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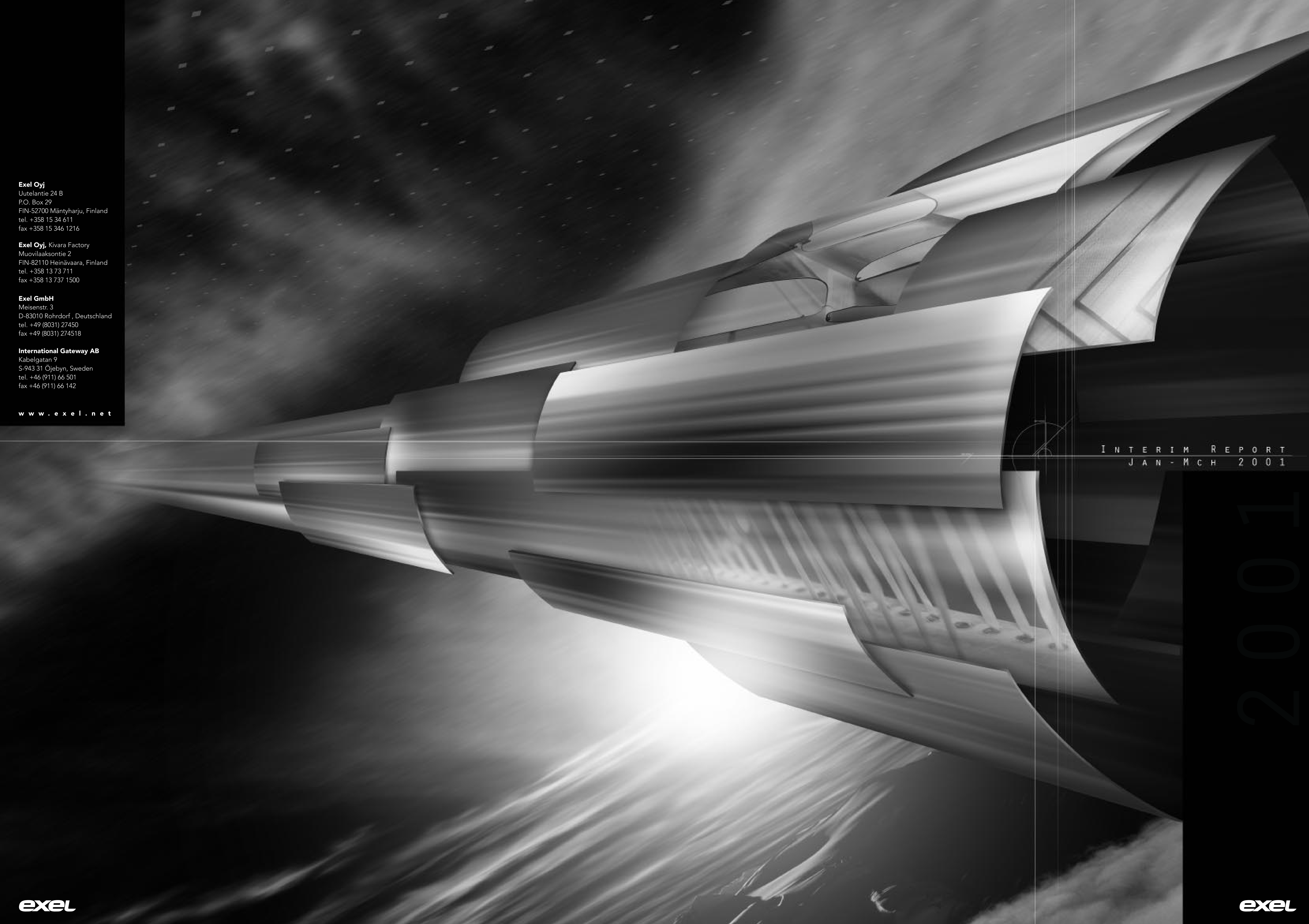

Interim Report
Jan-Mch 2001

2001

exel

Summary

- Net sales up considerably in both divisions, by 43% overall
- Operating profit up 10%
- Strong growth in doctor blades
- Brief slow-down expected in antenna profile market

Exel's net sales grew by 43% in the first quarter of the year, to a total of EUR 13,655,000. The increase was 30.0% in the Industry division, to a total of EUR 6,580,000, and as much as 58.1% in the Sport division, to a total of EUR 7,075,000.

