

## INTERIM REPORT 1-8/2000

## SUMMARY

- UMTS antenna profile market opening up
- Net sales up 35.0% to EUR 29,360,000
- Net sales in Industry division up 45.0%, in Sport division up 27.9%
- Operating profit up 35.5% to EUR 3,636,000

## OPERATING ENVIRONMENT

Development of the Industry division's pultrusion profile market has clearly entered a new stage. Following the protracted marketing efforts of Exel and other companies in the sector, ever larger international customers have been introduced to the new materials and their benefits compared with traditional materials. As evidence of this, there are many new profile applications, with a market potential significantly greater than current products. As development continues, the overall growth in the profile market may be very considerable in the next few years.

The strong annual growth of over 10 per cent earlier experienced in the Sport division's sector has slowed to just a few per cent. The key to securing future growth lies in the sector's proven ability to develop innovative products.

The price of oil on the raw materials market has risen considerably during the year. In the longer run this will also have an impact on prices in Exel's product areas. Raw materials suppliers have so far refrained from passing on the cost pressures to the later stages in the production chain.

## INDUSTRY DIVISION

Expansion of the application areas for new materials has again meant continued vigorous growth for Exel's Industry division. Net sales for the first eight months of the year rose by as much as 45.0%, to EUR 13,031,000 (EUR 8,989,000). The most significant growth was in deliveries of antenna profiles for GSM base stations and doctor blades for paper machines. Several other products with smaller annual volumes have also been developed during the period under review.

## UMTS ANTENNA PROFILES

Exel is the world's leading supplier of composite antenna profiles for GSM base stations. Construction of GSM networks will continue at a brisk rate for a number of years to come. In parallel with this, network operators are about to introduce the next generation technology, as the UMTS networks are completed. Exel has worked closely with antenna manufacturers in developing the antenna profiles for this network. During the summer many operators did in fact select the composite material for the antenna profiles for the new network. Exel's position as a supplier of composite antenna profiles for UMTS base stations was further consolidated during the summer, when it concluded a number of delivery agreements with antenna manufacturers for the supply of UMTS profiles. Major growth is expected in the UMTS profile market over the next few years, with an estimated 60 or more operators constructing third generation mobile systems.

Product development of Exel's doctor blades for paper machines continued in close cooperation with Metso Corporation. Three different blade types are currently used in full-scale production and several new product types are being tested. Considerable growth is expected in this area in the future too. To ensure full control over operations, and to resolve the space shortage in the longer run as well, the decision was taken to concentrate production in a dedicated production facility at Mäntyharju. Blade production was transferred there during the summer from the Kiihtelysvaara factory.

Sales of lattice masts were down at the start of the year due to project postponements, which means that the net sales targets for the year as a whole will not be reached. However, the workload at the factory is returning to normal as a result of customer decisions taken during the summer to begin new projects. Almost all new projects this year have been ordered from Exel, and so the company's market share has grown significantly.

The tool handle business area grew considerably during the review period, thanks to new innovative products such as the Antibacteric and Universal Telescopic Poles™. Sales in the first eight months were up by more than 50% on the same period the previous year.

## SPORT DIVISION

Net sales in the Sport division in the second four-month period increased by 27.9% to EUR 16,329,000 (EUR 12,766,000). This growth was largely attributable to the purchase of the business operations of the American company Fiberspar Inc. Performance Products in spring 2000 (growth impact 17.5 percentage points, approx. EUR 2.2 million), and to the good progress made with sales of poles and the growth in laminate deliveries to ski, snowboard and ice hockey equipment manufacturers.

In the poles product group, deliveries of Nordic Walking and Nordic Blading products proceeded as planned. The growing popularity of Nordic Walking and Blading in Exel's targeted export countries has continued. Nordic Walking is, in fact, fast becoming a major form of exercise not only in Scandinavia but also in German-speaking countries in Europe. Nordic Blading has also been well received amongst customers. Both sports are marketed in cooperation with medical and sports professionals. In all, net sales of the poles product group were up by about 15% on the same period the previous year. A strong marketing campaign was also begun for telescopic carbon fibre poles. Telescopic hiking poles, in particular, are expected to form an interesting new business area for Exel.

