

Interim Report
January 1 - March 31, 2003



Summary:

- In the difficult market conditions, net sales decreased by 4% to EUR 12.3 million (12.8)
- Operating profit was EUR 0.4 million (0.9)
- The Industry division's profits remained at the previous year's level, while the Sport division invested in the marketing and launch of new products which declined profitability

Operating environment

Uncertainty concerning the future continued among Exel's customers, and is expected to last through 2003. The Industry division's customers have postponed new product launches, which is reflected in net sales at the present time. New product applications are still being developed, most of them utilising carbon fibre. In both the sports equipment markets and the various industrial segments, 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 Industry division produces and markets customised composite profiles for several industrial sectors. The primary reinforcing materials are carbon fibre and glass fibre. Exel's main production methods are continuous pultrusion and Exel's proprietary Pull-Winding technology. Exel is the leading European company in these fields.

The net sales of the Industry division totalled EUR 6.4 million (6.6). Both net sales and profitability remained good, with operating profit totalling EUR 0.9 million (0.8). Internal efficiency improved on the previous year and, despite tight price competition, profitability was maintained at the level of 2002.

The antenna profile market is still waiting for major 3G investments to begin. However, the fact that antenna profile sales were maintained at the previous year's level indicates that composite products are continuing to strengthen their market position in this segment. The network construction companies continue to forecast a decrease in volumes this year, and Exel is not expecting significant growth in antenna profile sales in 2003.

In the paper industry, machine capacity utilisation rates remained low, which was reflected in the sales volumes of doctor blades. The sales of the first quarter did not quite reach the levels of last year. In the latter half of 2002 and the beginning of 2003, the Industry division developed many new applications for doctor blades, intended especially for the North American market. Other new profile applications for the paper machine environment are also under development. As the capacity utilisation rates of new products and machinery continue to rise in the paper industry, Exel expects the product group to increase its sales significantly towards the end of the year.

The quotation situation with lattice masts continues to be strong, and product group sales are expected to remain good in 2003.

Long-term profile development projects, concentrated mostly in the automobile industry, the offshore sector, infrastructure construction and wind energy, have proceeded according to plan. At the end of the review period the company received its first major order for profiles, to be used as a structural solution for windmill blades.

Sport division

The Sport division produces and markets high quality sports equipment based on Exel's composite technology. Exel is a leading supplier of poles, floorball sticks under its own brand name, windsurfing masts and laminates for the sports industry.

The net sales of the Sport division during the period totalled EUR 5.9 million (6.2). Profitability continued to be burdened by sales and marketing costs related to the launch of the NFS™ (Nordic Fitness Sports™) concept, and by the deviations in the delivery schedules of laminate and water sport products. The operating profit was EUR -0.4 million (0.1). Due to seasonality, the profit for the Sport division will materialize in the third and fourth quarters. In the future, the sales growth derived from the NFS™ concept will strengthen seasonality.

Exel's sales of Nordic Walking and Nordic Blading poles increased significantly at the beginning of the year, nearly trebling in the German speaking countries of Europe, and the market is still growing rapidly in these countries. It is now safe to say that Nordic Walking has made a breakthrough in the densely populated Central European market. Exel will be the undisputed market leader in these product categories in Central Europe in 2003. The company has also maintained its market share in pre-season sales of conventional cross-country skipoles, thanks to new product innovations and a new pricing strategy.

In Finland, pre-season sales of new products that fall under the NFS™ concept, e.g. Exel skis, Odlo and Bjorn Daehlie sports gear and Tubbs snowshoes, have been moderate. The new products will reach consumers in the autumn.

In water sports, the market for windsurfing masts continued to decrease slightly. Sales in the first quarter declined compared to the corresponding figures for 2002, mainly due to timing of some deliveries at year-end 2002.

In laminates, January and February were quiet months in terms of deliveries. Deliveries have been on the increase since March, and sales for the whole year are expected to increase slightly. Sales to new markets outside the sports industry developed according to plan and yielded expected results. The operations of Exel GmbH will be refocused in 2003.