Operating environment

The market situation did not change very much in early 2001, and composite products are continuing to win ground from conventional materials such as metal and wood. The economic recession that has begun in the United States will, however be reflected later in European industry. Exel's main market area is Continental Europe, and only some 8% of its products are exported to North America. There have already been signs among Exel's clientele of a weakening demand. Most important example being the construction of third generation communication networks, where network operators are postponing their investments while looking for suitable ways of proceeding on the market.

There was an excess demand for some fibre qualities on the raw material markets, which has led to price increases, but on account of the tight market situation Exel has not been able to transfer these increases to customer prices.

Industry division

Net sales by the Industry division continued to grow considerably, amounting to EUR 6,580,000, an increase of 30.0%. This increase came from the profiles product group.

The delivery situation for antenna profiles for GSM base stations remained good during the first quarter. These profiles and the doctor blade profiles for paper machines were the most important contributors to growth in the Industry division in this period. Many network operators have postponed their plans to build third-generation mobile communications networks. At the beginning of the year this did not yet affect Exel's sales, but it is expected to be reflected in the deliveries of these profiles in the second and third quarters.

Earlier forecasts indicated that the construction of UMTS networks would begin in earnest in summer 2001. This is now to be postponed until the autumn. While most of the antenna profiles supplied by Exel are currently for GSM base stations, the new profiles for UMTS networks will generate additional growth towards the end of 2001.

The quantities of doctor blades supplied by Exel grew significantly on the previous year. The blades delivered to Metso Corporation have been used primarily in Finnish paper mills, but now export markets are opening up as a result of considerable efforts in this area. Product development is also continuing. In the first quarter, two new blade types were added to the four already in production.

In lattice masts, numerous requests for tenders were received for airport safety approach systems, which means the summer season will be busy. The orders received for airports in Asia at the end of 2000 are being delivered. Further delivery contracts have also been concluded with countries in Asia. New orders for framework structures for meteorological observation equipment meeting the ICAO frangibility standard were also received at the beginning of 2001.

Introduction of the new Extender™ telescopic handle has proceeded as expected. This new telescopic design will allow Exel to enter new market segments in exciting new areas of application.

Sport division

Net sales by the Sport division totalled EUR 7,075,000 in the first quarter, up 58.1%. The most significant growth was achieved in water sports products (the business operations of Fiberspar were merged with the Group on May 1, 2000), and in poles (primarily the pole family developed for Nordic Walking and Trekking) and laminates.

With its special Nordic Walking, Nordic Blading and Trekking products the poles product group continued to grow. The telescopic trekking poles introduced in the second quarter have been well received by our customers. Advance sales have been good so far, and progress in the new product groups is thus expected during the year.

In water sports, the transfer of Fiberspar's production was completed and all windsurfing masts are now produced at the Mäntyharju factory. This means a doubling of the production volume and safeguarding the jobs of some 20-30 people at the Mäntyharju production unit.

The beginning of the year was once again a busy delivery period for ski laminates, technical laminates and ski base and surface materials. As a whole, advance sales of skis were nearly the same as in the previous period, which means that the delivery situation is likely to remain good throughout the rest of the year.

In floorball, the additional deliveries made in early 2001 and the first deliveries of the new collection were made as planned. The market situation in the principal floorball countries, i.e. Sweden, Finland and Switzerland, remains unchanged. The Czech Republic continues to be the most promising new market. In ice-hockey, the introduction of a new stick and glove collection is proceeding as planned.

Profitability

Net sales totalled EUR 13,655,000 (EUR 9,538,000), representing a very considerable increase of 43%. Both divisions contributed to this growth. Net sales by the Industry division amounted to EUR 6,580,000 (EUR 5,063,000), up 30.0%, and those by the Sport division to EUR 7,075,000 (EUR 4,475,000), up 58.1%.

Consolidated operating profit totalled EUR 1,334,000 (EUR 1,214,000), an increase of 10%. In the Industry division, operating profit was EUR 1,095,000 (EUR 1,167,000), down 6.2%. The prices of some of the fibre raw materials rose significantly, but the increases could not be transferred to customer prices. In addition to this some 20-30 employees were engaged in training at the Kiihtelysvaara factory in the early part of the year, in accordance with a plan to ensure that Exel can respond without delay to the growing demand for antenna profiles.

Operating profit in the Sport division was EUR 239,000 (EUR 47,000), an increase of 406%. This increase was due to intensified mast production at Mäntyharju and good pole and laminate sales. Operating profit was hampered by the fact that mast production by Exel USA Inc. continued for longer than planned. The original goal was to close down production at the end of January 2001, but for capacity reasons production continued to the end of March 2001.