Buoyant demand for laminates has continued throughout the summer season. The growth occurred mainly through new customers and the consequent expansion of market share.

In water sports, production volumes at Fiberspar Inc. Performance Products in the USA remained high during the summer, following Exel's purchase of the company in May. The process of transferring production to the Mäntyharju factory progressed as planned during the summer. To arrange sales, marketing, storage and distribution of the windsurfing masts and other water sports products sold under the Fiberspar brand name, the marketing management at Fiberspar have set up an independent distribution company named Vision Performance Group. The company will also manage the marketing and sale of Exel ice-hockey sticks in North America.

Advance orders of floorball products are delivered in the summer. These deliveries proceeded as planned. The overall market is not

growing to any significant extent, although Exel's sales were up by about 10%, thereby increasing its market share slightly.

The market for Exel's hockey and Finnish baseball products remained unchanged during the review period. The RTM technology acquired with the purchase of Fiberspar opens up the prospect of manufacturing and marketing new types of ice-hockey stick shafts. Products manufactured using the new technology are expected to be technically amongst the best on the market.

#### EXPANSION OF PRODUCTION FACILITIES

The 4,500 square metre extension of Exel's Mäntyharju factory is scheduled for completion by the end of October. The extension will allow the manufacture of Industry products at the Mäntyharju factory, supplementing production at the Kivara unit. At the same time, additional space will also be provided for the growing area of mast production and for storage and despatch.

#### PROFITABILITY

Consolidated net sales grew by 35.0% to EUR 29,360,000 (EUR 21,755,000). The vigorous growth continued in both the Industry and Sport divisions.

Consolidated operating profit rose by 35.5% to EUR 3,636,000 (EUR 2,683,000). Operating profit in the Sport division totalled EUR 1,250,000 (EUR 1,136,000) and in the Industry division EUR 2,386,000 (EUR 1,547,000), the latter representing a growth of 54.2%. The non-recurring expenses of transferring the Fiberspar production will be entered as expenses. The profit margin in the Industry division has become tighter, but with the improvement in production lead time and yields, financial performance has remained good.

Profit before voluntary provisions and income taxes rose to EUR 3,347,000 (EUR 2,482,000), up 34.8% on the same period the previous year. The profit improvement is attributable to the strong growth in volumes in both the Industry and Sport divisions.

#### BALANCE SHEET, FINANCING AND LIABILITIES

The consolidated balance sheet total was EUR 30,266,000 (EUR 20,804,000). Net interest-bearing liabilities increased to EUR

9,414,000 (EUR 7,472,000), and net financial expenses to EUR 289,000 (EUR 202,000), mainly as a result of the purchase of the business operations of Fiberspar.

#### INVESTMENT

Consolidated investments totalled EUR 5,135,000 (EUR 1,288,000). The growth was mainly from the purchase of the Fiberspar business operation. The expanding Industry division has also invested in three new production lines, the last of which was started up at the end of September. Two new lines have also been ordered and will be installed at the beginning of the new year. These investments will meet the growing demand for UMTS profiles.

#### PERSONNEL

Exel personnel numbered 389 on August 31, 2000 (241). The Industry division has grown by 37 people, while the number employed by the Sport division was up by 111. This increase was due to the acquisition of the Fiberspar business operation (65 employees) and the substantial growth in production activity.

#### SHARES AND OWNERSHIP

Exel Oyj's share capital of EUR 1,834,000 is divided into 5,240,000 shares with a book value of EUR 0.35. The holdings of the members of the Board of Directors and the President totalled 80,200 shares, i.e. 1.5%.

Exel's shares were transferred from the Helsinki Exchanges' I List to the Main List on May 2, 2000. Share turnover on Helsinki Exchanges amounted to 4,064,266 shares in the period under review, representing 77.6% of all shares. The highest share price quoted during the period was EUR 10.00 and the lowest EUR 5.51. The closing price for the period was EUR 8.25. The market capitalization was EUR 43.2 million on August 31, 2000.

