

EXEL OYJ'S INTERIM REPORT, JANUARY 1 - JUNE 30, 2003

Summary:

- Very strong second quarter; net sales up 10.9%, operating profit up 142.4% on the previous year
- Also January-June 2003 over previous year's level; net sales up 3.3%, operating profit up 27.3%
- Operating profit improved as a result of the measures aimed at reducing costs and the breakthrough of Nordic Walking in Central Europe
- Early signs of market recovery can be seen

Operating environment

The markets were still relatively cautious in the beginning of the review period, but picked up significantly in May. The trend is expected to continue though it is still difficult to predict the general market situation for the rest of the year. Both the sports equipment market and the industry segment are active, and there is continued demand for new products and product innovations.

The raw material markets have remained stable despite momentary price hikes affecting oil, and raw material prices are not expected to rise in 2003.

Industry division

The net sales of the Industry division increased by 1.4% and totalled EUR 13.2 million (13.0). The division's profitability also remained on a good level; the operating profit was EUR 1.5 million (1.4). The Industry division's sales remained good, although the market was extremely cautious. The market has, however, picked up noticeably towards the summer.

Antenna profile sales experienced a considerable peak in demand during the period under review. At the moment it is difficult to predict if demand will continue to increase throughout the rest of the year.

In the paper industry, machine capacity utilisation rates remained low, which was reflected in the sales volumes of doctor blades. Together with the Metso Corporation, Exel has developed ValRx, a new addition to the doctor blade product range. The most important feature of the new blade is its better impact resistance. The blade holder range has also been reinforced. Some functional changes were made to the LiteFit blade holder during the spring and the improved holder was brought to the market early this summer. Paper machine capacity utilisation rates are expected to remain low also during the rest of the year.

Lattice mast sales have proceeded according to plan. The order book was stronger than ever at the end of the review period. Before the end of 2003, masts will be delivered to such airports as Chang

(Singapore), Schipol (Amsterdam) and Luton (London). The product group's sales are expected to remain very high throughout the remainder of 2003.

The profiles product group is carrying out several big product development projects mainly concentrated on the automobile industry, offshore, infrastructure construction and wind energy. Leading automobile manufacturers are currently in the process of replacing metals with composites in order to make car bodies lighter. Utilising carbon fibre to strengthen and lighten steel structures is a rapidly developing area for the utilisation of composite materials. In addition to making the structures lighter, vibrations can also be lessened with the use of carbon fibre profiles. Exel actively participates in the development work.

Sport division

The net sales of the Sport division during the period totalled EUR 12.8 million (12.2), which corresponded to an increase by 5%. The pre-season sales to Finnish sports equipment stores have been at the usual level. In Finland, demand remains lower than in 2002. In exports, pre-sales have been more active than in 2002.

Exel has continued the successful launch of the NFSTM (Nordic Fitness SportsTM) concept in Central Europe. The new products included in the concept, Exel skis, Odlo and Björn Dählie sports gear and Tubbs snow shoes, will reach consumers this autumn in Finland. Nordic Walking was the only truly new sport introduced at the ISPO sports trade fair in Germany, and it aroused great interest. Nordic Walking has made its final breakthrough in the densely populated German-speaking areas of Central Europe. As the initiator of the sport, Exel's share of the market is particularly strong, reflected by the fact that Exel GmbH is breaking its sales record. In addition to Nordic Walking, Exel will also be the undisputed market leader in Nordic Blading in the Central European market in 2003. As a whole, the pole pre-sales and order book are good and clearly above last year's level.

Laminate sales remained at the same level as before during this review period. The negative difference on the previous year created in the first quarter of 2003 could, however, not be compensated. In addition to traditional sports applications, the company has also introduced a laminate used by the furniture industry for e.g. bracing shelves. In water sports, the demand for windsurfing masts improved and remained good even after the windsurfing season began.

In the main floorball market areas, i.e. Finland, Sweden and Switzerland, market shares have remained the same. The International Floorball Federation and companies active in this field are working on spreading the sport into new countries. The storage and dispatch operations of International Gateway AB, which markets floorball sticks, were transferred from Sweden to the Mäntyharju logistics centre in Finland at the beginning of June.

Sales and profits

The Group's net sales grew slightly compared with the previous year. The distribution of net sales by division was as follows:

Net sales (EUR million)	1-6/2003	1-6/2002	Change
Industry	13.2	13.0	1%
Sport	12.8	12.2	5%
Total	26.0	25.2	3%

In the Sport division, growth was mainly concentrated on Nordic Walking pole sales in Central Europe, which compensated for the low mast and laminate sales at the beginning of the year. The Industry division's sales were stable in different product groups and markets.

The Group's operating profit was EUR 2.0 million (1.6). Manufacturing productivity has improved significantly, which has led to improved operating profits in both business areas. The successful sales of Nordic Walking poles in Central Europe was the main reason for the clear improvement of operating profit in the Sport division. The distribution of operating profit by division, and change compared to the previous year, were as follows:

Operating profit (EUR million)	1-6/2003	1-6/2002	Change
Industry	1.5	1.4	+8.9%
Sport	0.4	0.1	+203.0%
Total	2.0	1.5	+27.3%

Net financial expenses

Net financial expenses totalled EUR 252,000 (305,000). There were no significant changes or arrangements made in the Group's financing during the review period, only small arrangements to balance loans with fixed and floating rates.