Net financial expenses totalled EUR 85,000 (EUR 43,000). The increase was due to the financial arrangements made the previous year in connection with the Fiberspar deal.

Profit before provisions and taxes totalled EUR 1,249,000 (EUR 1,171,000), up 6.6% on the previous year.

Balance sheet, financing and liabilities

The balance sheet totalled EUR 30,583,000 (EUR 22,623,000), up 35.2% on the corresponding period the previous year. The increase was primarily due to powerful expansion in business operations and the purchase of the Fiberspar operations in the previous year. Growth at the turn of the year compared to one year previously was insignificant.

Interest-bearing net liabilities came to EUR 8,300,000 (EUR 5,603,000).

Investment

Consolidated investment totalled EUR 758,000 (EUR 933,000). Investment in machinery and equipment was at the previous year's level, at EUR 687,000 (EUR 670,000). The most important investments in the period were a new production line in the Industry division and environmental investments in air conditioning and dust elimination.

Personnel

On March 31, 2001, Exel's personnel totalled 352 (288), up 22.2%. This was due to an increased need for labour caused by volume increases. The number of office personnel has been increased over the last twelve months by hiring 12 new employees in Finland.

Shares and ownership

Exel Oyj's share capital stands at EUR 1,837,570 and is divided into 5,250,200 shares with a nominal value of EUR 0.35 per share. The members of the Board of Directors and the President together hold 60,100 shares, or 1.1% of the total.

Trading in Exel shares on Helsinki Exchanges during the review period represented 18.8% of the total number of shares. The highest share price in the period was EUR 12.26 and the lowest EUR 9.71. The share price stood EUR 10.80 at the end of the period. The market capitalization was EUR 56.6 million on March 31, 2001.

During the period under review, Exel received two notifications under chapter 2, section 9, of Finland's Securities Market Act, as the votes held by the various owners exceeded or fell under the limits set for notification. On February 2, 2001 Exel received a notification stating that Nordstjernan AB's holding had exceeded one third on February 9, 2001, reaching 33.4% of the company's stock. Another notification received on February 12, 2001, stated that the ownership of Conventum Oyj and the investment funds administered by Conventum Investment Company Oy fell below one-twentieth of Exel's share capital and total votes on February 9, 2001 and was 4.7%.

Decisions by the AGM

The Annual General Meeting held on March 28, 2001 re-elected Kari Haavisto, Vesa Kainu and Mika Sulin as members of the Board. Peter Hofvenstam and Juhani Sammasmaa were elected as new members and Kari Haavisto was re-elected Chairman of the Board.

The AGM decided to approve the proposal by the Board to amend article 12 of the Company's Articles of Association to read as follows:

”12 § Invitations to meetings
Invitations to the Annual General Meeting must be delivered to shareholders at the earliest two months and at the latest seventeen days before the Meeting by publishing the invitation in a newspaper specified by the Board or dispatching it to all shareholders by registered mail to the address entered in the shareholders register or otherwise verifiably in writing.

In order to participate in the Annual General Meeting, the shareholder must so inform the company at the latest on the date stated in the invitation to the Meeting, which cannot be more than ten days before the meeting.”

The Board of Directors is authorized until March 27, 2002 to raise the company's share capital through one or more new issues by a maximum total of EUR 325,500. The authorization allows the Board to decide who is entitled to subscribe shares to be issued through a new issue, what the subscription price should be and the principles of determining it, and other terms of the new issue. An exception to the shareholders' right of pre-emption can be made if there is a pressing financial reason from the company's viewpoint. Such reasons may include financing, effecting or enabling a corporate acquisition or some other form of cooperation, consolidation or expansion of the company's financial or capital structure, or the implementation of any other arrangement related to corporate operations. Such a decision must not be made to benefit parties close to the company. The Board is authorized to determine whether a new issue can be subscribed against a contribution in kind or under other specified conditions.

Warrant programme

The AGM decided to grant warrants to the key personnel of the Exel Group and to the wholly owned subsidiary of Exel Oyj. The warrants number 370,000 of which 185,000 are marked with letter A and 185,000 are marked with letter B. The warrants give entitlement to subscribe a total of no more than 370,000 shares.

The subscription price for warrant A is the trade-weighted average price on Helsinki Exchanges in the period April 1-30, 2001, plus ten (10) per cent, and for warrant B it is the trade-weighted average price on Helsinki Exchanges in the period October 1-31, 2001, plus ten (10) per cent. The subscription price will be lowered after its determination period by the amount of dividend distributed before subscription on the record date of each dividend distribution. The warrant-based subscription period is on stages, beginning on June 1, 2002 and October 1, 2003, and terminating for all warrants on April 30, 2006.

