprayer, a productivity tool

The sprayer is the productivity tool in its own right. It is the tool most used after the tractor. It is used 8 months out of 12 to perform 4 to 20 treatments on each cultivated plot of land. Fertilizers, insecticides, fungicides, growth regulators, such are the treatment products plants need to be provided with, at the right time and with precision, to improve their yield and ensure their qualities.

A flexible industrial organization

Our production plants are organized to provide a flexible response to demand which varies over the course of the year (seasonal aspect). Flexibility and rapid growth from one month to another: such are our assets. Farmers have varied, changing needs, which we are highly attentive to. For this reason, each sprayer is tailored according to a specific purchase order, with all the customer's options, and is tested in the factory to be ready to use immediately on crops. This is also a guarantee of quality.

Several factors are driving the agricultural market

- Farms are becoming larger and need sprayers that are bigger and more efficient.
- Technical inspections, which are voluntary (in France) or obligatory (abroad), and the new European standards on safety accelerate the modernization of equipment.
- Eastern Europe will need to modernize and mechanize all their farms.
- The stagnation of usable farming land means that gains must come from additional yields and greater productivity, to meet the continued growth in the world population.



Les facteurs qui dynamisent le marché agricole

- Les exploitations s'agrandissent et ont besoin de pulvérisateurs plus grands, et plus performants.
- Les contrôles techniques volontaires ou obligatoires et les nouvelles normes européennes de sécurité, accélèrent la modernisation du parc.
- Les pays de l'Est vont avoir besoin de moderniser, de mécaniser toutes leurs exploitations agricoles.
- La stagnation des surfaces agricoles utilisables impose de réaliser des gains de rendement pour faire face à l'accroissement de la population mondiale.



Entreprise responsable

Pulvérisation Verte, l'agriculture raisonnée

EXEL Industries, entreprise citoyenne et responsable, prépare déjà les pulvérisateurs de demain. Ils seront plus performants, plus précis, plus élaborés et permettront la traçabilité (GPS) dans le cadre d'une agriculture raisonnée, de précision, respectueuse de notre environnement et de la qualité de nos aliments. A ce titre, nous sommes membre actif de FARRE (Forum de l'Agriculture Raisonnée et Respectueuse de l'environnement).

A responsible company

Green spraying, for intelligent farming

EXEL Industries, as a responsible company with a civic sense, is already preparing for tomorrow's sprayers. These sprayers provide higher performance, are more accurate, more elaborate and will provide a traceability capability (GPS) as part of intelligent, precision, environmentally-friendly farming guaranteeing the quality of the food we eat. As such, we are an active member of FARRE (Forum de l'Agriculture Raisonnée et Respectueuse de l'environnement - Forum for intelligent, environmentally-friendly farming).



Grand public The mass market

*Soigner les plantes et embellir le jardin
Treating plants and making gardens
more beautiful*



La croissance du temps libre dynamise le jardin

En France, le marché total du jardinage est estimé à près de 5 Milliards d'Euros.

La progression des loisirs et du temps libre provoque un sain retour à la nature. Le végétal est aujourd'hui totalement intégré à l'habitat. Les balcons, terrasses, sont transformés en de véritables espaces de vie et le jardin devient le prolongement de la maison.

C'est pourquoi, le marché des pulvérisateurs à main et à dos connaît une croissance structurelle. Moins du tiers des utilisateurs est correctement équipé. Avec une part de marché en France supérieure à 60 % (source Nielsen) et une présence au travers de tous les canaux de distribution, EXEL Industries est bien positionné pour bénéficier de cette croissance.

Devenir un des acteurs important du marché Jardin

• Une offre complète et innovante

Nos marques, BERTHOUD, TECNOMA, PERRAS, RCM et VERMOREL (complétées par des marques de distributeurs), constituent une gamme longue, variée, attractive, innovante, qui répond à des usages ciblés et suscitent la multipossession (un appareil pour désherber, un pour soigner, etc.).

EXEL Industries élargit régulièrement son offre en ce qui concerne "l'apport d'eau" et propose maintenant un gamme de pompes de puisage et d'arrosage.

• L'Europe, terrain de conquête

L'Europe, où notre présence est encore faible, constitue un terrain de conquête. Nos progrès actuels y sont rapides, tant nos gammes sont innovantes et plaisent aux utilisateurs.



Growth in free time is providing an impetus to gardening

In France, the total gardening market is estimated to be almost 5 billion Euros.

Increased leisure time and free time is bringing about a healthy return to Nature. Plants are now an integral part of the home. Balconies and patios are becoming true living spaces and the garden is becoming an extension of the home.

For this reason, the hand- and back-pack sprayer market is undergoing structural growth. Fewer than a third of users are correctly equipped. With a market share in France in excess of 60% (source: Nielsen) and present through all distribution channels, EXEL Industries is well placed to benefit from this growth.

Becoming one of the main players in the garden market

• A comprehensive, innovative range of solutions

Our BERTHOUD, TECNOMA, PERRAS, RCM and VERMOREL brands (rounded out by distributor brands), provide a wide, attractive and innovative range which meets the needs of targeted applications and promotes multiple ownership (one appliance for weed elimination, one for treatment, etc.).

EXEL Industries regularly broadens its "water supply" product range and now markets a range of drawing and watering pumps.

• Europe, a market to be won

Europe, where our market share is as yet low, is a market to be won. We are currently making rapid progress, as our product ranges are innovative and please users.



Histoire du Groupe Group background



1952 – 2004

1952 Création de TECNOMA par Vincent BALLU, l'inventeur du tracteur enjambeur vigneron.

TECNOMA set up by Vincent BALLU, the inventor of the wine grower high-clearance tractor.

1959 Premier pulvérisateur agricole en résine de synthèse.

First synthetic resin agricultural sprayer.

1966 Rachat de VERMOREL (ex. N°1 historique).

Takeover of VERMOREL (ex N° 1 and historical leader).

1980 Disparition du fondateur, arrivé de son fils Patrick BALLU.

Death of the company's founder, arrival of his son Patrick BALLU.

1987 Création du Groupe EXEL Industries par Patrick BALLU. Intégration de BERTHOUD, CARUELLE, NICOLAS, SEGUIP et THOMAS. EXEL Industries devient N°1 mondial de la protection des végétaux.

EXEL Industries Group set up by Patrick BALLU. Incorporation of BERTHOUD, CARUELLE, NICOLAS, SEGUIP and THOMAS. EXEL Industries becomes plant protection N° 1 worldwide.

1990 Reprise de LOISEAU et de PRECICULTURE.

Takeover of LOISEAU and PRECICULTURE.

1996 Rachat du Groupe KREMLIN, leader dans la protection des matériaux (pistolets de peinture...).

Takeover of the KREMLIN Group, the leader in materials protection (paint spray guns, etc.).

1997 10^e anniversaire du Groupe EXEL Industries. Introduction au second marché de la Bourse de Paris (indice SBF 250).

10th anniversary of the EXEL Industries Group. Share floated on the Second Market of the Paris stock exchange (index SBF 250).

1998 Franchissement du seuil du milliard de Francs de Chiffre d'Affaires.

Billion French Franc turnover threshold reached.



1999 Acquisition d'EUROTEC (UK), spécialiste de l'application de peinture en poudre.

Takeover of EUROTEC (UK), a specialist in the application of powdered paints.

2000 Acquisition de FISCHER, leader Suisse des pulvérisateurs pour les végétaux, et de REXSON Procédés pour le pôle matériaux. EXEL Industries devient N° 3 mondial de la protection des matériaux.

Takeover of FISCHER, the Swiss leader in plant spraying, and REXSON in the materials sector. EXEL Industries becomes materials protection N° 3 worldwide.

2001 Acquisition de la société SAMES, N°2 mondial de la pulvérisation industrielle électrostatique, et de MATROT, leader français des automoteurs pour l'agriculture.

Takeover of SAMES, world N° 2 in electrostatic industrial spraying, and MATROT, French leader in self-propelled vehicles for farming.

2002 Fusion de KREMLIN avec REXSON.

KREMLIN merged with REXSON.

2003 Acquisition d'HERRIAU (pôle végétaux).

Takeover of HERRIAU (plant sector).







Agenda de l'actionnaire

Janvier 2005

- C.A. 1^{er} trimestre / *Sales Q1*
- Publication Fiche trimestrielle / *Quarterly financial fact sheet*

Février 2005

- Assemblée Générale / *General meeting*
- Publication Rapport annuel / *Annual report*

Avril 2005

- C.A. 2^e trimestre / *Sales Q2*
- Publication Fiche trimestrielle / *Quarterly financial fact sheet*

Mai 2005

- Résultats 1^{er} semestre / *Half year results*
- Publication Lettre aux actionnaires / *Shareholder's letter*

Juillet 2005

- C.A. 3^e trimestre / *Sales Q3*
- Publication Fiche trimestrielle / *Quarterly financial fact sheet*

Octobre 2005

- C.A. 4^e trimestre / *Sales Q4*
- Publication Fiche trimestrielle / *Quarterly financial fact sheet*

Décembre 2005

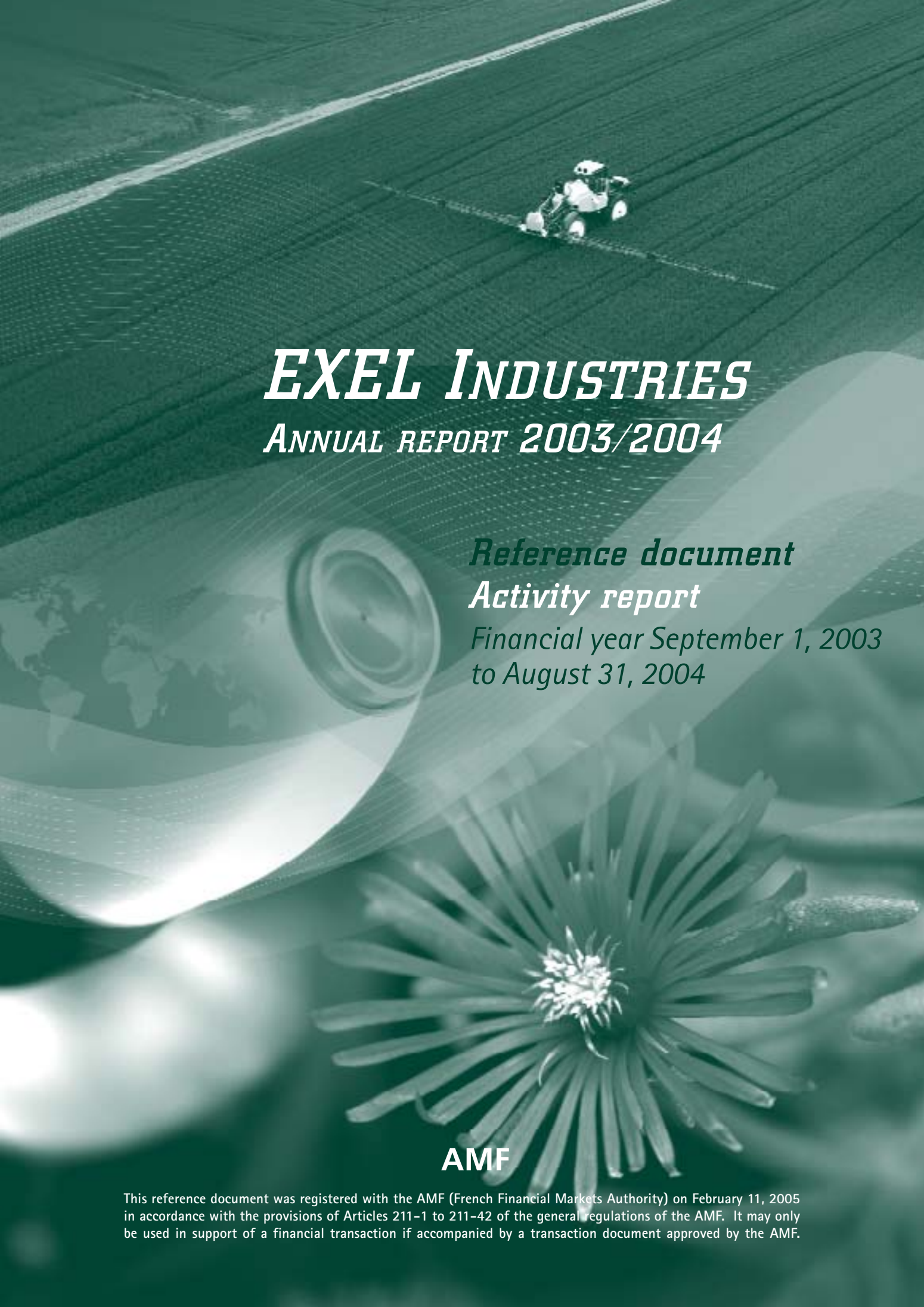
- Résultats annuels / *Year results*
- Publication Comptes annuels / *Annual financial statement*



Informations Contacts

EXEL Industries
Communication financière
Tél. : 03 26 51 52 55
Fax : 03 26 51 83 51

www.exel-industries.com



EXEL INDUSTRIES
ANNUAL REPORT 2003/2004

Reference document

Activity report

***Financial year September 1, 2003
to August 31, 2004***

AMF

This reference document was registered with the AMF (French Financial Markets Authority) on February 11, 2005 in accordance with the provisions of Articles 211-1 to 211-42 of the general regulations of the AMF. It may only be used in support of a financial transaction if accompanied by a transaction document approved by the AMF.

Table of reconciliation with AMF rule

► This document takes the place of the reference document.

In order to simplify the reading of the report registered as the reference document, the summary below refers to the main headings of the arrangements under the AMF rule.

1 - Name and position of the person responsible for the document	p. 3
2 - Statement by the person responsible	p. 3
3 - Name, address and qualification of the statutory auditors of the accounts	p. 3
4 - Information policy	p. 4
5 - General information on the issuer	p. 5 to 7
6 - General information on the share capital	p. 7, 18 and 19
7 - Current breakdown of share capital and voting rights	p. 18 and 19
8 - Issuer's securities market	p. 20
9 - Dividends	p. 7 and 21
10 - Details of the company and Group	p. 8 to 15
11 - Exceptional events and disputes	p. 16
12 - Employees	p. 39
13 - Investment policy	p. 14
14 - Risk factor pertaining to the issuer, market, legal aspects	p. 14, 22 and 24
15 - Insurance and risk hedging	p. 14, 22
16 - Issuer's accounts	p. 27 to 49
17 - Corporate governance	p. 50 to 53
18 - Directors' interests in the share capital	p. 18
19 - Recent developments and future prospects	p. 16

Table of Contents

I. Reference document ***p. 3***

Person responsible for reference document
Statement by person responsible
Persons responsible for auditing the Accounts
Auditors' opinion
Person responsible for information
Information and relations with shareholders

II. General information ***p. 5***

General information concerning EXEL Industries
General information concerning share capital
Details of pledges
Shareholders' agreement
Dividends

III. Information on the issuer's activity, recent developments and future prospects ***p. 8***

Information on the history
of the EXEL Industries Group
Information on the activity
of the EXEL Industries Group

- The Group's business and products
- The market – Competition
- Customers – Suppliers
- Investments
- Insurance
- Operating sites

Activity report

- Main significant events of the year
- Exceptional events and disputes
- Post balance sheet events and future prospects
- Activity of the company, consolidated
and non-consolidated accounts
- Share capital movements during the financial year
- Employee shareholdings
- Issuer's securities market
- Appropriation of profit for the year

Information concerning company officers
Market risks
Research and Development
Sustainable development,
industrial and environmental risks
IFRS standards
Income and other aspects of the Company
over the last five financial years

IV. Assets, financial situation and results ***p. 27***

Consolidated accounts at August 31, 2004,
2003 and 2002

- Consolidated balance sheet – assets
- Consolidated balance sheet – liabilities
- Consolidated income statement
- Statement of consolidated cash-flow
- Notes to the consolidated accounts
at August 31, 2004

Auditors' report on the consolidated accounts
Abridged company accounts and notes
General report of the statutory Auditors
Special report of the statutory Auditors

V. Corporate Governance ***p. 50***

Officers of EXEL Industries SA
Group Management Board and
Management Committee
List of terms of office and positions
of company officers of EXEL Industries SA
Report of the Chairman of the Board
on the internal audit
Auditors' report on the internal audit

VI. Resolutions submitted to the Ordinary General Meeting dated February 24, 2005 ***p. 54***

Chairman's message

Dear Shareholders,

The 2003-04 financial year saw a troubled context and we had to contend with a new fall in the value of the dollar. Our business was extremely varied during this period, both as regards plant protection and materials protection.

Plant protection activity fell by 5.4%. The first part of the financial year suffered from the negative effects of the heat wave in France and the concerns of operators related to the renegotiation of the CAP the previous year. The end of the financial year was more dynamic and sales again started to see progress. Efforts to reduce costs and improve productivity improved the margin for the plant protection division.

Materials protection activity increased by 3.6% at a constant rate of exchange. The first six months of the year were affected by unfavourable developments in the investments of our companies and by the continuous fall of the dollar, which depressed the margin for this activity. During the second six-month period, the economic situation became more buoyant and we saw a clear rise in sales. This improved dynamic on the whole had a favourable effect on the margin of the materials protection division, which is improving year on year.

Thanks to the efforts of all of our teams, a policy of targeted development and effective organization, our Group has shown its ability to improve its performances in a difficult context. Indeed, our sales increased by almost 6%, our net income by 16% and the our balance sheet structure has again become stronger.

Our development prospects are now better focussed and the conquest of export markets offers us very large areas of growth, both for our materials division (Asia, the USA, etc.) and our plants division (eastern Europe, ex-USSR, etc.). Indeed, our ambition is to be a leader in every significant market.

These prospects, underpinned by the determination, ambition and innovation of our workforce, allow us to face the future with confidence.

Patrick BALLU,
Chairman and Chief Executive



I - Reference document

Person responsible for the reference document

Mr Patrick BALLU
Chairman and Chief Executive

Statement by person responsible

"To our knowledge, the data contained in this reference document gives a true picture. It includes all the information needed by investors to form a judgement on the assets, activities, financial situation, results and prospects of the Company. No data has been omitted that might alter its scope."

Mr Patrick BALLU
Chairman and Chief Executive

Responsible for auditing the Accounts

► Titular Auditors

The accounts for 2003/2004 were approved by:

Deloitte Et Partners

- Appointment date: February 27, 2003
- Term of office expires: the term of office expires at the Ordinary General Meeting to approve the accounts for the financial year ended in 2008.

Mr Philippe Venet

- Appointment date: February 27, 2003
- Term of office expires: the term of office expires at the Ordinary General Meeting to approve the accounts for the financial year ended in 2008.

► Reserve Auditors

B.E.A.S.

- Appointment date: February 19, 2004
- Term of office expires: the term of office expires at the Ordinary General Meeting to approve the accounts for the financial year ended in 2009.

Ms Geneviève Venet-Morel

- Appointment date: February 27, 2003
- Term of office expires: the term of office expires at the Ordinary General Meeting to approve the accounts for the financial year ended in 2008.

Opinion of the Statutory Auditors on the reference document

In our capacity as auditors of EXEL Industries and pursuant to Article 211-5-2 of Book II of the general regulations of the AMF, in accordance with the applicable professional standards in France, we have audited the information regarding the financial situation and historical accounts contained in this reference document.