The new floorball product range has been received well in terms of pre-season sales. The first quarter's sales have little effect on the Group's sales. Deliveries to the main market area, Sweden, will be improved in 2003. In connection to this, the company has decided to close down the storage and dispatch operations of International Gateway AB, and move them to the Mäntyhärju logistics centre in Finland. The Mäntyhärju centre will be handling all deliveries to customers also in Sweden, beginning this summer.

Sales and profits

Net sales have decreased slightly on the previous year. The distribution of net sales by division was as follows:

	1-3/2003	1-3/2002	Change
Industry	6.4	6.6	-2.1%
Sport	5.9	6.2	-6.2%
Total	12.3	12.8	-4.1%

The Group's operating profit was EUR 0.4 million (0.9). The decrease was due to the Sport division's lower sales volumes (mainly laminates and water sports), the investments made to promote the NFS™ concept, and the tight competition in some of the company's main markets. However, profitability improved due to projects aimed at sharpening production efficiency. The distribution of operating profit by division, and change on the previous year, were as follows:

	1-3/2003	1-3/2002	Change
Industry	0.9	0.8	1.6%
Sport	-0.4	0.1	-661.3%
Total	0.4	0.9	-54.0%

Net financial expenses

Net financial expenses totalled EUR 129,000 (112,000). There were no significant changes or

arrangements made in the Group's financing during the review period.

Balance sheet, financing and liabilities

The balance sheet total decreased to EUR 32.0 million (35.0) due to a slight decrease in business operations, and due to working capital management and lower investments. Group depreciation exceeded investments by EUR 0.4 million. Interest-bearing net liabilities totalled EUR 9.2 million (11.1).

Investment

Group investments totalled EUR 0.4 million (0.7). Investments were mainly concentrated on moulds and tools related to the development of new products.

Personnel

Group personnel totalled 357 employees (373) on 31 March 2003. Personnel numbers have decreased in the production operations of the Sport division, and increased slightly in the sales department of Exel GmbH Sport.

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 hold a total of 98,100 shares, i.e. 1.8% of all shares.

The number of shares traded on the Helsinki Exchanges during the period under review amounted to 6.9% of all Exel shares. The highest share price quoted during the period was EUR 7.14 and the lowest EUR 5.50. The closing price for the review period was EUR 5.90. Market capitalisation totalled EUR 31.3 million on 31 March 2003.

Decisions of the Annual General Meeting

The Annual General Meeting held on 10 April 2003 re-elected Kari Haavisto, Peter Hofvenstam, Vesa Kainu and Mika Sulin as members of the Board. Ove Mattsson was elected as a new member. Ove Mattsson was also elected as Chairman of the Board.

The Board of Directors of the company is authorised up until 10 April 2004 to decide to raise the company's share capital through one or more share issues, to a maximum total of EUR 325,500. The authorisation enables the Board to decide on who is entitled to subscribe to the new shares, the subscription price, the principles of determining the price, and on other terms and conditions of the share issue. An exception to the shareholders' pre-emptive subscription rights can be made if there are pressing financial reasons from the company's viewpoint. Such reasons may include financing, effecting or enabling a corporate acquisition or some other form of co-operation; 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 company insiders. The Board is authorised to make decisions concerning a new share issue, so that the shares may be subscribed against a contribution in kind, or under other specified terms and conditions.

Prospects for the rest of 2003

The markets are expected to be tough during the remainder of the year. Ongoing efficiency improvement programmes in the Finnish and German factories are proceeding as planned and will result in cost reductions. Exel estimates that the overall market conditions in the second quarter of 2003 will be essentially the same as in the first quarter of 2003.