Balance sheet, financing and liabilities

The balance sheet total was EUR 34.6 million (35.4). Interest-bearing net liabilities decreased to EUR 9.6 million (14.3). Liabilities remained nearly unchanged.

Investment

Group investments totalled EUR 1.0 million (1.2). Investments have been kept low. New investments were mainly concentrated on moulds and tools related to product development.

Personnel

Group personnel totalled 359 employees (385) on June 30, 2003.

Shares and ownership

Exel Oyj's share capital is EUR 1,854,755 comprising 5,299,300 shares each with a nominal value of EUR 0.35. The members of the Board of Directors and the President held a total of 98,100 shares, i.e. 1.8 %.

The number of shares traded on the Helsinki Exchanges during the period under review amounted to 8.2% of all Exel shares. During the period the highest share price quoted was EUR 7.14, and the lowest EUR 5.50. The closing price for the review period was EUR 6.10. Market capitalisation totalled EUR 32.3 million on June 30, 2003.

Prospects for the rest of 2003

The markets are estimated to be cautious during the remainder of the year, although early signs of market recovery have been seen during the second quarter. Ongoing efficiency improvement programmes in the Finnish and German factories are proceeding as planned and they are expected to result in further cost reductions. Exel estimates that the market conditions in the second half of 2003 will be essentially the same as in the first half of the year. The operating profit is anticipated to develop positively and exceed that of 2002.

Mäntyharju, July 22, 2003

Exel Oyj
Board of Directors

Ari Jokelainen
President

CONSOLIDATED INCOME STATEMENT

EUR 1,000	1-6/03	1-6/02	change %	1-12/02
NET SALES	26,006	25,188	3	51,203
Increase(+)/decrease of finished goods and work in progress	977	895	9	422
Production for own use	93	109	-15	251
Other operating income	191	272	-30	770
Materials and services	-9,851	-10,415	-5	-20,175
Personnel expenses	-6,939	-6,560	6	-13,198
Depreciation	-1,627	-1,562	4	-3,318
Other operating expenses	-6,865	-6,367	8	-12,153
OPERATING PROFIT	1,986	1,559	27	3,802
Financial income and expenses (net)	-252	-305	-17	-655
PROFIT BEFORE EXTRAORDINARY ITEMS	1,734	1,255	38	3,147
Extraordinary items				
PROFIT BEFORE INCOME TAXES	1,734	1,255	38	3,147
Income taxes	-600	-422	42	-921
PROFIT FOR THE PERIOD	1,134	833	36	2,225

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

CONSOLIDATED BALANCE SHEET

EUR 1,000	30.6.03	30.6.02	change%	31.12.02
ASSETS				
Non-current assets				
Intangible assets	3,179	3,684	-14	3,521
Consolidation goodwill	366	437	-16	402
Tangible assets	10,389	11,348	-8	10,636
Investment	127	127	0	127
Current assets				
Inventories	9,258	9,297	0	7,962
Receivables	8,756	9,825	-11	6,635
Cash in hand and at bank	2,531	656	286	2,525
Total	34,607	35,375	-2	31,807
LIABILITIES AND SHAREHOLDERS' EQUITY				
Equity				
Share capital	1,855	1,840	1	1,853
Other equity	13,164	11,563	14	13,086
Liabilities				
Deferred tax liability	106	171	-38	106

Non-current	5,157	7,306	-29	6,223
Current	14,325	14,495	-1	10,538
Total	34,607	35,375	-2	31,807

FUNDS STATEMENT

EUR 1,000	1-6/03	1-6/02	change %	1-12/02
Cash flow from business operations	748	-715	205	5,348
Investment in tangible and intangible assets	-1,005	-1,211	-17	-1,682
Income from surrender of tangible and intangible assets		42	-100	57
Rights issue				147
Withdrawals of non-current loans	30	77	-61	71
Repayments of non-current loans	-1,078	-1,111	-3	-2,205
Withdrawals of/repayments of current loans	2,367	3,486	-32	679
Dividend paid	-1,060	-1,840	-42	-1,840
Other	4	-6	167	
Change in liquid funds	6	-1,278	100	575

INDICATORS

EUR 1,000	30.6.03	30.6.02	change%	31.12.02
Gross investment	1,005	1,169	-14	2,014
% of net sales	4%	5%		4%
R&D expenses	806	619	30	1,113
% of net sales	3%	2%		2%
Average personnel	356	380	-6	374
Personnel at end of period	359	385	-7	359
Order book	10,945	11,192	-2	7,564
Solvency ratio, %	44%	38%		47%
Return on investment, %	15%	11%		14%
Net gearing, %	64%	107%		55%
Earnings per share, EUR	0.21	0.16	36	0.42
Equity per share, EUR	2.83	2.53	12	2.82

Consolidated contingent liabilities on June 30, 2003

Corporate mortgages	12,500	12,500		12,500
Mortgages on land and buildings	2,954	2,954		2,954
Other contingent liabilities	2,536	3,487		2,694

Columns 1-6/03 and 1-6/02 are unaudited.