This reference document was drawn up under the responsibility of the Chairman of the Board of Directors. It is our duty to express an opinion on the truthfulness of the information it contains regarding the financial situation and the accounts.

Our duties, in accordance with the applicable professional standards in France, consisted in assessing the truthfulness of the information relating to the financial situation and the accounts in order to verify their agreement with the accounts being reported on. These checks also consisted in reading the other information contained in the reference document in order to identify, if necessary, any significant inconsistencies with the information relating to the financial situation and the accounts, and to point out any obviously incorrect information which we might note on the basis of our general knowledge of the company acquired during our assignment. This reference document does not contain any individual provisional data on account of a structured reporting process.

The annual and consolidated accounts for the financial years closing August 31, 2002, 2003 and 2004 as drawn up by the Board of Directors were audited by us according to the applicable professional standards in France, and were approved without reserve or comment.

On the basis of this audit, we do not have any comment to make on the truthfulness of the information regarding the financial situation and the accounts presented in this reference document.

*Reims and Villeurbanne,
Statutory Auditors*

Deloitte & Partners
Olivier ROSIER

Philippe VENET

NB : This reference document also includes:

- the general report and the report on the consolidated accounts by the Auditors dated 31 August 2004, containing on pages 47 and 42 respectively the basis for the Auditors' assessments drawn up under the provisions of Article L. 225 - 235 of the Commercial Code,
- the Auditors' report (page 53) drawn up pursuant to the last subparagraph of Article L. 225 - 235 of the Commercial Code, on the report of the Chairman of the Board of Directors on the internal inspection procedures relating to the drafting and processing of the accounting and financial information.

Person responsible for information

Mr Patrick BALLU
EXEL Industries
54, Rue Marcel Paul - 51200 EPERNAY
Tel. 03 26 51 52 55

Information and relations with shareholders

1. Financial communication

EXEL Industries has an extensive information policy aimed at both shareholders and the entire financial community and the public, in the form of:

- An Annual Report - the reference document filed with the AMF,
- Publication of financial announcements and press releases,
- Quarterly reports and shareholder bulletins (for the first-half results),
- Regular meetings with journalists, analysts and investors,
- A website with a section on financial communications.

2. Information requests

TAII documents are available on request and can be downloaded from our website: www.exel-industries.com, under "Financial news".

3. Communications calendar 2005

- January 2005: 1st quarter sales figures
- April 2005: 2nd quarter sales figures
- May 2005: first-half results
- July 2005: 3rd quarter sales figures
- October 2005: 4th quarter sales figures
- December 2005: Annual results

4. Brokers carrying out research on the EXEL Industries Group

- EXANE - BNP Paribas Equities
- CM - CIC Securities
- Crédit Agricole - Cheuvreux
- ODDO Securities
- Gilbert Dupont (Crédit du Nord)

II - General information

General information concerning EXEL Industries

► **Registered name**

EXEL Industries

► **Registered office**

54, rue Marcel Paul - 51200 EPERNAY

► **Legal status**

Société Anonyme (public limited company) with a Board of Directors. Memorandum and Articles of Association amended to comply with the provisions of Law 2001-420 dated May 15, 2001, the "Loi NRE" (see Articles 13, 18, 19, 20 and 21 of the Memorandum and Articles of Association).

► **Nationality**

French.

► **Formation date of the Company**

August 4, 1952.

► **Term**

99 years with effect from the date of listing on the Commercial Register, i.e. until August 3, 2051, unless extended or wound up at an earlier date.

► **Corporate aim** (article 3 of the Memorandum and Articles of Association)

"The company has as its aim, in France and in all other countries, to research, manufacture and market equipment, directly or indirectly, equipment, materials and services mainly used for industrial or consumer agriculture, as well as to carry out any commercial, industrial, financial, securities or real estate transactions relating directly or indirectly to the aim defined above, or to any other similar or related aims or those which contribute to the achievement of this aim, which are likely to promote, directly or indirectly, the existence and continued development of the company."

► **Commercial Register**

RCS EPERNAY B 095 550 356

► **APE Code** : 293 D

► **Place where documents and information relating to the Company can be consulted**

The Memorandum and Articles of Association, meeting minutes and other documents of a corporate, legal or accounting nature can be consulted at the Registered Office of the Group at 54, rue Marcel Paul, Epernay 51200, France (Legal and Finance Departments), subject to the conditions and times under current legislation as regards shareholders' information rights.

► **Financial year**

The company's financial year begins on September 1 and ends on August 31 of the following year.

► **Shareholders' General Meetings** (article 23 of the Memorandum and Articles of Association)

"The shareholders shall be invited to the General Meeting and shall deliberate under the conditions stated by law and regulations."

"Meetings shall take place at the registered office or in any other place stated in the invitation to attend."

"The General Meeting shall be chaired by the Chairman of the Board of Directors or by the Director temporarily delegated to that role, or failing that, by a Deputy Chairman. In the absence of the Chairman and the temporarily appointed Director and one or more of the Deputy Chairmen, the Shareholders' Meeting shall be chaired by a Director appointed by the Board or, failing that, by a person chosen by the Meeting."

"The discussions shall be recorded in minutes which shall be signed by the committee members."

"Subject to the prohibitions stated by law or as a consequence of its application, any shareholder shall have been entitled to attend the General Meetings and discussions, in person or by proxy, irrespective of the number of shares held, on proof of identity when the called-up amounts of the shares are paid-up."

"The right to attend the Meetings shall be subject to the registration of the shareholder in a registered account, or the depositing, at the places stated in the invitation to attend, of the bearer shares or a certificate of deposit issued by the bank, financial institution or broker depositing such shares or of a certificate issued an authorized intermediary or the body taking its place, confirming that the shares are not transferable until the date of the Meeting, at least five days before the date of the Meeting."

"However, the Board of Directors may abridge or cancel this period, provided this is to the advantage of all shareholders."

"Any shareholder may vote by post using a form which may be obtained subject to the conditions stated in the invitation to attend the Meeting."

"A shareholder may only be represented by a spouse or other shareholder who can furnish proof of their authority."

► **Disposal and transfer of shares**
(article 10 of the Memorandum and Articles of Association)

There is no provision in the Memorandum and Articles of Association that restricts the transfer of shares.

► **Double voting rights** (article 12 of the Memorandum and Articles of Associations)

"(...) a double voting right is allocated to fully paid-up shares for which there is proof of registration for at least four years in the name of the same shareholder. The four-year period commences from the date of registration."

Double voting rights were introduced at the Extraordinary General Meeting of May 26, 1997 under Resolution 12.

The double voting right shall cease to apply to any share which has been converted to bearer form or been transferred, apart from transfers from registered to registered from as a result of inheritance or family donation (see current legislation).

► **Appropriation and distribution of profits** (article 25 of the Memorandum and Articles of Association)

"The income statement summarizes the income and expenses for the year. It shows, by way of a difference and after deduction of depreciation, amortization and provisions, the profit or loss for the year. From this profit, less previous losses, a deduction is first made":

- "of at least five percent to create the statutory reserve fund, which deduction shall cease to be mandatory when said fund reaches one-tenth of the share capital, but shall resume if for any reason this proportion is no longer achieved,"

- "and all sums shall be appropriated to reserves by law." "The balance, plus the profit carried forward, represents the distributable profit which is available to the General Meeting for distribution in whole or in part to the shareholders as a dividend or allocated to any reserves or capital redemption or retained earnings at the proposal of the Board of Directors."

"The General Meeting voting on the accounts for the financial year has the option to grant to each shareholder in respect of all or part of the dividend distributed, an option of payment in cash or in shares."

"The reserves, available to the General Meeting, may be employed if it so decides to pay a dividend to the shares. In this case, the decision shall expressly state the accounts from which the deductions are to be made."

► **Repurchase by the Company of its own shares**

In order to regulate the share price, in accordance with the provisions of Article L225-209 of the Commercial Code and the Prospectus approved by the AMF under number 04-0061, the General Meeting of February 19, 2004 authorized the Board of Directors for a period of 18 months with effect from the date of the said Meeting to implement a scheme to repurchase company shares, subject to the following terms and conditions: the maximum number of shares bought by the company under this authorization may not exceed 10% of the present registered capital.

These shares may be bought on one or more occasions and by any means in order to:

- make purchases and sales of company shares according to the market situation,
- optimize the company's asset and financial management,
- issue shares in payment or exchange, notably as part of acquisition transactions,
- encourage the liquidation of cross shareholdings.

The purchase, disposal or transfer of these shares may be made by any means on the market or by private agreement, if required by use of any derivative financial instrument.

The maximum purchase price per share may not be more than 100 euros, and the minimum selling price may not be less than 20 euros, subject to adjustments resulting from any capital changes. The maximum amount of own shares EXEL Industries may deal in may not exceed 16.9 million euros, on the assumption that it purchases 5% of its own shares at the maximum price of 100 euros.

The shares acquired in this manner may be retained, disposed of or transferred.

An authorization is subject to the approval of the next General Meeting on February 24, 2005. This is covered by the Prospectus approved by the AMF under no. 05-0066 dated February 4, 2005. After approval by the shareholders, this authorization shall substitute that given by the Ordinary General Meeting dated February 19, 2004.

► **Identifiable bearer shares**

The company is entitled, subject to current legal and regulatory conditions (Article 263-1 of the Law of 1966), at any time and at its own expense, to request from the body responsible for securities clearing, the name and year of birth, or, in the case of a legal person, the registered name and year of formation, nationality and address of holders of securities with immediate or future voting rights at its Meetings, as well as the amount of securities held by each of them and, where applicable, any restrictions to which such securities may be subject.

► **Statutory thresholds**

(article 10 of the Memorandum and Articles of Association)

"Apart from the thresholds exceeded pursuant to current legal and regulatory provisions, any shareholder, whether a natural or a legal person, who holds a fraction of the share capital or voting rights equal of 2.5%, or who crosses in either direction a threshold of the share capital or voting rights in the Company representing a multiple of 2.5%, must inform the Company of the total number of shares or voting rights held within fifteen days of the acquisition or reduction of the shareholding, via registered post with proof of delivery."

"In the event of failure to make a declaration to the Company in that fifteen-day period, the sanctions pursuant to the current legal and regulatory provisions shall apply", namely: the failure to declare a threshold shall be sanctioned by the removal of voting rights for the shares exceeding the fraction which should have been declared for a period of two years following the date of said regularization.

General information concerning the share capital

► **Registered capital** *(article 6 of the Memorandum and Articles of Association)*

"The registered capital amounts to 16,969,750 euros divided into 3,393,950 shares with a face value of 5 euros each."
 "These shares are fully subscribed, paid-up and distributed among the shareholders in proportion to their rights."

Other securities giving access to share capital

None.

Details of pledges

We are not aware that any share forming part of the registered capital of EXEL Industries is pledged.

Shareholders' agreement

There is no shareholders' agreement.

Dividends

Financial year	Net dividend	Tax credit	Gross dividend
00/01	1.10 euro per share	0.55 euro per share	1.65 euro per share
01/02	1.10 euro per share	0.55 euro per share	1.65 euro per share
02/03	1.10 euro per share	0.55 euro per share	1.65 euro per share

► **Dividend policy**

Over the coming financial years, it is intended to pay a dividend of approximately one-quarter of the consolidated net income.

► **Term of limitation**

In accordance with legal provisions, dividend payments and interim payments are time-barred after five years in favour of the State.

► **Share capital history for the past five years**

It should be noted that no change in share capital occurred during the last five years, and that registered capital remains unchanged at 16,969,750 euros.

III - Information concerning the issuer's activities, recent developments and future prospects

Historical information on the EXEL Industries Group

In 1946, Vincent Ballu, civil engineer and father of the current Chairman and Chief Executive, personally invented, developed and built the prototype of the first straddle tractor for use in the vineyards of the famous Champagne producer Moët and Chandon. In 1947, this achievement won its inventor the first prize from the "Association Viticole Champenoise" and was the beginning of the automation of wine growing in Champagne and subsequently in all narrow vineyards.

- 1952** Creation of TECNOMA to market these straddle tractors.
- 1953** TECNOMA becomes a local dealer for Vermorel spraying equipment
- 1959** TECNOMA invents the first synthetic resin spraying equipment.
- 1960** TECNOMA starts manufacturing its new spray-equipment itself.
- 1966** Takeover of former market leader VERMOREL from ULYSSES FABRE and LACHAZETTE.
- 1967** First export award.
- 1975** First garden spraying equipment injected with synthetic resin launched.
- 1980** Vincent BALLU, the company's founder, dies. Patrick BALLU, an arts & crafts and business administration graduate, succeeds his father. The Company's sales reach almost 80 million francs (12.2 million euros).
- 1986** The Epernay plant is modernized and a new range of agricultural spraying equipment is introduced. RAM and CARUELLE based near Orléans acquired along with NICOLAS in Agen.
- 1987** EXEL Group is formed. Acquisition of BERTHOUD, the French market leader in agricultural and garden spraying equipment, and its subsidiaries SEGUIP, THOMAS and PERRAS.

The EXEL Group triples in size and becomes the world leader* in spraying equipment for plant protection

- 1988** The Company is voted the "Most Innovative French Business".
- 1989** Takeover of VITITRAC and LOISEAU, competitors in the straddle tractors market
- 1990** Takeover of PRÉCICULTURE, French market leader for self-propelled spraying equipment.
- 1993** Group legal structure simplified around EXEL.
- 1996** KREMLIN, the French market leader in painting equipment, is acquired. Following its agriculture and consumer products, the EXEL Group now has a presence on the industrial market.
- 1997** The EXEL Group changes its name to EXEL Industries and obtains a listing on the Paris Stock Exchange's Second Marché.
- 1998** Consolidated sales now exceed 1 billion French francs (150 million euros).
- 1999** Acquisition of EUROTEC (UK).
- 2000** The Préciculture plant is doubled in size. Acquisition of FISCHER and REXSON. EXEL Industries becomes the world's third-biggest* materials protection business.
- 2001** Acquisition of SAMÈS, world number 2* in electrostatic industrial spraying equipment, and MATROT, leader in self-propelled agricultural vehicles.
- 2003** Merger of KREMLIN and REXSON. Acquisition of HERRIAU (plant protection division).

* Company figures

Activities of the EXEL Industries Group

1 - Group business segments and products

The Group has only one business, spraying equipment, organized into two divisions:

- plant protection, which is subject to seasonal variations,
- materials protection, which is not particularly subject to seasonal variations.

➤ 1.1- Plant protection

EXEL Industries' traditional business is the manufacture of professional, semi-professional and consumer agricultural spraying equipment for plant protection. The design of the spraying equipment requires expertise in advanced technologies that are environmentally friendly and safe for operators.

There is a large number of demanding safety and environmental standards. Any new player therefore needs to meet these or obtain approval for its products before it can market them. Below are some examples of the main standards applicable:

- ➔ "The "Machinery Directive" CE 89-392, 89-686, 89-655, 89-656, 91-368, 95-63 (operator safety and environmental protection) required at European level since January 1, 1996 for all new machinery (which must bear the CE mark), and, since the end of 2002, for all second-hand machinery (which must therefore be modernized): the "machinery directive" will therefore require the updating or modernization of all spraying equipment currently in service.
- ➔ BBA certification to sell agricultural spraying equipment in Germany,
- ➔ Standard CEN EN 907 on "operator protection",
- ➔ Draft standard CEN Pr EN 12761-1, 12761-2, 127631-3, on "environmental protection", applicable during 2001,
- ➔ ECO Packaging label, and GENCOD code now essential for all consumer packaging.
- ➔ Compulsory inspection of straddle tractors, self-propelled and towed spraying equipment both in France and other European countries, a long and costly procedure.
- ➔ Draft standard EN Pr 13790.1999: draft procedure for the inspection of spraying equipment in service. European harmonization is likely to lead to compulsory technical inspection of spraying equipment which until now has only been voluntary in France and other EU countries.
- ➔ Consequently, these requirements impose a very high degree of accuracy in the application of plant care products and always require "the right amount in the

right place at the right time" (maximum deviation acceptable on land = 15% from one square metre to the next, and 5% over the whole plot of land).

The spraying equipment must therefore be very reliable, always ready to operate and easily and quickly adjustable for each new application.

1.1.1 - In agriculture

Sprayers are the most frequently used piece of equipment after tractors. They are used nearly eight months per year to apply between four and twenty treatments per year according to the type of crop. The reliability of the spraying equipment ensures the quality and yield of the crop and is the decisive factor in the effectiveness of all plant care products.

The annual cost of the spraying equipment is often less than 5% of the annual plant protection budget it drives. We therefore understand the importance of the quality of its work in order to control and optimize farmers' operating costs.

In view of the developments in the Common Agricultural Policy, farmers have a greater need to understand costs related to mechanization. Productivity per hectare is gradually being replaced by productivity per farmer. This new challenge involves:

- ➔ simplified crop itineraries (semi-direct, for example),
- ➔ well-planned agriculture,
- ➔ spraying which is:
 - more precise (DGPS link to set quantities based on local requirements),
 - quicker (cutting travel times on bigger farms),
 - safer and more reliable (adaptation to and compliance with quantities to improve efficiency),
 - more intelligent (recording of treatments for better control),
 - raceable (to prove foodstuffs have received the correct treatment).

Spraying equipment can be carried or towed by a tractor or be in self-propelled or straddle form with an air-conditioned cab and all other operator comforts.

An agricultural sprayer costs between 2,000 and 150,000 euros, depending on the size, performance and degree of sophistication. The most elaborate models have cab-based remote-control for all functions (unfolding, geometry, height, etc.), that are even electronically controlled both during the preparatory phase (filling, measurement, mixing, cleaning, etc.) and during the spraying of the crop: automatic regulation of output per hectare irrespective of changes in the machine speed, adjustment of the effective spraying width of the boom, etc.

All of these improvements fall within the framework of "well-planned precision farming" that respects the nutritional quality of the foodstuffs, health and the environment where spraying equipment plays a major role. There are different spraying techniques for fertilizers and plant care products.

For example:

- **projected jets:** droplets are created by pressurizing the liquid (2 to 50 bar),
- **aero-convection or air-carried jets:** droplets generated by the pressure of the liquid are transported by a stream of air created by a fan. It is often used in orchards to ensure the droplets reach the depth in the foliage,
- **pneumatic:** this form of spraying is produced by the high air speed (several hundred km/h) generated by a centrifugal fan which sprays the liquid introduced into the centre of the air jet. This technique is used for vines or crops which require deep penetration at a very specific point,
- **centrifugal:** unpressurized liquid is introduced into the centre of a disc driven at high speed by an electric motor and sprayed from its periphery. The size of the drops is a direct function of the speed of the disc, ensuring a very homogeneous spectrum of droplets. This technique is used to apply much more concentrated products (10 times less water is transported), for example to treat cotton in Africa using wind drift.

A wide range of sprayers is available from each major Group brand (Berthoud, Caruelle, Matrot, Nicolas, Segui, Thomas and Tecnomat) to cover every market requirement.

1.1.2 - In kitchen gardens, greenhouses and market gardens.

Handheld and backpack sprayers ensure the quality of fruit and vegetables.

