

Interim Report  
1 January - 30 June 2002



## Summary

- Industry division's net sales increased to EUR 13.0 (11.8) million, up by 9.9%.
- Sport division's net sales down by 9.7% on previous year, to EUR 12.2 (13.5) million.
- Total sales remained unchanged at EUR 25.2 (25.3) million.
- Operating profit was EUR 1.6 (2.7) million, tighter market situation has deteriorated the profitability of products.
- Activities started to improve sales and reduce costs.

## Operating environment

Market conditions continued to be tight also in the second quarter of the year. Also price pressures continued. The slow growth still affects the economy in Central Europe. This is reflected in the level of deliveries ordered from Exel. The revival of economy is likely to be deferred either until the end of the year or to next year. However, there are still plenty of enquiries about new profiles and many offers are being made in the Industry division.

Some discount has taken place in raw material prices with regard to certain fibre types. This is estimated to have a slightly positive effect on the profitability during the rest of the year.

The tough market conditions have led into planning of special sales and cost reduction programmes. The implementation of the programme has started, and its full effects will be realized in the fall of 2002. The objective of the programme is to keep Exel's profitability at a good level.

## Industry division

Net sales in the Industry division increased to EUR 13.0 (11.8) million. Competition strongly decreases the profitability of products and therefore the operating profit of the period under review, EUR 1.4 (2.2) million, was lower than the previous year.

Antenna profile sales were considerably lower than during the first two quarters in 2001, when the sales figures were still running at a record high. A major boost in the deliveries of 3G networks is not expected to take place before the end of 2002 and is more likely to occur in 2003. Several new antenna profile products have been developed. Moreover, the product structures of traditional products have been modified extensively. The modification costs clearly weakened the profitability of the product group during the second quarter. The modifications have now been approved for production and profitability is expected to recover to the former level.

The slack demand in the antenna profile market was also reflected on the Germany-based Voerde factory's profitability which was not satisfactory at the beginning of the year. Many efforts have been made to acquire new customers in Germany. Results are expected to be seen at the end of the year. Car industry among others has shown interest in new lightweight and durable composite applications.

The low utilisation rate of the paper industry which has continued longer than expected has affected also the sales of doctor blades. The sales in the second quarter were at the previous year's level. An upswing is however expected to take place during the second half of the year and as the capacity utilisation rates of the paper industry improve, doctor blade sales are also expected to improve significantly.

Activity has increased in several European countries as ICAO's frangibility regulations will come into force in 2005. This has been reflected in a more even production load of lattice masts in the first two quarters of the year. Exel's position as the market leader in Europe has strengthened further and the number of tenders is larger than in years. This phenomenon is yet to be seen outside Europe.

## Sport division

Sport division's net sales fell to EUR 12.2 (13.5) million mainly due to water sports, where the world market has been in decline. Also the operating profit fell to EUR 0.1 (0.5) million as sales volumes decreased.

Nordic Walking sales have become stable in Finland. The sales of Nordic Walking and Nordic Blading poles increased significantly especially in the German-speaking countries in Europe and the market is expected to grow further considerably. The world market of cross-country ski poles has been clearly in decline as the snow conditions have been poor. The product group's sales were at the previous year's level.

In water sports the sales of surfing masts were substantially lower than last year as the market and the number of participants decreased. All Exel's main customers suffered from this. The sales in June were also low from shops to consumers which is likely to be reflected in pre-season deliveries for 2003.

Laminates production has proceeded as planned and new applications outside the sport industry are being developed. The traditional cross-country skiing and snow board market remains stable.

Floorball sales are slightly ahead of the previous year. The new Exel blade collection has been a success in pre-season sales. The deliveries of the whole year are not expected to differ from last year.

## Sales and profits

Net sales were at the previous year's level. The distribution of net sales by division was as follows:

### Net sales (EUR million)

	1-6/2002	1-6/2001	Change
Industry	13.0	11.8	9.9%
Sport	12.2	13.5	-9.7%
Total	25.2	25.3	-0.5%

Operating profit decreased clearly to EUR 1.6 (2.7) million. The most significant profitability-reducing factors were the slow surfing mast

market, low capacity utilisation rate, tighter price competition in almost all product groups and certain development expenses in the Industry division. The distribution of operating profit by division was as follows:

### Operating profit (EUR million)

	1-6/2002	1-6/2001	Change
Industry	1.4	2.2	-35.9%
Sport	0.1	0.5	-72.4%
Total	1.6	2.7	-43.1%

Net financial expenses came to EUR 305,000 (193,000). The increase was due to the funding required by the purchase of the Voerde factory in autumn 2001 and to the fact that Sport's production season was commenced earlier than the previous year.