#### EVENTS AFTER THE PERIOD UNDER REVIEW

The subscription right for the first part of the options plan for Exel's key personnel will begin on October 1, 2000. The personnel will have the right to subscribe 124,000 company shares at the price stated in the options plan.

## PROSPECTS FOR THE REST OF 2000

Vigorous growth continued within the Industry division. In the Sport division, integration of the Fiberspar business operation has proceeded as planned. Cost pressures from raw materials have also remained moderate in the short term. As a result, the second four-month period turned out to be very successful for Exel in terms of its financial performance. On this basis, we expect our consolidated financial performance for 2000 to show a substantial improvement on 1999.

Mäntyharju, October 2000

Exel Oyj	Ari Jokelainen
Board of Directors	President

## EXEL GROUP

## INCOME STATEMENT

EUR 1,000	1-8/00	1-8/99	change %	1-12/99
<b>NET SALES</b>				
Increase(+)/decrease(-) in inventories of finished goods and work in progress	29,360	21,755	35	34,072
Production for own use	1,452	-186	-881	82
Other operating income	177	155	14	243
	207	179	15	256
Materials and services	-12,192	-8,063	51	-12,390
Personnel expenses	-7,409	-4,904	51	-7,853
Depreciation	-1,600	-1,434	12	-2,130
Other operating expenses	-6,358	-4,819	32	-7,471
<b>OPERATING PROFIT</b>	<b>3,636</b>	<b>2,683</b>	<b>35</b>	<b>4,809</b>
Financial income and expenses (net)	-289	-202	43	-255

PROFIT BEFORE EXTRAORDINARY ITEMS, INCOME TAXES AND VOLUNTARY RESERVES	3,347	2,482	35	4,554
Extraordinary items				
PROFIT BEFORE VOLUNTARY RESERVES AND INCOME TAXES	3,347	2,482	35	4,554
Income taxes	-987	-721	37	-1,235
PROFIT FOR THE PERIOD	2,359	1,761	34	3,318

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

#### BALANCE SHEET

EUR 1,000	31.8.00	31.8.99	change %	31.12.99
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#### ASSETS

##### Non-current assets

Intangible assets	3,011	1,239	143	1,434
Consolidation goodwill	569	641	-11	617
Tangible assets	10,133	8,263	23	8,329
Investment	108	110	-2	110

##### Current assets

Inventories	6,847	4,157	65	4,596
Receivables	7,489	5,557	35	4,744
Cash in hand and at bank	2,109	837	152	1,341
Total	30,266	20,804	45	21,173

#### LIABILITIES AND SHAREHOLDERS'

##### EQUITY

##### Equity

Share capital	1,834	1,763	4	1,763
Other equity	9,252	6,970	33	8,527

##### Provisions

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##### Liabilities

Deferred tax liability	203	218	-7	204
Non-current	9,196	5,705	61	4,075
Current	9,782	6,135	59	6,604

Total	30,266	20,804	45	21,173
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	31.8.00	31.8.99	change %	31.12.99
Indicators (EUR 1,000)				
Gross investment in fixed				
Assets	5,135	1,288	299	2,288
% of net sales	17%	6%		7%
R&D expenses	911	677	35	1,179
% of net sales	3%	3%		3%
Average personnel	334	239	40	247
Personnel at end of period	389	241	61	268
Order book	10,991	6,327	74	5,361
Solvency ratio %	37%	42%		49%
Return on investment %	20%	17%		32%
Gearing %	85%	86%		42%
Earnings per share EUR	0.45	0.34	34	0.63
Equity per share EUR	2.12	1.67	27	1.96
Consolidated contingent liabilities				
on August 31, 2000				
Corporate mortgages	12,500	7,400		7,400
Mortgages on land and				
Buildings	2,784	2,784		2,784
Other contingent liabilities	346	145		82

Columns 1-8/00 and 1-8/99 have not been audited.