1.1.3 - In private parks and domestic gardens

Handheld sprayers (trigger-operated or with compressed air) enable gardeners to give ornamental plants all the treatment they need. EXEL Industries distributes a full range of handheld sprayers under various brand names (Berthoud, Perras, Tecnomat) and under distributor brand names.

1.1.4 - Description of companies

EXEL Industries has six direct subsidiaries: Caruelle, Tecnomat, Berthoud, Préciculture, Matrot and Exel gsa.

CARUELLE NICOLAS located at Saint-Denis-de-l'Hôtel in the region of Loiret, with a secondary establishment at Agen, designs, manufactures and markets sprayers under its four brand names: CARUELLE and SEGUI sell sprayers with booms for arable crops, while NICOLAS and THOMAS sell turbine sprayers designed for the treatment of vines and fruit trees.

The company had sales of 17.7 million euros for the last financial year, against 16.6 million euros for the previous year.

TECNOMAT Technologies, located at Epernay in the Marne area, designs, manufactures and markets a very wide range of agricultural sprayers under the TECNOMAT brand. It also distributes straddle tractors for vineyards, where their main use is spraying, under the TECNOMAT, LOISEAU and VITI LABEL brands.

It also manufactures and distributes components for other companies, in particular for Group companies (tanks, injection components, handheld sprayers, etc.).

The company had sales of 31.9 million euros for the last financial year against 36.6 million euros for the previous year.

BERTHOUD Agricole, located at Belleville-sur-Saône, in the Rhône region, designs, manufactures and markets agricultural sprayers for arable crops, vines and fruit trees. The BERTHOUD range covers the full range of market needs, with more than 120 different product families.

BERTHOUD, the leading brand on the French market, had sales of 39.1 million euros for the last financial year against 43.2 million euros for the previous year.

PRÉCULTURE, located at Fère-Champenoise in the Marne area, designs, manufactures and sells self-propelled units in the colours of each brand (CARUELLE, SEGUI, TECNOMAT and BERTHOUD). Each brand assembles and sells its own spraying equipment and assembles it on their own self-propelled units.

PRÉCULTURE also manufactures straddle tractors marketed by TECNOMAT, which fits them with its sprayers.

The company had sales of 15 million euros for the last financial year against 17.8 million euros for the previous year.

MATROT Equipements is the leading French company in the manufacture of self-propelled vehicles for agriculture. Matrot, based at Noyers Saint-Martin in France, mainly manufactures two lines of products: self-propelled beet lifters and self-propelled sprayers.

The company had sales, consolidated with its foreign subsidiaries, of 29.3 million euros for the last financial year against 28.2 million euros for the previous year.

In January 2003 MATROT acquired its competitor HERRIAU.

In August 2004, MATROT disposed of its Polish subsidiary

EXEL gsa is located in Villefranche-sur-Saône, in the Rhône region. It designs, assembles and markets handheld and backpack sprayers for semi-professional usage and for gardeners, as well as drawing and irrigation pumps. These products are distributed throughout the sales networks (specialized and traditional distribution in France and abroad).

EXEL gsa has a market share in France of >60% (source: Nielsen) with its various brands, including BERTHOUD, TECNOMA and PERRAS.

In total, those companies selling consumer products had consolidated sales of 20 million euros for the last financial year against 23.9 million euros for the previous year.

► 1.2 - Materials protection

EXEL Industries provides materials protection through spraying in two different fields:

- equipment for applying paints and viscous substances in industry,
- dust reduction.

1.2.1 - Paint and viscous substances application equipment

The manufacture of paint spraying equipment requires the same basic technologies as those used in the manufacture of sprayers used to protect plants.

→ Amalgamation of SAMÈS and EUROTEC

EUROTEC, formerly a direct subsidiary of EXEL Industries, became a subsidiary of SAMÈS in 2003. These two companies share the same market, electrostatic spraying. This amalgamation will allow better coordination of their development efforts. New product ranges will be launched and distribution will be reorganized. This amalgamation has produced a new international leader in the electrostatic spraying market.

For 2003/04, the consolidated sales of the Samès subgroup, including Eurotec, were 61.6 million euros against 59.1 million euros for the previous year.

→ Merger of KREMLIN and REXSON

In 2003, the Kremlin and Rexson companies merged to create Kremlin Rexson.

This reorganization aims to allow both of these brands to profit from synergies, productivity gains and greater commercial dynamism.

These reorganizations have ensured better brand identification for all three companies:

- KREMLIN for the liquid phase,
- REXSON for the viscous phase,
- SAMÈS for the electrostatic phase.

KREMLIN-REXSON had consolidated sales of 64.5 million euros for the last financial year against 66.4 million euros for the previous year.

KREMLIN is one of the world's leading brands in application equipment for industrial finishing. Its pumps and spray guns are used for spraying products as varied as paints, varnish, adhesives, release agents, etc

→ Kremlin spraying equipment offer users sizeable productivity gains by reducing paint consumption while protecting the environment and the health of the operator by reducing paint fumes.

→ Its wide range is intended solely for professional use and meets all customer needs. The main fields of application for these guns are in the wood, metal, plastics and transport industries.

→ KREMLIN uses various spray-painting techniques:

- "pneumatic" (spraying via air speed),
- "electrostatic",
- "airless" (spraying via pump pressure),
- "airmix" (a combination of the preceding two techniques).

Each spray gun model is available in manual or automatic versions for mounting on painting robots.

REXSON is the brand name of the Group specializing in viscous substances.

REXSON specializes in equipment for the application of viscous substances in industry (adhesives, coatings, pastes, etc.). Rexson markets products for high-performance, frequently automated applications. Its products are designed mainly for the car, metallurgy, and aeronautics industries, etc.

SAMES, based close to Grenoble, is ranked second the world for electrostatic spraying equipment for liquid and powdered paint, and exports two-thirds of its sales. As a highly innovative company which was one of the first to develop electrostatic spraying techniques, Samès holds numerous patents, with 15% of its staff and 5% of its sales devoted to R&D.

Its technology gives an electrostatic charge to each paint particle, which makes it possible to paint components on all sides simultaneously.

The company's equipment and systems are used in general industry (30% of sales) and by car manufacturers (70% of sales), for example in the application of paint or varnish for vehicle finishing.

SAMÈS's main product lines are:

- complete solutions for robotized car paint lines,
- electrostatic sprayers mounted on multi-axis robots,
- electrostatic powdered paint projectors,
- electrostatic liquid paint sprayers,
- powder coating booths,
- high-voltage generators.

1.2.2 - Dust reduction in mines and quarries

RAM Environnement, located at Saint-Denis-de-l'Hôtel in the region of Loiret, is a recognized specialist in dust reduction by spraying using its RAM (Molecular Action Reduction) equipment.

The RAM process can collect very fine, "alveolate" dust, which is invisible and hazardous to health (causing pneumoconiosis, silicosis, etc.).

RAM's markets include all industries involving the extraction, handling and fragmentation of ores and minerals (quarries, mines, steelworks, etc.) as well as all food and beverage industries (agricultural cooperatives, port silos, sugar refineries, starch plants, etc.).

RAM has installed dust extraction equipment all over the world.

2 - The market and the competition

EXEL Industries is present on three markets:

- **the agricultural market** for arable crops, orchards, vine growing, etc.,
- **the industrial markets:** any companies requiring the spraying and application of paints, varnishes, adhesives, etc.,
- **the consumer market** (retail and wholesale) with handheld sprayers and watering systems for semi-professionals and gardeners.

This presence on three different markets protects the Group from cyclical economic conditions and seasonal variations.

◀ 2.1 - The agricultural market

Taking all of its brand names into account, the Group is the world number one. It has a world market share of approximately 10% of a total market estimated at 1.5 billion euros. In addition, EXEL Industries has more than half of the French market* by value. The current market for agricultural sprayers is witnessing a decrease in the number of machines sold, but the unit value of the equipment is increasing for the following reasons:

- increased size of farms as a result of mergers,
- increasing mechanization of agriculture to achieve greater productivity,
- increasing environmental and safety requirements,
- increased speed and precision of treatment through the contribution of new techniques.

The principal competitors of EXEL Industries are:

- HARDI (Denmark) in arable crops, vines and trees,
- KVERNELAND (Norway) in arable crops,
- RAU (Germany) in arable crops,
- JACTO (Brazil) in arable crops, vines and trees,
- John DEERE (tractor maker), which is seeking to create a "full line".

However, this business remains a specialist activity, with two major groups: EXEL Industries and HARDI.

** Company estimates*

◀ 2.2 - The consumer spraying equipment market

The world consumer spraying equipment market totals more than 200 million euros* and the EXEL Industries Group is the market leader.

In Europe, France is the main market which is undergoing structural growth. It is estimated that only one-quarter of all users are correctly equipped. Present via all distribution channels with a market share of over 60% in France, EXEL Industries is well positioned to benefit from this growth. The Group is thus positioned in a sector where the market for garden equipment is far from being saturated, especially as regards maintained pressure and compressed air sprayers.

The long-term market trend for consumer sprayers is upwards. Over the last three years, it has increased in value by 6% a year on average (source: Nielsen), higher than that for the gardening market.

The main competitors on this market are:

- HOZELOC (Great Britain),
- MATABI (Spain),
- GLORIA and MESTO (Germany),
- various Italian firms.

** Company estimates*

► **2.3 - The industrial market**

The market for materials protection by spraying is estimated at 1.5 to 2 billion euros. The EXEL Industries Group is estimated to hold a market share of approximately 9%. EXEL Industries, through its subsidiaries Kremlin, Samès, Eurotec and Rexson, is ranked first on the French market. The Group is today the world's number 3 in materials protection.

The main competitors in this market are:

- ITW-DE VILBISS – BINKS (USA),
- GRACO (USA),
- NORDSON (USA),
- IWATA (Japan),
- WAGNER (Germany).

3 - Customers - Suppliers

► **3.1 - Agricultural customers**

Agricultural sprayers are sold, ex-works, to distributors of agricultural machinery, sometimes called dealers. They are responsible for demonstrating, selling and commissioning new sprayers, as well as for after-sales service, trade-in and sales of second-hand equipment. Each of the four main Group brands has its own network of 100 to 300 trained and approved distributors who deal exclusively in one Group brand. These distribution agreements are renewable annually. Each distributor's technical and sales staff must undergo several days' training in one of the Group's approved training centres.

Farmers are the end-users of EXEL Industries sprayers. They include cereal growers, nurserymen, vine growers and market-gardeners. Farmers are now the managers of a sustainable agriculture which respects the environment. As good company managers, they treat their crops in a well-planned manner in order to obtain "clean" products. They also ensure the traceability of the treatments applied.

These sprayers are also used for numerous exotic or tropical cultures (cotton, etc.).

► **3.2 - Consumer sector**

Domestic gardens, private kitchen gardens and market gardening together constitute a very large number of customers using EXEL Industries hand sprayers. These sprayers are sold under several brand names and are distributed via large-scale specialized distribution channels (do-it-yourself hypermarkets, garden centres, agricultural cooperatives, traditional distribution channels, mail order, etc.), large-scale food distribution (hypermarkets and supermarkets) and via distributors of technical products for industry.

► **3.3 - Industrial customers**

Many industries use the painting equipment produced by the EXEL Industries Group:

- **the wood industry:** furniture, doors and windows, kitchens and bathrooms, etc.
- **the metal industry:** farm equipment, civil engineering equipment, metal structures, furniture makers, etc.
- **the plastics industry:** vehicle subcontracting, telephones, television, toys, furniture, boats, etc.
- **the transport industry:** aircraft, trains, cars, trucks, etc.

We count many prestigious companies among our clients:

Mercedes, EADS, IKEA, Plastic Omnium, Philips, Caterpillar, Eurocopter, PSA, Faurecia, Valeo, Yamaha, Renault, Nissan, Opel, GM, Ford, Hyundai, Bénéteau, Valeo, Louis Vuitton, Schneider, Legrand, Bang & Olufsen, Alstom, FIAT, Scania, Iveco, Snecma, Audi, Volkswagen, etc.

No single customer represents more than 5% of the Group's consolidated sales.

The acquisitions of Rexson and Samès increased the share of activity linked to vehicle manufacturers, which has risen from approximately one-quarter to close to one-half.

The positioning of EXEL Industries is based on enabling customers to economize in their use of paint. It offers them equipment which has a particularly high transfer rate (i.e. the ratio of the paint actually deposited on the item to the amount of paint used). The cost of the paint consumed over the year often represents 20 times the price of the paint application equipment.

The products are sold, either ex-works or prepaid, according to the stipulated terms and conditions, through "approved distributors" (active sales supported by services) and "approved resellers" (standard modern distribution sales). In addition, the industries which consume most paint are canvassed and monitored directly by the Group's sales experts. This sales policy makes it possible to remain in direct, continuous contact with the largest customers of the Group's equipment, sensing and even anticipating future market requirements. This is probably why KREMLIN, REXSON, and SAMÈS are also such innovative companies.

► 3.4 - *Supplier risk*

No supplier represents more than 3% of the Group's consolidated purchases. There is no risk of dependency on one particular supplier.

4 - *Investments*

► 4.1 - *Table of investments (in million euros) for the most recent financial years*

	2000	2001	2002	2003	2004
Investments in tangibles and intangibles	5,3	7,6	7	4,9	3,8 (a)
Financial investments	0,1	9,5	10,3	0,8	0

For reasons of prudence, investments amortized over the medium term are, for at least half of their value, generally financed by medium-term bank loans.

► 4.2 - *Main investments*

During the last financial year, the Group continued its 3.8 million euro investment policy (a) including:

- Purchases of tools and industrial plant from Tecnomat, Samès, Kremlin Rexson and Berthoud.
- Installation of surface treatment at Préciculture and Matrot.
- New production lines and tools related to the creation of new product lines at EXEL gsa.
- Creation of testing and demonstration laboratories in our UK and American subsidiaries.

5 - *Insurance*

To ensure its subsidiaries benefit from better guarantees and excesses and thus ensure better risk coverage within the group, EXEL Industries has taken out group insurance in the following areas:

Type of Insurance	Main guarantees
All Risks Except	Property damage and rental risks. Operating losses.
Civil liability	Operations: all losses. After delivery: accidental pollution.
Liability of company officers	Third party disputes.
Vehicle fleet	Vehicles of less than 3.5 tonnes (third party, fire, theft) Vehicles of more than 3.5 tonnes (third party, damage, claims, fire, theft).
Employee vehicles	Employee travel for business purposes.
Personal accident	Employee travel abroad.
Professional multiple risk	Tests on road (equipment manufactured and goods handed over).

6 - Operational sites

LOCATIONS OF SITES IN FRANCE

Companies	Address	Owned	Land area m ²	of which developed area	Group Activity
API Technologies SAS	29, av. Asthon Under Lyne 52000 Chaumont	Yes	same site	same site	Production
BERTHOUD Agricole SAS	1, rue de l'Industrie 69220 Belleville-sur-Saône	Yes	53 419	15 422	Production Offices
CARUELLE NICOLAS SAS	2, rue de l'Industrie 45550 Saint-Denis de l'Hôtel	Yes	32 500	12 250	Production Offices
	Agen (47240)	No	4 900	600	Production Offices
EXEL gsa SAS	ZI Nord Arnas 69400 Villefranche-sur-Saône	Yes	25 054	7 000	Production Offices
EXEL Industries SA	54, rue Marcel Paul 51200 Epernay	Yes			Registered office
	Villefranche sur Saône (69400) et Saint-Jean-d'Ardières (69)	Yes	79 000		Storage Real estate
HERRIAU SAS	82, rue de Bonavis 59400 Cambrai	Yes	80 000	22 000	Production Offices
KREMLIN REXSON SA	150, av. de Stalingrad 93240 Stains	Yes	30 000	14 000	Production Offices
	24, avenue Ampère 91320 Wissous	No		3 150	Production Offices
MATROT Equipements SAS	116, rue des Pommiers 60480 Noyers-Saint-Martin	Currently being acquired	50 000	25 000	Production Offices
	02420 Gouy le Catelet	Currently being acquired	7 500		
PRÉCULTURE SAS	165, rue des Verriers 51230 Fère- Champenoise	No	36 000	8 130	Production Offices
RAM Environnement SAS	2, rue de l'Industrie 45550 St-Denis de l'Hôtel	Yes	1 400	1 350	Production Offices
SAMES Technologies SAS	13, Chemin de Malacher 38240 Meylan	Yes		20 100	Production Offices
SCM SAS	29, av. Asthon Under Lyne 52000 Chaumont	Yes	70 000	22 000	Production
SMPV	6, avenue Ampère 91320 Wissous	No	1 300	800	Production Offices
TECNOMA Technologies SAS	54, rue Marcel Paul 51200 Epernay	Yes	36 500	18 500	Production Offices

NB : - none the real estate assets belongs directly or indirectly to the Directors of EXEL Industries Group or to any members of their families,
- none of the rented buildings belongs to the Directors of the EXEL Industries Group.

Overseas Sites :

The Group's foreign subsidiaries, which are distribution subsidiaries, are all tenants, with the exception of the Spanish subsidiary, which owns its premises.

Activity report

1 - Main significant events of the financial year

For the financial year closing August 31, 2004, EXEL Industries Group had consolidated sales of 266.3 million euros, down slightly by 2.9% compared to the previous year, but almost stable at a constant rate of exchange. Operating income increased by 5.8% to 18.7 million euros, i.e. 7% of sales, and net income after goodwill improved by 16% to 11.5 million euros. Over this period, shareholders' equity increased by 8% to 98.2 million euros. Cash funds (net of debts) was 17.5 million euros against 12 million euros for the previous year. These good results, obtained in a troubled context with a weak dollar, show the capacity of the Group to improve its performances.

► 1.1 - Plant protection

For the financial year as a whole, sales for plant protection dropped by 5.4% to 141.7 million euros. The financial year showed considerable contrasts. The first part of the year saw the negative effects of the heat wave and the concerns of operators related to the renegotiation of the CAP during the previous year. The end of the financial year was more dynamic and sales once more showed progress. Nevertheless, despite this fall in annual sales, and thanks to the efforts to reduce costs and adjust prices, the margin for plant protection improved.

Current prospects are again encouraging. Harvests are excellent in terms of both quality and quantity. This buoyant context allows us to predict a rise in our activity for 2004-2005. As regards export sales, these should benefit from the fact that ten new countries are joining the European Union, representing one-third of the arable lands of the expanded Europe. They will in future benefit from CAP assistance in modernizing their agriculture.

► 1.2 - Materials protection

For the financial year as a whole, the materials protection business was stable at 124.6 million euros and increased slightly by 3.6% at a constant rate of exchange. As in the plants business, it was a year of contrasts. The first six months of the year were affected by unfavourable developments in the investment of companies and by the continuous fall of the dollar, which largely depressed the division's margin. However, in the second six-month period, the economic situation became more buoyant and we recorded a clear rise in sales. This improved dynamic on the whole had a favourable effect on the margin of the materials protection division, which is improving year on year. Better focussed growth in France, our pursuit of international development, in particular in buoyant areas (mainly Asia and the USA), and the recent efforts to rationalize and develop our sales networks should allow the Group to increase sales and to continue to improve margins.

2 - Exceptional events and disputes

The company is not aware of any exceptional events or disputes to date which are not provided for and which could have a significant negative effect on the company's activity, results, financial situation or assets (see note 4.1.1).