Mäntyhärju, May 12, 2003

Exel Oyj
Board of Directors

Ari Jokelainen
President

Consolidated Income Statement, EUR 1,000

	1-3/03	1-3/02	Change %	1-12/02
NET SALES	12,303	12,826	-4	51,203
Increase(+)/decrease(-) of finished goods and work in progress	420	199	111	422
Production for own use	54	71	-24	251
Other operating income	94	223	-58	770
Materials and services	-4,747	-5,005	-5	-20,175
Personnel expenses	-3,491	-3,219	8	-13,198
Depreciation	-815	-780	5	-3,318
Other operating expenses	-3,397	-3,401	0	-12,153
OPERATING PROFIT	420	914	-54	3,802
Financial income and expenses (net)	-129	-112	15	-655
PROFIT BEFORE EXTRAORDINARY ITEMS, INCOME TAXES AND VOLUNTARY RESERVES	291	802	-64	3,147
Extraordinary items				
PROFIT BEFORE VOLUNTARY RESERVES AND INCOME TAXES	291	802	-64	3,147
Income taxes	-98	-265	-63	-921
PROFIT FOR THE PERIOD	194	537	-64	2,225

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

Consolidated Balance Sheet, EUR 1,000

	31.3.03	31.3.02	Change %	31.12.02
ASSETS				
Non-current assets				
Intangible assets	3,349	3,813	-12	3,521
Consolidation goodwill	384	455	-16	402
Tangible assets	10,403	11,531	-10	10,636
Investment	127	127	0	127
Current assets				
Inventories	8,435	8,131	4	7,962
Receivables	8,342	8,900	-6	6,635
Cash in hand and at bank	1,030	1,994	-48	2,525
Total	32,069	34,951	-8	31,807
LIABILITIES AND SHAREHOLDERS' EQUITY				
Equity				
Share capital	1,855	1,840	1	1,853
Other equity	13,280	13,098	1	13,086
Liabilities				
Deferred tax liability	106	169	-37	106
Non-current	5,517	7,638	-28	6,223
Current	11,311	12,206	-7	10,538
Total	32,069	34,951	-8	31,807

Funds Statement, EUR 1,000

	1-3/03	1-3/02	Change %	1-12/02
Cash flow from business operations	-511	165	-410	5,348
Investment in tangible and intangible assets	-395	-732	-46	-1,682
Income from surrender of tangible and intangible assets		17	-100	57
Rights issue		27	-100	147
Withdrawals of non-current loans		-725	-3	71
Repayments of non-current loans	-705			-2,205
Withdrawals of/repayments of current loans	112	1,313	-91	679
Dividend paid				-1,840
Other	4	-5	180	
Change in liquid funds	-1,495	60	-2,592	575

Indicators, EUR 1,000

	31.3.03	31.3.02	Change %	31.12.02
Gross investment	395	715	-45	2,014
% of net sales	3%	6%		4%
R&D expenses	431	357	21	1,113
% of net sales	4%	3%		2%
Average personnel	356	382	-7	374
Personnel at end of period	357	373	-4	359
Order book	7,571	7,178	5	7,564
Solvency ratio, %	47%	43%		47%
Return on investment, %	6%	14%		14%
Net gearing, %	61%	74%		55%
Earnings per share, EUR	0.04	0.10	-64	0.42
Equity per share, EUR	2.86	2.82	1	2.82
Consolidated contingent liabilities on March 31, 2003				
Corporate mortgages	12,500	12,500		12,500
Mortgages on land and buildings	2,954	2,954		2,954
Other contingent liabilities	2,569	2,806		2,694

Columns 1-3/03 and 1-3/02 are unaudited.



Exel Oyj

Uutelan tie 24 B

P.O. Box 29

FIN-52700 Mantyhärju, Finland

tel. +358 15 34 611

fax +358 15 346 1216

Exel Oyj, Kivara Factory

Muovilaaksontie 2

FIN-82110 Heinävaara, Finland

tel. +358 13 73 711

fax +358 13 737 1500

Exel GmbH, Rohrdorf

Meisenstr. 3

D-83010 Rohrdorf, Deutschland

tel. +49 (8031) 2745 111

fax +49 (8031) 2745 318

Exel GmbH, Voerde

Alte Hünxer Strasse 139

D-46562 Voerde, Deutschland

tel. +49 (281) 16412 10

fax +49 (281) 16412 20

International Gateway AB

Kabelgatan 9

S-943 31 Öjebyn, Sweden

tel. +46 (911) 66 501

fax +46 (911) 66 142