The purpose of the warrants is to encourage key personnel to make a long-term commitment to increasing the ownership value. A further aim is to forge a strong link between key personnel and their employer, so that they would be obliged to offer their warrants back to the company without compensation for any accumulated value if their employment relationship were to end before October 1, 2003.

Events after the review period

Network operators have postponed their decisions to start new GSM and UMTS networks. The companies constructing these networks are also reducing their inventories considerably. Decisions to start building are expected to be postponed until summer 2001 or later. Antenna profiles for these networks are one of Exel's major applications in the Industry division. Demand for these profiles has decreased temporarily. Therefore, joint negotiations between the company and its personnel at the Kiihtelysvaara factory were carried out concerning partial lay-offs for a maximum of three months, beginning from May 1, 2001. These layoffs concern some 30 employees and will last throughout summer 2001, unless an unexpected revival takes place in demand.

Outlook for the rest of 2001

Cost levels have risen in raw materials and in wages and salaries. Advance sales have developed well in the Sport division and vigorous growth has continued in the Industry division. Antenna profile markets are expected to be quiet in the second and third quarters and to start picking up again in the last quarter at the latest. The first quarter was successful and gives reason to believe that consolidated net sales will continue to grow on the previous year. The improvement of profits depends on the expected revival of the antenna profile market.

Mäntyharju, April 2001

Exel Oyj
Board of Directors

Ari Jokelainen
President

CONSOLIDATED INCOME STATEMENT

EUR 1,000	2001 1-3	2000 1-3	Change %	2000 1-12
NET SALES	13,655	9,538	43	47,609
Increase(+)/decrease(-) of finished goods and work in progress	-32	438	-107	818
Production for own use	90	63	41	275
Other operating income	137	72	92	341
Materials and services	-5,208	-3,734	39	-18,232
Personnel expenses	-3,272	-2,296	43	-11,842
Depreciation	-665	-547	22	-2,444
Other operating expenses	-3,371	-2,320	45	-10,019
OPERATING PROFIT	1,334	1,214	10	6,506
Financial income and expenses (net)	-85	-43	98	-482
PROFIT BEFORE EXTRAORDINARY ITEMS, INCOME TAXES AND VOLUNTARY RESERVES	1,249	1,171	7	6,024
Extraordinary items				
PROFIT BEFORE VOLUNTARY RESERVES AND INCOME TAXES	1,249	1,171	7	6,024
Income taxes	-392	-345	14	-1,788
PROFIT FOR THE PERIOD	857	826	4	4,236

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

CONSOLIDATED BALANCE SHEET

EUR 1,000	31.3.2001	31.3.2000	Change %	31.12.2000
ASSETS				
Non-current assets				
Intangible assets	2,557	1,358	88	2,668
Consolidation goodwill	527	599	-12	545
Tangible assets	10,284	8,809	17	10,072
Investment	127	116	9	127
Current assets				
Inventories	7,435	5,233	42	7,033
Receivables	8,291	5,736	45	8,269
Cash in hand and at bank	1,362	773	76	571
Total	30,583	22,623	35	29,285
LIABILITIES AND SHAREHOLDERS' EQUITY				
Equity				
Share capital	1,838	1 763	4	1,834
Other equity	10,026	7,780	29	11,117
Liabilities				
Deferred tax liability	203	212	-4	203
Non-current	6,917	4,668	48	7,202
Current	11,600	6,629	45	8,930
Total	30,583	22,623	35	29,285

	31.3.2001	31.3.2000	Change %	31.12.2000
Indicators (EUR 1,000)				
Gross investment	758	933	-19	5,561
% of net sales	6%	10%		12%
R&D expenses	307	374	-18	1,367
% of net sales	2%	4%		3%
Average personnel	361	281	28	350
Personnel at end of period	352	288	22	378
Order book	7,246	7,345	-1	7,559
Solvency ratio, %	39%	42%		44%
Return on investment, %	6%	8%		37%
Net gearing, %	70%	59%		66%
Earnings per share EUR	0.16	0.16	4	0.81
Equity per share EUR	2.26	1.82	24	2.47
Consolidated contingent liabilities on March 31, 2001				
Corporate mortgages	12,500	7,400		12,500
Mortgages on land and buildings	2,954	2,784		2,784
Other contingent liabilities	2,408	156		2,255

Columns 1-3/01 and 1-3/00 have not been audited.