3 - Post-balance sheet and future prospects

For the first quarter of 2004/05 (September, October, November), Group consolidated sales rose by 1.8%, to 62.4 million euros. At a constant rate of exchange, sales increased by 2.8%. Over the quarter, sales were distributed as follows: 48% for materials and 52% for plants.

→ Plant protection

A clear improvement in plants activity had already been seen in the fourth quarter of 2003-04 (June, July, August). This positive market development continued into the first quarter of 2004/05. Over this period, sales for the plants activity rose substantially, up by 8.7% compared to the first quarter of 2003-04. All of the agricultural companies in the plants division, except for MATROT, saw their sales increase appreciably. Previous efforts to improve the production cycle did in fact bear fruit here, and, at the end of 2003/04, MATROT was no longer suffering from delivery delays, contrary to the end of previous years, where delays had affected first quarter results. MATROT could thus now deliver to its customers on time in the fourth quarter, rather than in the first quarter of the following year as had usually been the case. This change modified the comparison basis for the quarter. Apart from MATROT, first quarter growth in the plants division was up 20%. The economic situation of the agricultural market is now more favourable and the order book is encouraging.

→ Materials protection division

The materials protection activity was less well focussed. The economic situation was marked by a lack of dynamism in the market in France and Europe and by the weakness of the dollar. In this context, in the first quarter of 2004-05 materials protection recorded a fall in sales of -4.8%. If the impact of the exchange rate is discounted, the fall was limited to -2.5%. The launching of new products and the deployment of our export subsidiaries should enable us to benefit from the growth in the most dynamic areas.

4 - Company activities, consolidated accounts and non-consolidated accounts

EXEL Industries continued its two activities:

- management and running of its subsidiaries, all more than 95% held,
- management and supervision of its portfolio of patents, trademarks, designs and models, issued under user licences.

► 4.1 - Consolidated accounts

Main consolidated figures (in millions of euros)

In millions of euros	31/08/04 million Euros	31/08/03 million Euros	31/08/02 million Euros
Shareholders' equity (Group share) before appropriation of profit	97,6	90,1	84,7
Goodwill	12,7	13,8	14,8
Net fixed assets	29,1	33,0	30,8
Financial debts	30,4	28,5	27,6
Provisions for contingencies and charges	14,4	14,8	11,8
Sales (pre-tax)	266,3	274,3	278,5
Added value	110,1	110,0	106,5
Gross operating surplus	27,0	28,3	26,5
Operating income	18,7	17,7	16,4
Income before tax (1)	17,1	16,1	13,7
Exceptional income	(0,3)	1,9	2,5
Amortization of goodwill	(1,2)	(1,2)	(4,7)
Overall consolidated net income	11,5	9,9	9,3
Net income (Group share) before appropriation	11,5	9,9	9,3
Net income before amortization of goodwill	12,7	11,1	14,0
	Euros	Euros	Euros
Overall consolidated net earnings per share	3,4	2,9	2,7
Cash flow per share	5,7	5,3	5,4

(1) The income before tax is the sum of the operating income and the financial income.

4.1.1 - Income statement

- Consolidated sales fell by 2.9%, from 274.3 million euros to 266.3 million euros.
- Our export sales increased by 5%, from 108.5 million euros to 113.9 million euros. Export sales accounted for 43% of total sales.
- Sales in France were 152.4 million euros, down 8% compared to the previous year.
- The fall in certain currencies, mainly the dollar, had a negative effect of 4.4 million euros on sales.
- Added value generated by the Group increased to 41.3% in 2003/04 against 40.1% in 2002/03. This result was obtained through sound control of purchasing and overheads.
- The gross operating surplus fell slightly to 27 million euros against 28.3 million euros in 2003/2004, taking into account an increase in personnel costs of 1.3%.
- Operating income increased from 17.7 million euros to 18.7 million euros, after a net allowance for depreciation, amortization and contingencies of 7.3 million euros, against 9.3 million euros for the previous year.
- Net financial expenses, excluding the effects of the exchange rate and allowance for financial provisions, decreased significantly, from -722,000 euros to -422,000 euros. Charges mainly included interest paid to banks on current lending and assistance, interest paid on the current accounts for employee profit-sharing schemes and discounts paid to customers for payments in cash.
- Financial income of -1.6 million euros was negatively effected to a total of 1.2 million euros by identified exchange rate losses and concealed exchange rate losses on assets recorded in foreign currencies.
- Income before tax increased significantly from 16.1 million euros to 17.1 million euros.
- Exceptional income for the group was -0.3 million euros. It mainly includes:
 - +0.9 million euros for prospecting assistance definitively acquired from COFACE, recorded as income,
 - +0.6 million euros net capital gains related to the disposal of non-strategic assets and the positive impact of the disposal of a foreign subsidiary,
 - +1.1 million euros for the write-back of previous provisions set aside for contingencies arising from disputes and miscellaneous exceptional income,
 - -2.9 million euros for provisions for new disputes occurring in the financial year.
- Employee profit-sharing and incentive schemes, included in personnel costs, were 1.2 million euros against 1.5 million euros for the previous year.
- Tax payable fell compared to the previous year because of the exemption from tax of contingencies previously shown as non-deductible items.
- Group share of net income increased by 15.5%, to 11.5 million euros, i.e. 4.3% of sales.

4.1.2 - Balance sheet

• Group share of shareholders' equity rose from 90.1 million euros to 97.6 million euros, i.e. a rise of 7.5 million euros, as follows:

- Income for the financial year: +11.5 million euros
- Distribution: - 3.7 million euros
- Variation due to conversion rates: - 0.3 million euros

• Goodwill fell by the amortization charge of 1.2 million euros. No new goodwill arose for the financial year.

• Shareholders' equity accounted for 46.6% of assets, against 44.8% at the end of the previous year.

• Provisions for contingencies and charges were set aside or maintained at a level of 14.4 million euros to cover the contingencies identified by the company at the end of the financial year.

• Working capital rose from 79.2 million euros to 83.8 million euros, an increase of 4.6 million euros, as a consequence of the following variations:

- rise in shareholders' equity: + 7.4 million euros
- lower contingencies: - 0.4 million euros
- lower MT debts: - 7.4 million euros
- lower net fixed assets: - 5.0 million euros

• The requirement for working capital, calculated on the basis of net asset values minus non-financial operating debts, amounted to 53.4 million euros at August 31, 2004, against 48.5 million euros at 31 August 2003.

• This rise of 4.9 million euros is explained by:

- a rise of 4 million euros in operating assets,
- a fall of 0.9 million euros in operating debts.

• At August 31, 2004, available cash net of short-term bank loans was 30.4 million euros, i.e. 47.8 million euros in liquid assets minus 17.4 million euros in current banking assistance.

► 4.2 - Company accounts

Main figures from the non-consolidated accounts:

	2004	2003
• Sales:	2 529 K€	2 763 K€
• Operating income:	1 708 K€	1 560 K€
• Financial income:	8 251 K€	6 705 K€
• Net income:	10 808 K€	5 623 K€

Operating income increased slightly to 1.7 million euros owing to better control of costs.

Financial income mainly includes dividends from subsidiaries and remuneration of liquid assets.

5 - Share capital movements during the financial year

► 5.1 - Distribution of share capital at the end of the financial year

► Share capital movements during the last five years

It should be noted that no changes in the capital occurred during the last five years and registered capital remains unchanged at 16,969,750 euros.

► Distribution of share capital and voting rights of EXEL Industries

Shareholders	On 31/08/02			On 31/08/03			On 31/08/04		
	No. of shares	% of share capital	% of voting rights	No. of shares	% of share capital	% of voting rights	No. of shares	% of share capital	% of voting rights
EXEL SAS (1)	1 968 613	58,00%	66,56%	1 968 613	58,00%	66,55%	2 028 454	59,77%	67,35%
Patrick BALLU and family	551 084	16,24%	18,42%	549 364	16,20%	18,42%	515 494	15,19%	17,37%
EXEL Industries SA (2)	46 995	1,38%	0,00%	47 006	1,38%	0,00%	2 285	0,07%	0,00%
Financial institutions, public and other	827 258	24,37%	15,02%	828 967	24,42%	15,03%	847 717	24,97%	15,28%
Total	3 393 950	100,00%	100,00%	3 393 950	100,00%	100,00%	3 393 950	100,00%	100,00%

(1) EXEL SAS is the majority shareholder in EXEL Industries SA and is mainly held by Mr Patrick Ballu and family.

(2) Shares repurchased by EXEL Industries under its repurchase scheme.

Number of voting rights:

- As at 31/08/02: 5,915,526
- As at 31/08/03: 5,916,190
- As at 31/08/04: 5,934,975

Thresholds:

No thresholds were exceeded in 2003/04.

Shareholders holding more than 5% of share capital in the category of "financial institutions, public and other":

La Financière de l'Echiquier.

Shareholders holding more than 2.5% of share capital in the category of "financial institutions, public and other":

Lazard Gestion.

Number of shareholders (according to the latest identifiable bearer share survey dated June 23, 2004): 1,958

There is no employee shareholding scheme.

► **5.2 - Repurchase by the Company of its own shares**

In order to regulate the share price, in accordance with the provisions of Article L225-209 of the Commercial Code and the Prospectus approved by the AMF under number 04-0061, the General Meeting of February 19, 2004 authorized the Board of Directors for a period of 18 months with effect from the date of the said Meeting to implement a scheme to repurchase company shares, subject to the following terms and conditions: the maximum number of shares bought by the company under this authorization may not exceed 10% of the present registered capital.

These shares may be bought on one or more occasions and by any means in order to:

- make purchases and sales of company shares according to the market situation,
- optimize the company's asset and financial management,
- issue shares in payment or exchange, notably as part of acquisition transactions,
- encourage the liquidation of cross shareholdings.

The purchase, disposal or transfer of these shares may be made by any means on the market or by private agreement, if required by use of any derivative financial instrument.

The maximum purchase price per share may not be more than 100 euros, and the minimum selling price may not be less than 20 euros, subject to adjustments resulting from

any capital changes. The maximum amount of own shares EXEL Industries may deal in may not exceed 16.9 million euros.

In connection with the regularization of the market price of its shares, the company made use of this option to repurchase its own shares and on August 31, 2004, it held 2,285 such shares.

On December 31, 2004, EXEL Industries bought and sold a number of its own shares with the aim of ensuring the liquidity of the shares and the stabilization of the market price:

- Number of shares at August 31, 2003: 47,006.
- Number of shares repurchased over the financial year: 7,943
- Number of shares sold during the financial year: 52,664. (1)
- Number of own shares held at August 31, 2004: 2,285.

In addition, an authorization was submitted to the next General Meeting held on February 24, 2005. It was the subject of Prospectus number 05-0066 approved by the AMF dated February 4, 2005. Once approved by the shareholders, this authorization will replace that granted by the Ordinary General Meeting dated February 19, 2004.

(1) including 44,741 shares bought by EXEL SAS.

► 5.3 - Issuer's securities market *

During the last two calendar years, price movements of the EXEL Industries share listed on the Second Marché of the Paris Bourse since June 20, 1997 were as follows:

	2004	2003
Number of movements	263 698	255 738
Volume of transactions	13,03 M€	9,52 M€
Lowest price during the year	42,01 €	32 €
Highest price during the year	65,00 €	46,59 €

► Transactions in EXEL Industries share in 2003 and 2004 *

Period	Number of securities exchanged	Capital in million euros	Price in euros		
			highest	lowest	Latest
January 2003	22 279	0,904	42,16	38,00	39,00
February 2003	6 305	0,248	40,30	37,90	39,00
March 2003	14 488	0,504	39,00	32,00	34,02
April 2003	2 785	0,107	40,00	34,94	38,50
May 2003	3 586	0,141	40,00	37,50	39,90
June 2003	22 888	0,864	40,70	37,00	38,00
July 2003	12 543	0,473	39,77	37,10	39,00
August 2003	23 726	0,880	38,50	36,90	37,00
September 2003	10 481	0,392	38,59	36,50	38,00
October 2003	14 638	0,530	38,73	35,04	36,10
November 2003	110 475	4,005	41,20	36,00	40,00
December 2003	11 541	0,474	46,59	38,10	42,00
TOTAL	255 738	9,52			
January 2004	41 513	1,893	47,99	42,01	46,00
February 2004	16 869	0,768	46,60	43,09	44,84
March 2004	58 958	2,764	47,93	43,60	47,20
April 2004	15 461	0,717	48,50	45,00	47,98
May 2004	21 269	1,050	50,50	46,55	48,95
June 2004	62 495	3,256	53,95	47,01	52,90
July 2004	2 822	0,136	52,90	48,60	48,79
August 2004	1 218	0,057	48,00	46,80	47,75
September 2004	5 318	0,241	47,96	44,80	45,82
October 2004	7 382	0,368	52,80	45,01	52,00
November 2004	3 953	0,198	52,65	48,62	51,25
December 2004	26 440	1,581	65,00	51,25	59,80
TOTAL	263 698	13,030			

* Source Euronext

6 - Appropriation of profit for the year

► 6.1 - Appropriation

Given that the consolidated net profit after goodwill is 11,498,202 euros, we propose to the General Meeting to appropriate the parent company net profit for the financial year, i.e. 10,808,128 euros, as follows:

- distribution of a dividend (1) of 3,733,345 euros equal to 1.1 euros per share, and carry-forward of the remaining profit, given that full provision has already been made for the statutory reserve, raising retained earnings to 30,163,785 euros.

In addition, the Ordinary General Meeting once more approves the payment to the "Retained Earnings" account of an amount in respect of to dividends not paid on own shares held by EXEL Industries.

(1) Dividend to be paid on March 3, 2005 at the counters of SOCIETE NANCEIENNE VARIN-BERNIER.

► 6.2 - Dividends

Financial year	Net dividend	Tax credit	Gross dividend
00/01	1.10 euros/share	0.55 euros/share	1.65 euros/share
01/02	1.10 euros/share	0.55 euros/share	1.65 euros/share
02/03	1.10 euros/share	0.55 euros/share	1.65 euros/share

7 - Information on company officers

► 7.1 - Remunerations and benefits paid during the financial year to the Group's directors

The total gross remuneration paid by EXEL Industries to its Chairman and Chief Executive, Mr Patrick Ballu, amounted to 185,100 euros for 2003/2004.

The 36,000 euros in attendance fees, voted by the General Meeting for 2003/2004, were equally divided between the four Directors of EXEL Industries.

EXEL Industries granted neither loans, nor advances of any kind, nor gave any guarantee to the members of the Board of Directors or senior management.

None of the directors, Group senior management or members of the Management Committee benefited from the option to purchase shares in EXEL Industries.

► 7.2 - Stock-options, BSA (share warrants) and BSPCE (share warrants for company founders)

There are no stock-option, BSA or BSPCE schemes.

► 7.3 - List of terms of office and positions of each company officer of EXEL Industries SA

Companies concerned	P. BALLU Chairman and CEO	P. VIÉVILLE Director	R. MARCHÈSE Deputy CEO and Director
EXEL SAS	Chairman		CEO
KREMLIN REXSON SA	Chairman and Chief Executive	Perm. Rep. of EXEL SAS (Admin. co.)	Perm. Rep. of EXEL Industries (Admin. co.)
PRECICULTURE SAS			Chief Executive
TECNOMA Technologies SAS			Chief Executive
SNVB SA	Director		
EXPOSIMA SA	Director		
Le Toit Champenois SA			Director

8 - Market risks

► 8.1 - Risks, currencies and payments

Most export sales are billed in euros and are secured either through COFACE insurance or by cash payment prior to dispatch.

Sales through foreign retail subsidiaries outside the euro zone are of course billed in local currency.

The Group is exposed to fluctuations in the dollar on account of the scale of its billing in the dollar zone.

Receivables still held in this currency by the French companies of the Group were fully recorded at the end of the financial year.

Most sales by the Group's French subsidiaries to foreign purchasers outside the Group are made in euros. Invoices in other currencies by the Group's French subsidiaries are converted into euros on the day of delivery.

The French subsidiaries of EXEL Industries sell to and invoice their foreign subsidiaries in euros. By way of exception, subsidiaries in the USA, Canada and the UK are invoiced in local currency; US dollars are used for China.

Since the end of 2002/2003, the general policy of the Group has been to hedge major engineering contracts denominated in currencies other than the euro (mainly in USD and GBP). Over the last financial year, no major contracts of this type have been in currencies other than the euro.

At the beginning of the current year, the Group decided to hedge part of the flows denominated in USD.

At 31 August 2004, the receivables, liquidity and debts of the group denominated in the main currencies were as follows:

• In US dollars	- Receivables and liquidity held in USD	24 943 K\$
	- Debts denominated in USD	- 2 570 K\$
	- Net receivables in USD	22 373 K\$
		i.e. 18 473 K€
• In CAN dollars	- Receivables and liquidity held in CAD	1 544 KCAN\$
	- Debts denominated in CAD	- 487 KCAN\$
	- Net receivables in CAD	1 057 KCAN\$
		i.e. 662 K€
• In pounds Sterling	- Receivables and liquidity held in GBP	2 544K€
	- Debts denominated in GBP	- 776 K€
	- Net receivables in GBP	1 768 K€
		i.e. 2 617 K€
• In Swiss francs	- Receivables and liquidity held in CHF	1 164 KCHF
	- Debts denominated in CHF	- 643 KCHF
	- Net receivables in CHF	521 KCHF
		i.e. 337 K€
• In Chinese Yuan	- Receivables and liquidity held in CNY	5 787 KCNY
	- Debts denominated in CNY	- 1 238 KCNY
	- Net receivables in CNY	4 549 KCNY
		i.e. 454 K€

Net receivables denominated in other currencies were equivalent of 509,000 euros at 31 August 2004.

► 8.2 - Exposure to exchange rate risks

At 31 August 2004, all variable rate loans and financial debts were indexed to variations in the 1-month or 3-month Euribor rate as appropriate.

At the closing date of the accounts, the total debts and loans concerned were as follows:

- Guaranteed variable rate medium-term loans and drawings on medium-term credit lines	6,300,000 euros
- Financial leases	775,000 euros
- Overdrafts and similar	17,380,000 euros

Financial assets (cash investment trusts) bearing interest at variable rates totalled 28,944,000 euros.

A 1% rise in interest rates would have a positive impact on the Group's pre-tax profit of 45,000 euros.

9 - Research and Development

9.1 - Innovation, a house style

Since their creation, research and innovation have been the basis for the development and success of the various companies making up EXEL Industries. This is a worldwide strategic asset which allows the Group's products to become leaders in the toughest markets.

In a particularly competitive environment, Research & Development, with an unceasing attention to technological developments, are the engines which allow the EXEL Industries Group to remain the leader in the market for the protection of plants and materials.

Each year, at least five new patents (six in 2003/04) are registered in numerous countries.

Nearly 6% of personnel are permanently involved in numerous R&D projects.

■ The plant protection market

for arable crops and vines

In order to better respond to the latest market expectations, the strategy of EXEL Industries has centred on:

- improved application and direction of droplets on their targets,
- improved operator safety,
- improved ease of control, usage and adjustment with the development of the assistance system,
- improved environmental protection,
- improved service life and increased reliability of equipment.

Recent innovations include:

- Satellite system to assist modulation and location (Gestronic).
- Telescopic boom for narrow vineyards.
- Self-propelled sprayer equipped with hydraulic transmission with inter-axle differential (Maestria).
- Beet cleaning system which halves the quantity of earth attached (Rotonet).
- Improved speed regulator for straddle tractors (Hydro-Pilot).

The consumer product market

The innovations are based on the creation of original product ranges with improved performances which meet consumer needs, with:

- improved convenience, comfort and safety for the user,
- a visual approach to facilitate understanding,
- improved robustness and reliability,
- a marketing policy centred on design and colour to attract the customer.

Examples of recent innovations include:

- Professional stainless or epoxy steel sprayers for intensive chemical, industrial or construction usage (Laser).
- Sprayers with rechargeable batteries (Libertis).
- Watering pumps with electronic regulation (Olympia).

■ The materials protection market

There are three vital aspects:

- a constant adaptation of equipment to new products (paints, varnishes, dyes, adhesives, mastics, etc.),
- an increase in transfer rates, i.e. the proportion of paint actually applied to the target,
- an increase in customer productivity.

The paint finishing phase, long a poor relation of the production process, is today normally integrated into the quality process and has a constantly growing importance. If a product is visually flawless, this implies excellent finishing, and excellent application requires high-quality equipment.

KREMLIN recently launched three new product lines which were very well received by customers:

- a new range of Flowmax bellows pumps. These pumps use an entirely new, patented technology, offering a hitherto unheard-of service life for paint pumps,
- the new lightweight, ergonomic pneumatic guns with a transfer rate of higher than 80% (J5 and Airmix SX),
- the new two-component pumps with increased service life, ease of use and optimized signage to reduce start-up times (PU Flowmax pumps).

Some examples of new products launched by SAMÈS:

- electrostatic spraying system for water-soluble paints on which the tool or colour can be changed in seconds,
- electrostatic spraying system for water-soluble paints with on-board reservoir and automatic changeover,
- high-voltage generator for ultra-fine dust control.

RAM's dust removal activity includes the production of:

- a stabilization system to protect outdoor tracks and storage heaps against wind erosion by means of artificial rainfall (RAM-SPC) connected to a weather station,
- a spraying system to treat odours (ODO-RAM).

→ A culture of continuous innovation

From the outset, the Group has been behind the decisive changes in the technologies used in its business.

R&D costs are regarded as current annual running costs and are only capitalized as fixed assets on the balance sheet in the exceptional case of their acquisition.

► 9.2 - Trademarks and patents

All trademarks are entirely the property of EXEL Industries, or in exceptional cases and for historical reasons, of its subsidiaries.

EXEL Industries owns and manages more than 187 active patents, 177 trademarks and 37 models, many of them registered in a large number of countries.

As the main holder of the Group's patents, trademarks and models, EXEL Industries has granted user licences to its various operational subsidiaries in return for payment of licence royalties.

There are no external licence agreements for patents, trademarks or models: the Group does therefore pay no royalties to third parties.

Group policy is to avoid showing patents, trademarks and models on the assets side of the accounts, except for those acquired specifically or as a consequence of the purchase of companies.

10 - Sustainable development, industrial and environmental risks

► 10.1 Industrial and environmental risks

None the activities of the Group involve significant industrial and environmental risks that could have an impact on the Group's assets or results.

► 10.2 Sustainable development: environmental aspect

The strategy of innovation of EXEL Industries is part of its policy of sustainable development. All of the laboratories and design departments of the Group work closely together with the customers and suppliers within the Group and the sector, as well as with inter-professional bodies.

R&D contributes to offering new products and services while helping to reduce manufacturing costs, improve personnel and product safety and ensure better respect for the environment.

So EXEL Industries, as a committed and responsible corporate citizen, is already preparing the sprayers of tomorrow.

These will be more powerful, more accurate, more sophisticated and will support GPS tracking in a move towards farming which is well-planned, precise and which respects the quality of our environment and of our food.

Protecting users and our environment also accelerates the process of equipment replacement. We now pay more and more attention to protecting the operator by reducing the risks of contamination or injury and to safeguarding the environment in terms of waste disposal, losses, residues, pollution or annoyance caused to neighbours. These two aims form an integral part of all of our specifications when new machinery is invented. This is not only a sound commercial argument, but also a fundamental civic duty.

The Group also works closely with:

- FARRE: the forum for well-planned, environmentally-friendly farming,
- manufacturers of active or consumable materials sprayed by our equipment: plant health products, paints, adhesives and varnishes, mastics, surface-active agents,
- specialized institutes and research centres,
- international standardization commissions (CEN and ISO),
- Phytomieux: association for the promotion of good agricultural practices.

These factors all permit the Group to play a leading role in the protection of operators and the environment:

- Users of our products are not exposed to danger, either of a mechanical nature (moving parts, sharp edges, risk of falls), or of a chemical nature (product spray, accidental contact, inhalation of fumes).

- Similarly, in order to protect the environment, our equipment is increasingly more accurate and includes start-up systems. To avoid accidental pollution, EXEL Industries has invented an automatic washing system for tanks (Lav'ton) and for the entire agricultural spraying machine (Autonet) and boxes for packing concentrated products (Lav'box) to prevent most discharges of residual products into nature.

► 10.3 Sustainable development: social aspects

In the space of 19 years, EXEL Industries Group has largely developed through external growth while preserving its culture as a family company and small business, conveyed by management to all staff.

→ An association of companies with a human dimension

EXEL Industries is a federation of dynamic small businesses, each employing between a maximum of 30 to 300 people. Each company has its own culture and thus preserves a truly human dimension which favours relations with its suppliers, its customers and between members of staff. Accessibility of management, facilitated by flat line management structures ensures motivation through greater information flows. This policy of decentralization accelerates and facilitates the decision-making process as closely as possible to those on the ground, making it flexible and highly responsive. In addition, horizontal and spontaneous coordination of skills makes it easy to exchange of best practices between managers working in the same position in different companies.

→ Company organization and culture encourage dialogue

The decentralization of power and the family nature of our corporate cultures strongly encourage dialogue between management and staff, which is organized, implemented and decided within each company. This good social climate is reflected in the statistics: staff turnover and absenteeism are very low, and the average length of service of staff exceeds twelve years.

11 - IFRS standards

The Group has commenced the first work (pre-diagnosis) for the changeover to IAS/IFRS accounting standards to be applied to the consolidated accounts for 2005-2006 from the financial year beginning on September 1, 2005.

In particular, the main discrepancies between these new accounting standards and previous standards are being identified, along with the consequences for the accounting and financial plans as regards the Group's internal organization and information systems.

A project team, run by the Group's management inspection unit which includes the finance directors of the main subsidiaries, has the task of identifying the principal impacts of the IFRS standards.

This team, assisted in the diagnosis and debriefing phases by a firm of external consultants, aims to produce a preliminary report by the beginning of autumn 2005 and to submit a report to the general management of the Group, including methods of measuring the impact, by the end of 2005.

12 - Income and other aspects of the Company over the last five financial years

Non-consolidated accounts in euros	Financial year 1999/2000	Financial year 2000/2001	Financial year 2001/2002	Financial year 2002/2003	Financial year 2003/2004
I. Share capital at the end of the financial year					
• Registered capital	16 969 750	16 969 750	16 969 750	16 969 750	16 969 750
• Number of shares issued	3 393 950	3 393 950	3 393 950	3 393 950	3 393 950
• Number of convertible bonds	0	0	0	0	0
II. Operations and income for the financial year					
• Sales net of tax	2 311 966	2 398 164	2 556 802	2 762 715	2 528 523
• Income before tax, employee profit-sharing and allowance for depreciation, amortization and provisions	9 225 408	9 023 734	(995 280)	7 130 869	11 413 440
• Tax on profits	1 835 520	401 393	(3 499 229)	1 377 285	(1 369 843)
• Employee profit-sharing during the financial year	0	0	0	0	0
• Income after tax, employee profit-sharing and allowance for depreciation, amortization and provisions	7 767 470	8 831 548	2 003 371	5 623 324	10 808 128
• Distributed or proposed result	3 735 659	3 733 345	3 733 345	3 733 345	3 733 345
III. Earnings per share					
• Earnings after tax, employee profit-sharing but before allowance for depreciation, amortization and provisions	2,18	2,54	0,74	1,70	3,77
• Earnings after tax, employee profit-sharing and allowance for depreciation, amortization and provisions	2,29	2,60	0,59	1,66	3,18
• Dividend appropriated per share	1,10	1,10	1,10	1,10	1,10
IV. Staff					
• Average number of employees during the financial year	3	4	4	4	4
• Total wage bill for the financial year	221 120	252 091	259 008	259 230	294 982
• Total sums paid as welfare benefits for the financial year (social security - welfare services)	92 979	96 411	99 698	101 519	117 962

IV - Assets, financial situation and results

Consolidated accounts for the financial years closing August 31, 2004, 2003 and 2002

► *Consolidated balance sheet – assets at August 31, 2004, 2003 and 2002*

Consolidated figures - In thousands of euros	31/08/04	31/08/03	31/08/02
Goodwill (note 3)	12 659	13 832	14 766
Net intangible fixed assets (note 4)	1 279	1 401	1 595
Net tangible fixed assets (note 5)	27 661	29 665	29 031
Financial assets (note 6)	181	1 880	174
FIXED ASSETS	41 780	46 777	45 566
Stock and WIP (note 7)	47 692	47 787	44 884
Accounts receivable and related accounts (note 8)	63 230	59 921	66 850
Advances and instalments paid	866	633	211
Other accounts (note 9)	7 978	7 454	11 312
Liquid funds (note 10)	47 792	38 816	21 364
CURRENT ASSETS	167 559	154 610	144 620
TOTAL ASSETS	209 338	201 388	190 187

► *Consolidated balance sheet – liabilities at August 31, 2004, 2003 and 2002*

Consolidated figures - In thousands of euros	31/08/04	31/08/03	31/08/02
Share capital (note 11)	16 970	16 970	16 970
Premiums	2 528	2 528	2 528
Reserves	66 596	60 697	55 786
Profit (group share)	11 480	9 936	9 284
Investment subsidies	0	0	98
Group shareholders' equity (note 12)	97 573	90 130	84 666
Minority interests in shareholders' equity	144	146	257
Minority interests in profit	18	5	3
Total minority interests	162	151	260
Total shareholders' equity	97 736	90 280	84 926
Provisions for contingencies and charges (note 13)	14 393	14 826	11 828
Conditional advances (note 14)	465	487	295
Financial debts (note 15 et 16)	30 382	28 494	27 584
Advances and instalments received	1 068	722	904
Supplier debts and related accounts	33 994	33 055	36 140
Tax and social security	21 832	26 034	21 362
Debts on fixed assets	79	345	493
Other debts	9 390	7 145	6 654
Operating and other debts (note 17)	66 362	67 300	65 554
TOTAL LIABILITIES	209 338	201 388	190 187

► *Consolidated income statement for financial years closing August 31, 2004, 2003 and 2002*

Consolidated figures - In thousands of euros	31/08/04	31/08/03	31/08/02
Sales (note 18)	266 326	274 251	278 514
Other operating receipts	999	1 344	376
Operating receipts	267 325	275 595	278 889
Purchases and stock changes	(110 678)	(113 046)	(120 952)
Other purchases and external charges	(46 419)	(52 673)	(51 386)
Duties and taxes	(5 327)	(5 488)	(5 223)
Payroll and profit-sharing costs (note 19)	(77 662)	(76 269)	(74 807)
Other expenses	(1 214)	(1 118)	(1 189)
Allowance for depreciation, amortization and provisions (note 20)	(7 294)	(9 297)	(8 906)
Operating costs	(248 596)	(257 891)	(262 464)
OPERATING PROFIT	18 729	17 705	16 426
FINANCIAL ITEMS (note 21)	(1 589)	(1 604)	(2 692)
PROFIT ON ORDINARY OPERATIONS	17 140	16 100	13 734
EXCEPTIONAL ITEMS (note 22)	(338)	1 907	2 454
PRE-TAX PROFIT	16 802	18 007	16 187
Taxes (note 23)	(4 130)	(6 907)	(2 173)
NET PROFIT OF CONSOLIDATED COMPANIES	12 671	11 100	14 014
Allowance for amortization of goodwill	(1 173)	(1 160)	(4 727)
OVERALL NET PROFIT	11 498	9 940	9 287
Minority interests	18	5	3
Consolidated net profit (Group share)	11 480	9 936	9 284

► **Statement of consolidated cash flow**

Consolidated figures - In thousands of euros	31/08/2004	31/08/2003	31/08/2002
A. OPERATING TRANSACTIONS			
Net profit (Group share) excluding acquired companies	11 633	10 199	11 089
Minority interest in profit	18	5	3
Share in profit of associated companies	0	0	0
+ Depreciation of fixed assets and goodwill	6 448	6 075	10 259
+ Net provision charges and write-backs	1 981	2 065	1 593
- Net capital gains on disposals of fixed assets	(471)	(219)	(129)
- Investment subsidies	(43)	(43)	(10)
Cash flow excluding acquired companies (a)	19 566	18 082	22 805
Change in current assets	6 016	(8 657)	14 343
Change in operating debts	(855)	(178)	5 370
Change in working capital requirement	6 871	(8 479)	8 973
Cash flow derived from operations excluding companies acquired during the financial year	12 694	26 561	13 832
B. INVESTMENT TRANSACTIONS			
Increase in fixed assets			
Acquisition of intangible and tangible fixed assets	(3 761)	(4 932)	(6 006)
Acquisitions of shareholdings and advances to acquired companies		(811)	(14 406)
Disposals of fixed assets			
Disposals of tangible and financial fixed assets	2 120	482	199
Net change in loans and receivables	(14)	(108)	20
Change in debts on fixed assets	(266)	(148)	(4 367)
Effect of variations in consolidation perimeter	(40)	1 223	2 768
Cash flow allocated to investments	(1 961)	(4 294)	(21 792)
C. FINANCING TRANSACTIONS			
Increase in share capital and premiums	0	0	0
Dividends paid during the financial year	(3 737)	(3 717)	(3 710)
Change in financial debts and conditional advances (b)	(7 160)	(1 044)	11 206
Financing cash flow	(10 897)	(4 761)	7 496
D. EFFECT OF EXCHANGE RATE FLUCTUATIONS	(98)	(171)	(73)
CHANGES IN CASH FLOW (A+B+C+D)	(262)	17 335	(537)
Net cash flow at beginning of financial year	30 674	13 339	15 770
Change during the year	(262)	17 335	(537)
NET CASH FLOW AT END OF FINANCIAL YEAR	30 412	30 674	15 233
Marketable securities	29 053	26 773	11 393
Liquid funds	18 740	12 044	10 129
- Current banking assistance	(17 381)	(8 143)	(6 289)
NET CASH FLOW AT END OF FINANCIAL YEAR	30 412	30 674	15 233

(a) The cash flows of companies acquired, recently consolidated or disposed of during the financial year are not included in the above cash flow calculation. The negative contribution made to cash flow of the company disposed of during the financial year was -116,000 euros. The total cash flow of the Group as a whole is 19,450,000 euros.

(b) The variation in financial debts breaks down as follows:

- new loans subscribed to during the financial year:	1,949,000 euros
- repayments of loans and various financial debts:	(9,109,000) euros
	<u>(7,160,000) euros</u>

Notes to the consolidated accounts at August 31, 2004

1. Accounting and consolidation principles and methods

► 1.1 - Accounting system applied

The consolidated accounts in euros for the financial years closing on August 31, 2004, August 31, 2003, and August 31, 2002 are drawn up in conformity with CRC regulation 99-02.

► 1.2 - Consolidation principles

The accounts of the companies controlled exclusively by EXEL Industries (over 50% held) are consolidated on a line-by-line basis.

Companies in which the Group has a notable influence are consolidated using the equity method. This is assumed to be the case where the percentage held is between 20% and 50%.

Shareholdings of less than 20% and/or which are not of a lasting or significant nature are not consolidated.

All significant transactions between fully consolidated companies as well as unrealized internal profits included in the fixed assets and stocks of consolidated companies are excluded.

► 1.3 - Goodwill (see note 3)

For fully consolidated companies, the variation in value between the cost price of the securities acquired and the proportion of shareholders' equity existing on that date constitutes goodwill capitalized on the assets side of the consolidated balance sheet under the item "Goodwill".

All goodwill appears on the balance sheet for a net amount of 12,659,000 euros at August 31, 2004, against 13,832,000 euros at August 31, 2003. The total amortization entered during the year was 1,173,000 euros, against 1,160,000 euros for the previous year.

Goodwill is amortized over a period of 15 years.

The net amount of goodwill is reviewed systematically each time the accounts are approved, to take account of changes which may permanently decrease the profitability and value of the assets concerned. This review is carried out using both external indicators (overall market trends, market share, etc.) and internal indicators (historical and forecast changes in sales and profitability, etc.). If the review indicates a possible loss in value, the Group estimates the useful value of the assets concerned, and, if necessary, an exceptional amortization can adjust goodwill to its correct estimated value.

► 1.4 - Intangible fixed assets (see note 4)

Other intangible fixed assets appear on the balance sheet at their acquisition cost. They are amortized according to the straight-line method over 3 to 5 years, except for purchased goodwill, which is amortized on a case-by-case basis.

• Research and development costs:

The Group's general policy is to charge costs related to research and development fully to the financial year in which they were incurred. These costs primarily consist of personnel costs.

► 1.5 - Tangible fixed assets (see note 5)

Fixed assets appear on the balance sheet at their acquisition cost or brought-in value.

They are mainly depreciated according to the straight-line method applied to the estimated useful life of each asset.

The rates used, which are the same for all companies, are as follows:

- 15 years on buildings.
- 10 years for building improvements.
- 5 years on industrial equipment.
- From 3 to 5 years for other fixed assets (office equipment, vehicles, etc.).

► 1.6 - Financial assets (see note 6)

Other shareholdings in unconsolidated companies and receivables from these companies are held at their going value, i.e. at their historical cost adjusted if necessary by a write-down provision where the net book equity of the company concerned falls below the value of the shareholding.

► 1.7 - Stock and WIP (see note 7)

Stocks of raw materials and goods are valued according to the first in, first out method.

Stocks of WIP and of finished goods are valued at their production cost, which includes raw materials, direct labour costs and direct and indirect production costs.

• Depreciation method used by the Group:

- Stocks are depreciated in the various Group companies at statistical rates which vary from 5% to 90% according to rotation (stock levels compared to consumption over the last 12 months).
- Depreciation may be up to 100% (redundant stocks or deleted products).

► 1.8 - Accounts receivable and related accounts (see note 8)

Accounts receivable and related accounts are shown at face value. They are amortized on a case-by-case basis according to the age of the receivable and the customer's situation.

► **1.9 - Marketable securities**

(see note 10)

Marketable securities primarily consist of cash investment trusts and are valued at their acquisition cost or market cost, whichever is the lower.

► **1.10 - Income tax** *(see note 23)*

Deferred tax

For reasons of prudence, and in order not to defer tax debits which cannot be charged against future income, deferred tax has been adjusted according to following methods:

- Deferred tax is not restated in respect of tax loss carry-forwards, except for carry-forward in the USA totalling 26,000 euros which will be spread against future profits.
- Deferred tax has been adjusted in respect of excess tax depreciation.
- Deferred tax on temporary tax differences has not been adjusted.

Total net income tax not deferred amounts to 4,099,000 euros including 2,845,000 euros in respect of temporary tax differences.

Tax consolidation

As part of the existing tax consolidation agreement with EXEL Industries as the head of the Group, the Group subsidiaries paid through EXEL Industries the tax for which they were liable and EXEL Industries paid the Group tax after the adjustments specific to this system. Tax consolidation saved tax of 1,374,000 euros for the financial year, against a tax charge of -1,377,000 euros the previous year.

► **1.11 - Conversion of foreign exchange items**

The accounts of foreign companies are converted using the cut-off rate: the assets and liabilities are converted at the exchange rate at the end of the financial year and the income statement items at the average rate of exchange.

The conversion differences are shown directly in the net situation, under "Exchange rate fluctuations".

Goodwill from foreign subsidiaries is converted into euros at the historical exchange rate of the currency on the date of acquisition.

Transactions by Group entities in currencies other than their operational currency are converted at the rate of exchange at the date of the transactions, or the hedge rate if necessary. Assets and liabilities denominated in currencies other than the operational currency of the entity concerned are converted at the current rate of exchange on the closing date of the accounts or the operational hedge rate if necessary. Exchange profits and losses are entered under "Financial items".

► **1.12 - Financing lease agreements**

The Group applies the preferred method recommended by current regulations to financing lease agreements. Goods acquired under financing lease agreements are regarded as having been bought on credit. They are shown under fixed assets, on the assets side of the balance sheet, at their original value under the agreement. These goods are depreciated according to their estimated useful life in accordance with the accounting principles used by the Group. A loan corresponding to the goods is shown on the liabilities side. The initial amount of this loan corresponds to the entry cost of the fixed asset. Each year, the financing lease costs entered under operational costs in individual company accounts are eliminated from the consolidated accounts as financial expenses with progressive repayment of the loan. Only significant operations are adjusted.

► **1.13 - Provisions for contingencies and charges**

Provisions are made for risks and charges where their aim is clearly specified and their expiry or amount cannot be fixed in a precise manner, when there exists an obligation with respect to a third party and where it is certain or probable that this obligation will cause an outflow of resources with no counterpart of at least equivalent value.

► **1.14 - Pension commitments and comparable charges**

The pension rights of the Group's French employees are the subject of actuarial calculation by an insurance company. These commitments are to a certain extent covered by external payments from the insurance company totalling 2.2 million euros. Pension commitments not outsourced are set aside in the non-consolidated accounts of the Group companies and total 1 million euros (see note 13).

The actuarial method takes into account seniority, life expectancy and staff turnover rate.

► **1.15 - Uses of estimates**

The consolidated accounts, prepared in accordance with generally accepted accounting principles, require the Group to make a certain number of estimates and make certain assumptions which will affect the amount of the assets, liabilities, the notes on potential assets and liabilities at the date of the financial statements, as well as incomings and outgoings. Management regularly reviews these estimates on the basis of the information available. Committed costs, costs to be borne and possible guarantee costs are analysed. The assessment of future costs is based on the management's best estimate of the expenditure necessary to meet the contractual obligations of the Group. It is possible that the final amounts will differ from the estimates and the assumptions used.

2. List of consolidated companies

Name	% control		% interest		Consolidation method
	2004	2003	2004	2003	
• EXEL Industries SA	100,00%	100,00%	100,00%	100,00%	Parent company
• TECNOMA Technologies SAS	99,82%	99,82%	99,82%	99,82%	FC
• CARUELLE NICOLAS SAS	99,89%	99,89%	99,89%	99,89%	FC
• RAM Environnement SAS	99,94%	99,92%	99,94%	99,92%	FC
• BERTHOUD Agricole SAS	99,98%	99,99%	99,98%	99,99%	FC
FISCHER Nouvelle SARL	100,00%	100,00%	99,98%	99,99%	FC
BERTHOUD Sprayers Ltd	99,00%	99,00%	98,98%	98,99%	FC
• EXEL GSA SAS	99,88%	99,89%	99,89%	99,89%	FC
Fuelmatic Agis SARL	100,00%	100,00%	100,00%	100,00%	FC
PROTEC Spa	100,00%	100,00%	100,00%	100,00%	FC
• PRECICULTURE SAS	99,82%	99,82%	99,82%	99,82%	FC
• KREMLIN REXSON SA	99,48%	99,47%	99,48%	99,47%	FC
<i>French subsidiaries</i>					
SCM SAS	99,88%	99,80%	99,36%	99,27%	FC
API Technologies SAS	99,96%	99,72%	99,44%	99,19%	FC
SMPV	99,93%	99,93%	99,41%	99,40%	FC
<i>Foreign subsidiaries</i>					
Germany	100,00%	100,00%	99,48%	99,47%	FC
Germany ex REXSON FRG	100,00%	100,00%	99,48%	99,47%	FC
Spain	99,90%	99,90%	99,38%	99,37%	FC
Switzerland	99,70%	99,70%	99,18%	99,17%	FC
Great Britain	99,00%	99,00%	98,49%	98,48%	FC
KREMLIN REXSON Italy (1)	100,00%		99,48%		
KREMLIN Italy (1)		99,00%		98,48%	FC
REXSON Italy (1)		100,00%		99,47%	FC
USA	100,00%	100,00%	99,47%	99,47%	FC
Canada	100,00%	100,00%	99,47%	99,47%	FC
Portugal	100,00%	100,00%	99,47%	99,47%	FC
Argentina	100,00%	100,00%	99,47%	99,47%	FC
Poland	100,00%	100,00%	99,47%	99,47%	FC
Brazil	100,00%	100,00%	99,47%	99,47%	FC
South Africa (2)	74,00%	NC	73,62%	NC	FC
• SAMES Technologies SAS	100,00%	100,00%	100,00%	100,00%	FC
<i>Foreign subsidiaries</i>					
USA	100,00%	100,00%	100,00%	100,00%	FC
Germany	100,00%	100,00%	100,00%	100,00%	FC
UK ex EUROTEC	100,00%	100,00%	100,00%	100,00%	FC
China (3)	100,00%	NA	100,00%	NA	FC
• MATROT Equipements SAS	100,00%	100,00%	100,00%	100,00%	FC
<i>French subsidiaries</i>					
HERRIAU SAS	100,00%	100,00%	100,00%	100,00%	FC
<i>Foreign subsidiaries</i>					
Poland (4)	NC	100,00%	NC	100,00%	FC
UK	100,00%	100,00%	100,00%	100,00%	FC

FC: fully consolidated - EM: equity method - NC: not/no longer consolidated - NA: Not applicable

The two Italian subsidiaries retroactively merged on September 1, 2003 to produce a single entity, Kremlin Rexson Italy. (2) The South African subsidiary was consolidated for the first time in 2004, as it had practically no activity in 2003. (3) Creation of a subsidiary in China by Samès. (4) Company disposed of on August 31, 2004.

Change in consolidation structure

During the financial year closing August 31, 2004, the Group consolidation structure changed as follows:

1) Merger (retroactive to September 1, 2003) of the two Italian subsidiaries of Kremlin Rexson. This internal merger within the Group had no impact on the consolidated financial statements.

- 2) First consolidation of the South African subsidiary of Kremlin Rexson. This subsidiary has had practically no activity up until now. Its entry in the consolidation structure on September 1, 2003 had no significant impact on the consolidated shareholders' equity.
- 3) Samès created a subsidiary in China in 2004.
- 4) Disposal of Matrot Polska on August 31, 2004. This subsidiary showed a loss of 153,000 euros for 2003/2004, which was taken into account in the consolidated result on August 31, 2004. The two recently consolidated subsidiaries are the creation of establishments abroad, internal to the Group. They do not represent any external variation in the consolidation structure.

3. Goodwill

→ Movements of the financial year

In thousands of euros	Gross 31/08/03	Acquisitions 03/04	Disposals 03/04	Gross 31/08/04
Total goodwill	23 427	0	0	23 427

In thousands of euros	Amortization 31/08/03	Provision 03/04	Write-backs 03/04	Depreciation 31/08/04
Total goodwill amortization	9 595	1 173	0	10 768

4. Intangible fixed assets

In thousands of euros	31/08/04			31/08/03 Net	31/08/02 Net
	Gross	Amort. & provn	Net		
Formation expenses	338	(325)	13	18	0
Research costs (a)	476	(476)	0	0	0
Patents, trademarks, licences and computer software (b)	5 271	(4 185)	1 086	1 204	1 376
Purchased goodwill	493	(335)	157	157	172
Others intangible fixed assets	173	(150)	22	21	46
TOTAL	6 751	(5 472)	1 279	1 401	1 595

(a) The general Group policy is to charge all research and the development costs to the accounts for that year.

(b) Purchased software represents almost all of these fixed assets.

5. Tangible fixed assets

Consolidated figures in thousands of euros	31/08/04			31/08/03 Net	31/08/02 Net
	Gross	Depn. & prov	Net		
Land	7 069	(499)	6 570	6 689	6 549
Buildings	26 863	(14 984)	11 878	13 110	11 364
Plants	29 549	(22 392)	7 156	6 514	6 587
Other fixed assets (a)	8 116	(6 212)	1 904	2 643	2 355
Fixed assets in progress	130	0	130	708	2 177
Advances and instalments paid	22	0	22	0	0
TOTAL	71 748	(44 088)	27 661	29 665	29 031

(a) Other fixed assets mainly include vehicles, furniture and computer hardware

→ Gross tangible fixed assets include an amount of 3,222,000 euros in respect of leasehold items. Their unamortized cost amounts to 1,327,000 euros (see note 15 - Financial debts (a)).

→ Movements over the financial year

In thousands of euros	31/08/04	31/08/03	31/08/02
Gross value of fixed assets at the start of year	70 411	66 531	59 001
- Acquisitions during financial year net of transfers	3 550	4 592	5 611
- Contributions of newly-acquired companies and changes in consolidation structure	(225)	1 942	3 669
- Disposals or retirements during financial year	(1 846)	(2 502)	(1 750)
- Foreign exchange	(142)	(152)	
Gross value of fixed assets at end of the year	71 748	70 411	66 531

6. Financial assets

In thousands of euros	31/08/04			31/08/03	31/08/02
	Gross	Amort. & provn	Net	Net	Net
Financial investments	97	(71)	26	26	3
Companies accounted for using equity method	0	0	0	0	0
Receivables from shareholdings	446	(446)	0	0	0
Other long-term investments	8	(1)	7	7	6
Loans	35	0	35	31	12
Other financial fixed assets (a)	113	0	113	1 816	153
TOTAL	699	(518)	181	1 880	174

(a) Own shares held which appeared in other financial fixed assets on August 31, 2003, for a net value of 1,701,000 euros, were disposed of during the financial year.

7. Stock and work-in-progress

Consolidated figures in thousand of euros	31/08/04			31/08/03	31/08/02
	Gross	Deprn. & prov.	Net	Net	Net
Raw materials	30 809	(9 066)	21 744	21 745	24 368
WIP products and services	10 009	(1 874)	8 135	6 806	5 772
Semi-finished and finished products	15 961	(2 988)	12 973	14 683	10 100
Goods for resale	7 181	(2 341)	4 840	4 554	4 644
TOTAL	63 960	(16 268)	47 692	47 787	44 884

8. Customer accounts

Customer accounts are stated net of a provision of 9,038,000 euros, against a provision of 8,695,000 euros at the end of the previous year. All receivables which have not been provided for are due within one year.

9. Other receivables

In thousands of euros	31/08/04 Net
Tax credits (corporation tax, VAT and others)	4 640
Social security credits	211
Sundry debtors	1 112
Deferred charges	2 015
TOTAL	7 978

All other operating receivables are due within one year, apart from the carry-back accounts at some Group companies of 459,000 euros.

10. Cash

Consolidated figures - In thousands of euros	31/08/04	31/08/03	31/08/02
Marketable securities and own shares	29 053	26 773	11 235
Cash	18 740	12 043	10 129
TOTAL	47 792	38 816	21 364

The market value of marketable securities, mainly made up of cash investment trusts, is close to the balance sheet value. Available cash flow is generally invested in risk-free assets (money-market investment trusts). The company does not have a share portfolio on the market.

11. Registered capital

The share capital of the parent company consists of 3,393.950 shares with a face value of 5 euros. No changes were made to the share capital during the financial year.

12. Consolidated shareholders' equity

In thousands of euros Consolidated shareholders' equity Group share	Share Capital	Issue premium	Consolidated reserves	Annual result	Other Consolidated SE		Total SE consolidated/ Group share
					Currency conver- sion differences	Other	
Total at August 31, 2002	16 970	2 528	55 493	9 284	291	100	84 666
Appropriation of N-1 result			9 284	(9 284)			0
Dividends paid by head of group company			(3 681)				(3 681)
Income for the financial year				9 936			9 936
Changes in currency conversion differences			239		(743)		(504)
Change in consolidation structure			(278)				(278)
Other changes			96			(104)	(8)
Total at August 31, 2003	16 970	2 528	61 153	9 936	(453)	(3)	90 130
Appropriation of N-1 result			9 936	(9 936)			0
Dividends paid by head of group company			(3 732)				(3 732)
Income for the financial year				11 480			11 480
Changes in currency conversion differences			6		(315)		(309)
Other changes			4				4
Total at August 31, 2004	16 970	2 528	67 367	11 480	(768)	(3)	97 573

13. Provisions for contingencies and charges

Consolidated figures - In thousands of euros	31/08/04	31/08/03	31/08/02
Provision for contingencies (a)	11 324	10 690	8 461
Provision for charges (b)	1 606	2 640	2 651
Provision for deferred tax reserves (c)	236	253	499
Negative goodwill (d)	1 228	1 243	217
TOTAL	14 393	14 826	11 828

(a) Provisions for contingencies by nature of risk

In thousands of euros	Provisions 31/08/03	Allowance	Write-back (risk occurring)	Write-back (risk not occurring)	Exchange rate fluctuation	Reclassification item by item	Provisions 31/08/04
General disputes and charges at sites under construction	2 820	3 105	- 2 245	- 1 188		- 854	1 638
Contractual guarantees for customers	3 864		- 477		- 84		3 303
Employment disputes	1 445	520	- 198	- 483			1 284
Risks of closure of establishments and foreign subsidiaries	2 257	178	- 965	- 373			1 097
Patents, disputes and miscellaneous risks	304	3 130	- 140	- 146		854	4 002
TOTAL	10 690	6 933	- 4 025	- 2 190	- 84	0	11 324

(b) Provisions for charges by nature of charge:

In thousands of euros	Provisions 31/08/03	Allowance	Write-back (risk occurring)	Write-back (risk not occurring)	Reclassification item by item	Provisions 31/08/04
Tax provisions	424	43	- 49			418
Pension commitments	1 964	149	- 850		- 235	1 028
Social charges of restructuring		128				128
Miscellaneous	252		- 20	- 200		32
TOTAL	2 640	320	- 919	- 200	- 235	1 606

(c) Deferred tax calculated on the tax-allowable provisions, excess tax depreciation adjusted for consolidation purposes and adjustments to internal Group provisions.

(d) Difference on initial consolidation on acquisition of Ghelardoni (the Italian subsidiary of Kremlin Rexson) and the acquisition of Herriau, a subsidiary of Matrot Equipements.

Movements in provisions for contingencies and charges affected the consolidated result for the year as follows:

- net positive impact of 553,000 euros on pre-tax earnings,
- net negative impact of - 440,000 euros on exceptional items,
- i.e. a net positive impact of 113,000 euros on consolidated net income.

Movements of the provisions for contingencies and charges for the financial year

(In thousands of euros)

Provisions for contingencies and charges at the beginning of the year	14,826
+ allowances for the financial year	+ 7,252
- write-backs of provisions for proven risks	- 4,975
- write-backs of provisions on risks resolved in our favour	- 2,390
- changes in exchange rate and consolidation structure	- 320
Provisions for contingencies and charges at the end of the year	14,393

14. Conditional advances

They are advances granted by DRIRE, ANVAR and COFACE for modernization, innovation and prospecting projects in foreign countries. The maturity dates of these advances are 55,000 euros due within one year and 410,000 euros due between one and five years.

15. Financial debts

Consolidated figures - In thousands of euros	31/08/04	31/08/03	31/08/02
Short-term operating loan and bank overdraft - France and abroad (b)	17 380	8 143	6 289
Financial leases (a)	775	875	1 377
Due to credit institutions France and abroad (b-c)	7 823	7 876	11 216
Employee profit-sharing (d)	3 525	3 713	3 936
Due to COFACE (e)	541	1 481	915
Miscellaneous financial debts (CIDISE, etc.)	336	651	648
Shareholders' current account (f)	1	5 756	3 202
TOTAL	30 382	28 494	27 584

The average interest rate for the financial year was 2.70% against 2.90% for the previous year.

(a) The following leasehold transactions were adjusted under fixed assets and financial debts:

In thousands of euros	Gross figure at 31/08/04	Amort. at 31/08/04	Net value at 31/08/04	Net value at 31/08/03	Remaining loans at 31/08/04	Remaining loans at 31/08/03
Plant	866	(866)	0	0	0	0
Buildings	2 356	(1 029)	1 327	1 591	0	875
TOTAL	3 222	(1 895)	1 327	1 591	775	875

Individually insignificant transactions were not adjusted.

(b) Foreign short and medium-term bank debts are broken down as follows:

- Short-term 290,000 of which 139,000 is denominated in euros and 151,000 in Swiss francs,
- Medium-term 51,000 of which 7,000 is denominated in euros and 44,000 denominated in sterling.

Medium-term bank loans excluding financial leases are broken down into:

- Loans redeemable in fixed instalments totalling 5.8 million euros,
- Medium-term guaranteed loans through a drawing facility totalling 2 million euros.

The Group has drawing rights on these credit lines totalling 9.3 million euros, of which 2 million euros were used at August 31, 2004. The Group has only used 17.4 million euros of its short-term credit lines out of total authorizations exceeding 30 million euros.

(c) Amounts owing to credit institutions are broken down as follows:

Consolidated figures - In thousands of euros	31/08/04	31/08/03	31/08/02
France	7 772	7 795	11 123
Foreign	51	81	93
TOTAL	7 823	7 876	11 216
Of which fixed-interest debts	1 523	2 063	650
Of which variable-interest debts	6 300	5 813	10 566

(d) Employee profit-sharing funds are managed individually by Group companies. The payment allocated varies according to the agreements made by each company. Some have outsourced the management of their profit-sharing funds.

(e) COFACE and ANVAR debts totalling 541,000 euros mainly relate to foreign canvassing credits and innovation credits.

(f) Shareholder current accounts receive interest at the external Group interest rate under a treasury agreement or at a tax-deductible rate.

16. Breakdown of financial debts at August 31, 2004

Consolidated figures - In thousands of euros	due within one year	due in 1 to 5 years	due in more than 5 years	Total
Short-term operating loan and bank overdrafts - France and abroad	17 380	0	0	17 380
Financial leases	100	400	275	775
Due to credit institutions - France and abroad	4 209	3 461	153	7 823
Employee profit-sharing	835	2 691	0	3 526
COFACE, ANVAR, DRIRE debts	541	0	0	541
Miscellaneous financial debts	336	0	0	336
Shareholders' current account	1	0	0	1
TOTAL	23 403	6 551	428	30 382

17. Breakdown of operating debts at August 31, 2004

Tax and social security expenses due after 5 years include 1,186,000 euros for employee profit-sharing in respect of the financial year closed on August 31, 2004.

In thousands of euros	due in less than one year	due in 1 to 5 years	due in more than 5 years	Total
Advances and instalments received	1 068	0	0	1 068
Due to suppliers	33 949	45	0	33 994
Tax and social security	20 530	116	1 186	21 832
Debts on fixed assets	79	0	0	79
Other debts	4 461	23	0	4 664
Deferred income	4 726			4 726
TOTAL	64 993	183	1 186	66 362

18. Net sales

Sales by area of activity and geographical area are broken down as follows:

Consolidated figures - In millions of euros	31/08/04	31/08/03	31/08/02
ACTIVITY SECTORS			
Plant protection	141,7	149,9	142,2
Materials protection	124,6	124,3	136,3
	266,3	274,3	278,5
GEOGRAPHICAL AREAS			
France	152,4	165,8	158,1
Export	113,9	108,5	120,4
	266,3	274,3	278,5

Export sales, by geographical area, are broken down as follows:

	At 31/08/2004		At 31/08/2003	
• Euro zone:	32,1 M€	28 %	31,9 M€	29 %
• Europe excluding euro zone (incl. UK and Switzerland):	25,4 M€	22 %	24,6 M€	23 %
• USA/Canada/Latin America:	32,2 M€	29 %	29,2 M€	27 %
• Asia:	21,5 M€	19 %	19,9 M€	18 %
• Africa and Oceania:	2,7 M€	2 %	2,9 M€	3 %
Total exports	113,9 M€	100 %	108,5 M€	100 %

Billings in foreign currencies were broken down as follows (with equivalent value in euros):

Total invoiced in euros (subsidiaries + direct sales):	65,2 M Euros
Total invoiced in foreign currencies:	48,7 M Euros
• Canadian dollars:	3,9 M€ soit 6,3 M\$ CAN
• US dollars:	28,1 M€ soit 34 M\$ US
• Pound Sterling:	10,6 M€ soit 7,2 M£
• Swiss francs:	3,9 M€ soit 6,1 MFS
• Other currencies:	2,2 M€

19. Payroll costs and number of employees

The number of employees at the close of the last three financial years was as follows:

Employees		31/08/04	31/08/03	31/08/02
FRENCH COMPANIES	Executives	395	321	318
	Skilled jobs	456	553	550
	Operatives	623	636	645
		1 474	1 510	1 513
FOREIGN COMPANIES	Executives	32	37	37
	Skilled jobs	196	188	193
	Operatives	38	41	42
		266	266	272
TOTAL	Executives	427	358	355
	Skilled jobs	652	741	743
	Operatives	661	677	687
		1 740	1 776	1 785

Employee profit-sharing and performance-related agreements specific to certain Group companies amounted to 1,186,000 euros for the financial year closed on 31 August 2004 against 1,500,000 euros for the financial year closed on August 31, 2003. These appear under payroll costs for the financial year.

Fees paid to members of the Management Committee amounted to almost 1.7 million euros for the financial year closed on August 31, 2004 against nearly 1.65 million euros for the financial year closed on August 31, 2003.

Permanent staff by division	31/08/04	31/08/03
Plant protection		
Employees in France	876	901
Employees abroad	23	32
	899	933
Materials protection		
Employees in France	598	614
Employees abroad	243	229
	841	843
Total		
Employees in France	1 474	1 515
Employees abroad	266	261
	1 740	1 776

20. Depreciation, amortization and provision charges

Consolidated figures - In thousands of euros	31/08/04	31/08/03	31/08/02
Depreciation on fixed assets	(5 308)	(5 023)	(5 714)
Operating provisions charges			
Current assets	(7 013)	(7 323)	(5 800)
Provisions for risks and charges	(5 084)	(3 325)	(1 967)
Write-backs of operating provisions	10 110	6 375	4 574
TOTAL	(7 294)	(9 297)	(8 906)

21. Net financial items

Consolidated figures - In thousands of euros	31/08/04	31/08/03	31/08/02
Financial income			
Net write-backs of financial provisions	194	0	0
Income from marketable securities	53	24	78
Other interest and similar income	739	609	480
Nets income from disposals of marketable securities	210	144	112
	1 196	776	671
Financial expenses			
Net allocations to financial provisions		(37)	(172)
Interest and similar charges	(1 424)	(1 489)	(1 955)
Net charges on disposals of marketable securities		(10)	(15)
	(1 424)	(1 535)	(2 142)
(LOSS) PROFIT ON FOREIGN CURRENCY TRANSACTIONS	(1 361)	(845)	(1 221)
Net financial items	(1 589)	(1 604)	(2 692)

22. Exceptional items

Consolidated net exceptional profit was - 0.3 million euros. It mainly includes:

- a total of + 0.9 million euros for prospecting assistance definitively acquired from Coface, recorded as income,
- a total of + 0.6 million euros for net capital gains related to the disposal of non-strategic assets and the positive impact of the disposal of a foreign subsidiary,
- a total of + 1.1 million euros for write-back of previous provisions set aside for contingencies arising from disputes and miscellaneous exceptional income,
- a total of - 2.9 million euros for provisions for new disputes occurring in the financial year.

23. Income taxes

Consolidated figures - In thousands of euros	31/08/04	31/08/03	31/08/02
Tax charges	(4 127)	(7 128)	(2 012)
Deferred tax charges	(3)	220	(161)
TOTAL	(4 130)	(6 907)	(2 173)

24. Off-balance sheet commitments

► Guarantees given

Medium-term loans are generally guaranteed by a pledge against equipment bought or against the goodwill of the beneficiary companies.

At August 31, 2004, total pledges granted on tangible fixed assets amounted to 749,000 euros or 1% of the gross value of all tangible fixed assets.

The guaranteed credits used through pledges on goodwill of certain companies amounted to 3,706,000 euros at August 31, 2004.

Short-term credit lines are generally guaranteed by the allocation of sums receivable from customers.

At August 31, 2004 total short-term bank loans amounted to 17.4 million euros and total accounts receivable from customers net of provisions amounted to 63.2 million euros.

No shares in subsidiaries have been provided as a guarantee for loans.

25. Fiscal risk

The Group is not aware that it is exposed to any form of fiscal risk that has not already been provided for.

26. Auditors' fees

	Deloitte Network		PVA (affiliated to Eurus Network)		Other Auditors	
	Amount	%	Amount	%	Amount	%
Audit						
Auditors, certification and inspection of individual consolidated accounts	260 854	95,7 %	57 250	100,0 %	157 236	90,2 %
Other auxiliary missions and other audit functions	8 903	3,3 %	0	0,0 %	9 381	5,4 %
Subtotal	269 757	99,0 %	57 250	100,0 %	166 618	95,6 %
Other services						
Legal, tax, social Others	2 815				7 587	
Subtotal	2 815	1,0 %	0	0,0 %	7 587	4,4 %
Total	272 572	100,0 %	57 250	100,0 %	174 205	100,0 %

Statutory Auditors' Report on the consolidated accounts

Financial year ended August 31, 2004

In accordance with the mission entrusted to us by your shareholders' general meeting, we have audited the consolidated accounts of EXEL Industries for the year ended August 31, 2004, in the form they are attached to this report. The consolidated accounts have been prepared by the Board of Directors. It is our responsibility, on the basis of our audit, to express an opinion regarding these financial statements.

I. Opinion on the consolidated accounts

We conducted our audit in accordance with the professional standards applicable in France, which require us to take the necessary steps to obtain reasonable assurance that the consolidated financial statements are free from material misstatement. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the accounting policies followed and of any significant estimates made by the directors to prepare the financial statements and an evaluation of the overall adequacy of their presentation. We believe that our checks provide a reasonable basis for the opinion expressed below.

We certify that the consolidated financial statements are correct and in compliance with the accounting rules and policies applicable in France, and provide a true and fair view of the assets and liabilities, the financial situation and the results of the entity comprising the companies included in the scope of consolidation.

II. Justification of the assessments made

Under the provisions of Article L. 225 - 235 of the Commercial Code relative to justification of the assessments we have made, introduced by the Financial Security Law of August 1, 2003, we draw your attention to the following item:

As described in Note 1.15 of the Appendix, the Group is using significant accounting estimates, notably in the evaluation of provisions for contingencies and charges based on the latest known information. These estimates have led the Group to post the provisions for contingencies linked to disputes as indicated in Note 13 under the liabilities on its balance sheet. We have taken note of the processes put in place by the Group in this area and satisfied ourselves that these estimates are reasonable.

The assessments thus made lie within the scope of our audit of the overall consolidated accounts, and have therefore helped us reach the unqualified opinion expressed in Part One of our report.

III. Specific checks

We have also carried out the specific checks provided for by law on the information relative to the Group given in the Directors' Report, in accordance with the professional standards applicable in France. We believe this provides a true and fair view, which is consistent with the consolidated financial statements.

Done at Reims and Villeurbanne, February 8, 2005

STATUTORY AUDITORS

Philippe VENET

DELOITTE & ASSOCIÉS
Olivier ROSIER

Simplified non-consolidated accounts and appendices

► Balance sheet at August 31, 2004, 2003 and 2002

The non-consolidated accounts of the parent company EXEL Industries provide only a partial picture of the Group's financial situation, because sales are realized primarily via its subsidiary companies. Consequently, the information presented below contains only the most significant data summarized from the Parent company's annual financial statements.

All of the annual financial statements and the General and Special Reports issued by the Statutory Auditors are available from the company's registered office on request.

Assets

Non-consolidated accounts - in thousands of euros	31/08/04	31/08/03	31/08/02
Net intangible fixed assets	60	93	37
Net tangible fixed assets	451	497	535
Capital assets	35 456	37 156	42 075
FIXED ASSETS	35 966	37 746	42 648
Trade receivables	313	293	233
Other receivables (note 1)	10 903	6 254	14 294
Liquid assets	16 743	19 620	1 872
CURRENT ASSETS	27 958	26 167	16 399
Adjustment accounts	41	21	28
TOTAL ASSETS	63 965	63 934	59 074

Liabilities

Non-consolidated accounts - in thousands of euros	31/08/04	31/08/03	31/08/02
Capital	16 970	16 970	16 970
Premiums	2 528	2 528	2 528
Reserves	4 101	4 101	4 101
Retained earnings	23 089	21 198	22 875
Result	10 808	5 623	2 003
Shareholders' equity	57 496	50 420	48 477
Provisions for contingencies and charges (note 4)	2 950	843	813
Financial debts (note 2)	6	5 756	7 605
Trade payables	57	56	107
Tax and social security	1 276	5 999	1 269
Other items payable (note 3)	2 180	860	803
Operating debts and miscellaneous items	3513	6 915	2 179
Adjustment accounts	0	0	1
TOTAL LIABILITIES	63 965	63 934	59 074

► *Income statement at August 31, 2004, 2003 and 2002*

Non-consolidated accounts - in thousands of euros	31/08/04	31/08/03	31/08/02
Sales	2 529	2 763	2 557
Other operating income	322	11	10
Operating income	2 851	2 774	2 567
Purchases and variations in inventory	0	0	0
Other external purchases and expenditure	(583)	(724)	(839)
Taxation	(31)	(30)	(48)
Wages and salaries	(413)	(361)	(359)
Other expenditure	(44)	(36)	(32)
Depreciation and provisions	(73)	(63)	(56)
Operating costs	(1 143)	(1 214)	(1 333)
OPERATING INCOME	1 708	1 560	1 234
FINANCIAL INCOME	8 251	6 705	9 974
CURRENT INCOME	9 959	8 265	11 208
EXTRAORDINARY INCOME (note 5)	(521)	(1 265)	(12 704)
PRE-TAX PROFIT	9 438	7 001	(1 496)
Taxes	1 370	(1 377)	3 499
NET INCOME	10 808	5 623	2 003

► *Accounting rules and methods used*

- The annual financial statements of the parent company EXEL Industries are prepared in euros, in accordance with the changes to the General Accounting Plan adopted by the French Accounting Regulations Committee (CRC) on April 29, 1999.
- The accounting rules and methods used to prepare the company's annual accounts are consistent with those used to prepare the consolidated accounts.
- The gross value of the financial investments shown on the balance sheet consists of the acquisition cost or start-up cost subsidiary companies (registered capital).
At the year-end, where the utility value falls below the gross value, a provision for depreciation is created to cover the difference.
The utility value is determined primarily by reference to the proportion owned of the shareholders' equity of the subsidiary company and also takes into account the economic and financial potential of the subsidiary company in question.
- The gross value of participations and other capital assets amounts, at August 31, 2004, to 35,459,000 euros and the value of the provision for depreciation amounts to 3,000 euros.

1. Other receivables

Non-consolidated accounts - in thousands of euros	31/08/04	31/08/03	31/08/02
State, corporation tax, advances and pre-payments (a)	3 478	2 329	4 903
State, VAT and other taxes	20	16	24
Advances to affiliated companies	7 080	3 900	9 139
Miscellaneous items receivable	325	9	227
Total	10 903	6 254	14 293

(a) Corporation tax due from subsidiary companies as part of tax consolidation, and overpayment.

2. Financial debts

Non-consolidated accounts - in thousands of euros	31/08/04	31/08/03	31/08/02
Medium and long-term borrowing	0	0	3 011
Short-term operating loan and bank overdraft - France and abroad	0	0	1 391
Due to COFACE	0	0	0
Various financial debts	5	1	5
Current account and shareholder advances	1	5 755	3 197
Total	6	5 756	7 605

3. Other items payable

Non-consolidated accounts - in thousands of euros	31/08/04	31/08/03	31/08/02
Credit notes to be issued	20	0	0
Miscellaneous charges payable	56	54	34
Items payable to affiliated companies	0	0	769
Miscellaneous items payable (a)	2 105	807	0
Total	2 180	860	803

(a) Amounts received in the context of an ongoing dispute, and not definitely acquired.

4. Provisions for contingencies and charges

Non-consolidated accounts - in thousands of euros	31/08/03	Created	Written back	31/08/04
Provisions for subsidiary companies' disputes	610	2 490	- 150	2 950
Pension provisions (a)	233		- 233	0
Total	843	2 490	- 383	2 950

(a) Provisions created the previous year by the parent company, on behalf of subsidiary companies. These provisions were written back over the financial year by the parent company, and written back into the subsidiary companies' accounts.

5. Extraordinary income

Extraordinary income amounts to a loss of 521,000 euros. The main items comprising this are:

- income of 1,780,000 euros from the application of a subsidiary company's return to better fortunes clause,
- over 41,000 euros' worth of net capital gains on disposals of assets,
- over 150,000 euros' worth of writebacks of provisions for contingencies on subsidiary companies and miscellaneous items,
- a negative figure of 2,490,000 euros set aside as provisions covering new risks arising on subsidiary companies.

► Table showing appropriation of the profit for the financial year

Non-consolidated accounts - in thousands of euros	31/08/04 proposed	31/08/03 actual	31/08/02 actual
Profit	10 808	5 623	2 003
Appropriation to the legal reserve	0	0	0
Appropriation to the special reserve for long-term capital gains	0	0	0
Dividends	3 733	3 732	3 681
Retained Earnings	7 075	1 891	(1 678)
NET INCOME	10 808	5 623	2 003

• **Table showing EXEL Industries' subsidiary companies and participations (in euros)**

SUBSIDIARY COMPANIES PARTICIPATIONS	CURRENCIES	Share Capital	Other shareholders' equity before appropriation of the profit for 2004	Proportion of share capital owned in %	Book value of shares owned	Book value of shares owned	Book value of shares owned	Loans and advances granted by the company	Value of guarantees given by the company	2004 figure	Business profit for the past financial year after tax in 2004	Dividends received by EXEL Industries during the year
					Gross	Net						
TEGNOMA Technologies SAS	Euros	1 174 400	6 000 840	99,82	6 263 778	6 263 778	Nil	Nil		31 850 770	95 123	820 596
CARUELLE NICOLAS SAS	Euros	537 000	6 330 862	99,83	5 448 223	5 448 223	Nil	Nil		17 689 892	1 228 977	821 974
RAM Environnement SAS	Euros	100 000	406 761	99,86	76 103	76 103	Nil	Nil		1 696 506	151 348	Nil
BERTHOUD Agricole SAS	Euros	1 155 000	12 209 220	99,96	5 443 752	5 443 752	Nil	Nil		39 098 432	3 463 181	3 298 600
EXEL gsa SAS	Euros	1 600 000	4 305 199	99,89	4 105 762	4 105 762	Nil	Nil		19 018 538	1 325 056	219 749
PRECICULTURE SAS	Euros	419 650	1 719 046	99,64	1 565 615	1 565 615	Nil	Nil		14 962 635	829 527	836 300
KREMLIN REXSON SA	Euros	6 720 000	10 709 165	99,48	6 333 528	6 333 528	Nil	Nil		41 831 172	1 384 050	Nil
SAMES Technologies SAS	Euros	3 000 000	2 538 909	100,00	6 205 979	6 205 979	5 300 000	5 300 000		49 755 714	467 953	1 500 000
MATROT Equipements SAS	Euros	1 050 000	442 128	100,00	9 039	9 039	1 780 000	1 780 000		27 679 914	223 594	Nil
Other participations	Euros				3 121	926						

General Report of the Statutory Auditors

Annual financial statements - Financial year ended August 31, 2004

In accordance with the mission entrusted to us by your shareholders' general meeting, we are submitting our report to you for the year ended August 31, 2004, on:

- our audit of the annual financial statements of EXEL Industries, in the form they are attached to this report,
- the justification of the assessments we have made,
- specific checks and information provided for by law.

The annual financial statements have been prepared by the Board of Directors. It is our responsibility, on the basis of our audit, to express an opinion regarding these financial statements.

I. Opinion on the annual financial statements

We conducted our audit in accordance with the professional standards applicable in France, which require us to take the necessary steps to obtain reasonable assurance that the annual financial statements are free from material misstatement. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the accounting policies followed and of any significant estimates made by the directors to prepare the financial statements and an evaluation of the overall adequacy of their presentation. We believe that our checks provide a reasonable basis for the opinion expressed below.

We certify that the annual financial statements are correct and in compliance with the accounting rules and policies applicable in France, and provide a true and fair view of the outcome of the operations conducted over the past financial year, and of the company's assets and liabilities, and its financial situation at the end of this year.

II. Justification of the assessments made

Under the provisions of Article L. 225 - 235 of the Commercial Code relative to justification of the assessments we have made, introduced by the Financial Security Law of August 1, 2003, we draw your attention to the following:

As described in Note I of the Appendix, the company is using significant accounting estimates, notably in the evaluation of provisions for contingencies and charges based on the latest known information. These estimates have led the company to post provisions for contingencies linked to disputes under liabilities on its balance sheet. We have taken note of the processes put in place by the Group in this area and satisfied ourselves that these estimates are reasonable.

The assessments thus made lie within the scope of our audit of the overall annual accounts, and have therefore helped us reach the unqualified opinion expressed in Part One of our report.

III. Specific checks and information

We have also carried out the specific checks provided for by law, in accordance with the professional standards applicable in France.

We believe that the information given in the Directors' Report and in the documents sent out to shareholders regarding the company's financial situation and the annual financial statements provides a true and fair view, which is consistent with the annual financial statements.

As required by law, we have satisfied ourselves that the various information relative to the identity of the owners of the share capital and to voting rights has been disclosed in the Directors' Report.

Done at Reims and Villeurbanne, February 8, 2005

STATUTORY AUDITORS

Philippe VENET

DELOITTE & ASSOCIÉS
Olivier ROSIER

Special Report of the Statutory Auditors on regulated agreements

Financial year ended August 31, 2004

In our capacity as your company's statutory auditors, we are submitting our report on regulated agreements to you.

Agreements authorized during the financial year

Under Article L. 225 - 40 of the Commercial Code, we have been advised of any agreements that required prior authorization from your Board of Directors.

We are not required to ascertain whether or not any other agreements exist, but to notify you, on the basis of the information given to us, of the main characteristics and methods of the agreements we have been advised of, without being obliged to express an opinion regarding their usefulness and whether or not they are justified. It is your responsibility, under the terms of Article 92 of the decree dated March 23, 1967, to assess the benefit attached to concluding these agreements with a view to their approval.

We conducted our work in accordance with the professional standards applicable in France, which require us to take the necessary steps to check that the information given to us agrees with the underlying documents it is taken from.

With EXEL SAS

At its meeting on December 16, 2003, your Board of Directors authorized Exel Industries to transfer, at market price, 44,741 of its own shares to its majority shareholder, EXEL SAS. The operation resulted in a disposal value of 2,013,345 euros based on a cost price of 1,894,059 euros.

Agreements approved during previous financial years which continued to be executed during the financial year.

In addition, pursuant to the decree dated March 23, 1967, we were informed that the execution of the following agreements, which were approved during previous financial years, continued during the past financial year.

These agreements are presented in tables I (advances, loans and receivables) and II (other agreements) appended to this report.

The directors concerned by these agreements, either directly or in their capacity as a permanent representative or as a shareholder owning over 5% of the capital, are Mr Patrick Ballu, Mr René Marchese, Mr Philippe Vieville and the EXEL SAS company.

The details are set out in table III appended to this report.

Reims and Villeurbanne, February 8, 2005

STATUTORY AUDITORS

Philippe VENET

DELOITTE ET ASSOCIÉS
Represented by Olivier ROSIER

► **Table I**

Advances, loans and receivables (in euros)

Advances, loans or receivables		Amount at 31/08/04	Terms (1-month Euribor + 0.35%)	Income or (expenditure) posted
Granted by	Received by			
EXEL SAS	EXEL Industries SA	0	Group treasury management agreement	(120 213)
EXEL Industries SA	EXEL Gsa SAS	0	Group treasury management agreement	16 688
TECNOMA Technologies SAS	EXEL Industries SA	(715)	Group treasury management agreement	15 296
EXEL Industries SA	RAM Environnement SAS	0	Group treasury management agreement	7
EXEL Industries SA	PRECICULTURE SAS	0	Group treasury management agreement	327
EXEL Industries SA	KREMLIN REXSON SA	0	Group treasury management agreement	23 748
BERTHOUD SPRAYERS LTD	EXEL Industries SA	(198)	Group treasury management agreement	0
EXEL Industries SA	SAMES Technologies SAS	5 300 000	Group treasury management agreement	116 445
EXEL Industries SA	MATROT Equipements SAS	1 780 000	Group treasury management agreement	20 689

► **Table II - Other agreements (in euros)**

Companies concerned	Nature, object and methods of the agreements	Income or (expenditure) posted
BERTHOUD Agricole SAS	Licensing (trademarks and patents) (*)	769 150
EXEL Gsa SAS	Licensing (trademarks and patents) (*)	361 680
TECNOMA Technologies SAS	Licensing (trademarks and patents) (*)	551 229
	Administrative costs	(37 870)
CARUELLE NICOLAS SAS	Licensing (trademarks and patents) (*)	352 579
RAM Environnement SAS	Licensing (trademarks and patents) (*)	32 658
KREMLIN REXSON SAS	Licensing (trademarks and patents) (**)	419 559
MATROT Equipements SAS	Partial refund received under the return to better fortunes clause (balance remaining: 9 820 000 €)	1 780 000
HERRIAU SAS	Licensing (trademarks and patents) (*)	40 930
With the companies concerned and PRECICULTURE, SCM, AGIS	Pursuit of the above tax integration agreement	

(*) Based on 2% of external net turnover excluding tax.

(**) Based on 1% of external turnover.

► **Table III - Persons concerned by regulated agreements**

	P. BALLU Chairman and Chief Executive	P. VIEVILLE Director	R. MARCHESE Joint CEO and Director
EXEL SAS	Chief Executive		Chairman
KREMLIN REXSON SA	Chairman and Chief Executive	PR of EXEL SAS (Admin. Co.)	PR of EXEL Industries (Admin. Co.)
PRECICULTURE SAS			Chief Executive
TECNOMA Technologies SAS			Chief Executive

PR = Permanent representative

V - Corporate governance

EXEL Industries management and administration bodies

Chairman and Chief Executive	<p>Mr Patrick BALLU Appointed on September 13, 1980, re-elected on February 16, 1993 and again on February 26, 1999, for a term of office expiring at the end of the AGM voting on the financial statements for 2004; his re-election is on the agenda of the AGM due to be held on February 24, 2005. At the end of this AGM, the Directors will hold a Board meeting to vote on his term of office as Chairman and Chief Executive.</p>
Directors	<p>Mr Philippe VIEVILLE Appointed on February 2, 1995, then re-elected on February 26, 1999 for a term of office expiring at the end of the AGM voting on the financial statements for 2004; his re-election is on the agenda of the AGM due to be held on February 24, 2005.</p> <p>Mr René MARCHESE - Joint CEO Appointed on February 2, 1995, re-elected on February 24, 1998, then on February 19, 2004, for a term of office expiring at the end of the AGM voting on the financial statements for 2009. Following the AGM to be held on February 24, 2005, the Directors will hold a Board meeting to vote on his term of office as Joint CEO.</p> <p>EXEL SAS Represented by Ms Marie-Pierre du CRAY-SIRIEIX Appointed on February 2, 1995, then re-elected on February 26, 1999, for a term of office expiring at the end of the AGM voting on the financial statements for 2004; her re-election is on the agenda of the AGM due to be held on February 24, 2005.</p>

Group Management Board and Management Committee

This Committee is formed mainly of the Chief Executives of the Group's French companies. It is responsible for thinking through and taking strategic decisions concerning the main policy directions to be adopted for the Group's development.

• Patrick BALLU	Chairman and Chief Executive of EXEL Industries and of KREMLIN REXSON SA
• Guerric BALLU	Group Strategy and Development Director Chief Executive of MATROT Equipements SAS Chief Executive of HERRIAU SAS since 02/09/2004
• Marc BALLU	Chief Executive of EXEL gsa SAS Director of AGIS SARL FUELMATIC FRANCE
• Pierre CHARREYRON	Chief Executive of SAMÈS Technologies SAS
• Georges CORNATON	Chief Executive of BERTHOUD Agricole SAS
• Marie-Pierre du CRAY-SIRIEIX	Directeur Juridique Groupe
• René MARCHESE	Joint CEO of EXEL Industries SA Chief Executive of TECNOMA Technologies SAS Chief Executive of PRÉCICULTURE SAS
• Vincent PASSOT	Group Management Controller
• Bertrand PIGNOLET	Chief Executive of CARUELLE NICOLAS SAS Chief Executive of RAM Environnement SAS
• Daniel TRAGUS	Joint CEO of KREMLIN REXSON SA
• Philippe VIEVILLE	Director of EXEL Industries SA

List of terms of office and positions held by each officer of EXEL Industries SA (see p. 21, paragraph 7.3)

Chairman's Report

on how the work of the Board of Directors is prepared and organized and on the internal control procedures put in place by the company

Dear Sirs,

To supplement the information contained in our Directors' Report and in accordance with Law No. 2003 - 706 of August 1, 2003 concerning Financial Security, in this report I describe how the work of our Board of Directors is prepared and organized, and the internal control procedures put in place by our company.

The Statutory Auditors, for their part, in the report attached to their General Report, will set out their observations on the internal control procedures relative to the preparation and treatment of accounting and financial data.

I. Preparation and organization of the work of the Board of Directors

Composition of our Board of Directors

The administration of our company is entrusted to a Board of Directors, which currently consists of four members, each of whom owns at least one share in the company, in accordance with Article 14 of the Articles of Association.

Our Board does not include any Director who is elected by the employees, but benefits from the experience of a Non-Executive Director.

Our Directorships last for six years, and are renewable for the same period.

Role and functioning of the Board of Directors

• Role

The Board of Directors determines the directions taken by the company's business, oversees their implementation and in this connection, and in this capacity, carries out any controls and checks that it sees fit.

Subject to the powers expressly granted to shareholders' meetings and within the limit of the company's object, our Board deals with all matters affecting the company's smooth functioning and via its deliberations, attends to all matters concerning it.

• Functioning

Our Board of Directors meets as often as dictated by the company's interest.

Board meetings are normally convened and chaired by myself, in my capacity as Chairman and Chief Executive, elected by the Board of Directors, which I represent and whose work I organize and oversee. Moreover, as Chairman, I ensure that the company's management bodies work properly.

Our Board takes its decisions under the quorum and majority conditions provided for by law. In the event of a tie, the Chairman has the casting vote.

In connection with the financial year ended August 31, 2004, our Board of Directors met on December 16, 2003 to debate the following agenda:

- Examination and finalization of the company and consolidated financial statements for the financial year ended August 31, 2003,
- Examination and analysis of the proposed management documents,
- Review of the company's position,
- Agreements to be authorized, if applicable,
- Convening the annual Ordinary General Meeting and the Extraordinary General Meeting (fixing the date, place and agenda) and finalizing the documents to be submitted to it,

Furthermore, our Directors also form part of a Management Committee, which meets several times a year to monitor the Group's progress and take, at any time, together with me, any strategic decisions that concern it.

II. Internal control procedures

Definition and objectives of our internal control system

Internal control consists of all of the control systems set up by Senior Management to provide reasonable levels of assurance concerning:

- The reality and efficiency of operations,
- The reliability of reporting procedures,
- Compliance with the laws and regulations in force,
- Protection of assets.

One of the objectives of the internal control system is to prevent and control the risks resulting from the company's business and risks of errors or fraud, in particular in the accounting and financial fields. However, like any control system, it cannot provide an absolute guarantee that these risks have been completely eliminated.

Organization of our internal control system

- **The environment in which our internal control system operates**

Our Group is involved in one business only: spraying. This is split between two divisions: plant protection and materials protection.

Our company conducts its business of designing, manufacturing and marketing its spraying equipment via ten fully-owned industrial subsidiary companies, some of which also own foreign distribution or manufacturing subsidiary companies themselves.

- **Players involved in internal control procedures**

- The Board of Directors, on account of its powers and its controlling and guiding role, is the main player involved in internal control of the company.
- At senior management level, our company is led by its Chairman and Chief Executive, who is assisted by a Joint CEO. Senior management is vested with the widest powers to act in all circumstances on the company's behalf. It exercises its powers within the limit of the company's object and subject to those which are expressly granted by law to shareholders' meetings and to the Board of Directors.

Internal control procedures for accounting and financial purposes

- **Within our subsidiary companies**

Each subsidiary company operates independently in terms of its commercial, social and financial management, in accordance with the rules laid down by the Group. It has all of the necessary resources at its disposal to monitor its own performance and management.

- **Organization of management control**

- The process of finalizing the accounts is organized according to a calendar and a timetable drawn up by the Group for the benefit of each of our subsidiary companies.
- Each of our subsidiary companies is responsible for producing its own Financial Statements: it prepares its own budgetary accounts and annual financial statements, and defines its own treasury requirements.
- The Group's central Management Inspection unit is responsible for preparing the consolidated accounts and for the reporting function among the subsidiary companies. It also ensures that the rules laid down by the Group concerning harmonization of the accounts are being properly applied by the subsidiary companies. It carries out audits whenever it sees fit.
- The Group's central Management Inspection unit also coordinates the treasury management decisions made by each of our subsidiary companies, within the framework of the Group's Centralized Treasury Management Agreement.

Chairman and Chief Executive
December 16, 2004

Statutory Auditors' Report

prepared pursuant to the final subparagraph of Article L. 225 - 235 of the Commercial Code in respect of the Chairman's Report, concerning internal control procedures relative to the preparation and treatment of accounting and financial data

Financial year ended August 31, 2004

In our capacity as the statutory auditors of EXEL Industries and pursuant to the provisions of the final subparagraph of Article L. 225 - 235 of the Commercial Code, we are submitting our report to you on the report prepared by your company's Chairman in accordance with the provisions of Article L. 225 - 37 of the Commercial Code covering the financial year ended August 31, 2004.

As part of the responsibilities incumbent on the Board of Directors, management is required to define and implement adequate and effective internal control procedures. The Chairman is required to describe, in his report, how the work of the Board of Directors is prepared and organized, and to explain the internal control procedures put in place within the company.

It is our duty to make known to you any observations prompted by the information and declarations given in the Chairman's report concerning internal control procedures relative to the preparation and treatment of accounting and financial data.

We conducted our work in accordance with the professional doctrine applicable in France, which requires us to take the necessary steps to ensure that the information given in the Chairman's report on internal control procedures relative to the preparation and treatment of accounting and financial data provides a true view. In particular, these steps involve taking note of the objectives and general organization of the internal control system, and of the internal control procedures relative to the preparation and treatment of accounting and financial data, as presented in the Chairman's report. On the basis of our audit, we believe that the description of the company's internal control procedures relative to the preparation and treatment of accounting and financial data, as contained in the Chairman's Report, prepared pursuant to the provisions of the final subparagraph of Article L. 225 - 37 of the Commercial Code, provides a true and fair view.

Done at Reims and Villeurbanne, February 8, 2005

STATUTORY AUDITORS

Philippe VENET

DELOITTE & ASSOCIÉS
Olivier ROSIER

VI - Text of the resolutions submitted to the Ordinary General Meeting to be held on February 24, 2005

Within the competence of the Ordinary General Meeting

Resolution N^o. 1

After hearing the "Reference Document - Directors' Report 2004", the Ordinary General Meeting approves the balance sheet and the consolidated financial statements for the financial year ended August 31, 2004, in the form presented to it, together with all the operations that they represent or which are mentioned in this report, resulting in a profit of 11,498,202 euros.

Resolution N^o. 2

After hearing the "Reference Document - Directors' Report 2004", the Ordinary General Meeting approves the balance sheet and the company financial statements for the financial year ended August 31, 2004, in the form presented to it, together with all the operations that they represent or which are mentioned in this report, resulting in a profit of 10,808,128 euros.

Resolution N^o. 3

After hearing the "Reference Document - Directors' Report 2004", the Ordinary General Meeting decides that the profit for the financial year, namely 10,808,128 euros, shall be appropriated as follows:

- after distribution of a dividend payment (1) of 3,733,345 euros, amounting to 1.1 euros per share, the remaining profit, i.e. 7,074,783 euros, shall be kept as retained earnings, bearing in mind that the statutory reserve is already fully created; this will bring the amount of retained earnings to 30,163,785 euros.

(1) Dividend payable on March 3, 2005 at the counters of SOCIETE NANCEIENNE VARIN-BERNIER.

The Ordinary General Meeting also approves the appropriation to the "Retained Earnings" account of the amount corresponding to dividends on its own shares held on the date of dividend payments relating to the financial year ended August 31, 2004.

The Ordinary General Meeting also reminds everyone that the company has distributed the following dividends over the past 3 financial years:

Financial year	Dividend	Net Tax credit	Gross dividend
00/01	1.10 euros/share	0.55 euros/share	1.65 euros/share
01/02	1.10 euros/share	0.55 euros/share	1.65 euros/share
02/03	1.10 euros/share	0.55 euros/share	1.65 euros/share

Resolution N^o. 4

After taking note of the special report of the Statutory Auditors on agreements covered by Articles L 225-38 et seq. of the Commercial Code, the Ordinary General Meeting successively approves each operation mentioned in this report.

Resolution N^o. 5

The Ordinary General Meeting gives the Directors final discharge for their management over the past financial year.

Resolution N^o. 6

The Ordinary General Meeting fixes the global annual amount of the attendance fees payable to the Board of Directors at the sum of 36,000 euros, for the financial year ending August 31, 2005.

Resolution N^o. 7

After taking note of the Board of Directors' report and of the Prospectus approved by the Financial Markets Authority (AMF), the Ordinary General Meeting, in accordance with the provisions of Article L 225-209 of the Commercial Code and of European Regulation No. 2273/2003 dated September 22, 2003, authorizes the Board of Directors to arrange for the company to buy its own shares, for an eighteen-month period.

These acquisitions will take place within the limits provided for by the laws in force at the time the operations proceed, and in accordance with the purposes and methods defined below.

The maximum number of shares acquired by the company under this authorization shall not exceed 10% of the current registered capital.

These shares may be acquired, on one or more occasions and by any means, with a view to:

- ▶ Stimulation of the market or the share's liquidity by an Investment Services company via a Liquidity Contract, in accordance with the charter of professional ethics recognized by the AMF,
- ▶ Purchase with a view to retention and subsequent disposal in exchange or as payment in the context of possible external growth operations,
- ▶ Cancellation of the shares acquired,
- ▶ Cover for stock option plans limited to employees (or other allocations granted to employees) or debts that can be converted into shares.

These shares may be acquired, disposed of or transferred by any means, either on the market or privately, using derivative financial instruments if appropriate.

The maximum purchase price per share shall not exceed 100 euros, subject to any adjustments linked to possible operations involving the company's capital.

Shares acquired in this way may be retained, disposed of or transferred.

This authorization replaces the authorization granted by the Ordinary General Meeting held on February 19, 2004.

Resolution N° 8

The Ordinary General Meeting, noting that the directorships of Mr Patrick Ballu and Mr Philippe Vieville and that of EXEL SAS, represented by Ms Marie-Pierre du Cray-Sirieix, are about to expire, decides, based on a proposal by the Board of Directors, to renew these for the term provided for by law, namely until the General Meeting called to vote on the financial statements for the financial year ending in 2010.

Resolution N° 9

The Ordinary General Meeting authorizes the Board of Directors to transfer the money held in the Special Long-Term Capital Gains Reserve to a reserve account from which it can be distributed.

Resolution N° 10

The Ordinary General Meeting grants all powers to the bearer of a copy an extract from the minutes of its deliberations, with a view to completing all the necessary formalities.

Notes





A French corporation (*société anonyme*) with share capital of EUR 16,969,750
Registered Office 54, rue Marcel Paul, ÉPERNAY (Marne), France
ÉPERNAY Trade and Companies Registry number B 095 550 356

54, rue Marcel Paul - BP 195
51206 ÉPERNAY FRANCE

Tél. 03 26 51 52 55 • Fax 03 26 51 83 51
International

Tél. + 33 3 26 51 52 55 • Fax + 33 3 26 51 83 51

www.exel-industries.com