## Balance sheet, financing and liabilities

The balance sheet remained nearly unchanged and was EUR 35.4 (30.4) million. The increase was due to the above mentioned acquisition of the Voerde factory. Interest-bearing net liabilities came to EUR 14.3 (9.7) million mainly for the same reason.

## Investment

Investment totalled EUR 1.2 (1.5) million.

## Personnel

Exel's personnel numbered 385 (342) on June 30, 2002. The increase is mainly due to the incorporation of the Voerde factory into the Group in autumn 2001.

## Shares and ownership

Exel Oyj's share capital totals EUR 1,840,265, comprising 5,257,900 shares each with a nominal value of EUR 0.35. The members of the Board of Directors and the President held a total of 73,100 shares, or 1.4% of all shares.

The number of shares traded on Helsinki Exchanges in the period under review amounted to 6.6% of all Exel shares. The highest share price quoted was EUR 10.05, the lowest EUR 8.45 and the closing price for the period EUR 8.50. The market capitalization was EUR 44,692.150 on June 30, 2002.

## Prospects for the rest of 2002

The recovery of the market will take longer than expected. Price competition is tight in most of the product groups. Raw material prices have partly dropped. The Sport division's sales are expected to be lower than in the previous year. Many offers are being made in the Industry division. Cost cutting measures are being planned for the rest of the year. The implementation of the programme has started. On this basis, we expect net sales to grow slightly and operating profit to be lower than in the previous year, yet remaining positive.

Mäntyharju, July 2002

## Exel Oyj

Board of Directors

## Ari Jokelainen

President

Consolidated Income Statement, EUR 1,000

	1-6/2002	1-6/2001	Change %	1-12/2001
<b>NET SALES</b>	<b>25,188</b>	<b>25,322</b>	<b>-1</b>	<b>49,362</b>
Increase(+)/decrease(-) of finished goods and work in progress	895	-141	-734	531
Production for own use	109	153	-29	344
Other operating income	272	367	-26	560
Materials and services	-10,415	-9,459	10	-19,538
Personnel expenses	-6,560	-6,135	7	-12,121
Depreciation	-1,562	-1,365	14	-2,888
Other operating expenses	-6,367	-6,004	6	-10,950
<b>OPERATING PROFIT</b>	<b>1,559</b>	<b>2,738</b>	<b>-43</b>	<b>5,300</b>
Financial income and expenses (net)	-305	-193	58	-520
<b>PROFIT BEFORE EXTRAORDINARY ITEMS, INCOME TAXES AND VOLUNTARY RESERVES</b>	<b>1,255</b>	<b>2,545</b>	<b>-51</b>	<b>4,780</b>
Extraordinary items				
<b>PROFIT BEFORE VOLUNTARY RESERVES AND INCOME TAXES</b>	<b>1,255</b>	<b>2,545</b>	<b>-51</b>	<b>4,780</b>
Income taxes	-422	-786	-46	-1,416
<b>PROFIT FOR THE PERIOD</b>	<b>833</b>	<b>1,759</b>	<b>-53</b>	<b>3,364</b>

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

Consolidated Balance Sheet, EUR 1,000

	30.6.2002	30.6.2001	Change %	31.12.2001
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets	3,684	2,446	51	3,959
Consolidation goodwill	437	509	-14	473
Tangible assets	11,348	10,487	8	11,423
Investment	127	127	0	127
<b>Current assets</b>				
Inventories	9,297	7,089	31	7,903
Receivables	9,825	8,015	23	7,487
Cash in hand and at bank	656	1,714	-62	1,934
<b>Total</b>	<b>35,375</b>	<b>30,388</b>	<b>16</b>	<b>33,306</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>Equity</b>				
Share capital	1,840	1,840	0	1,840
Other equity	11,563	10,955	6	12,560
<b>Liabilities</b>				
Deferred tax liability	171	203	-16	169
Non-current	7,306	6,616	10	8,337
Current	14,495	10,774	35	10,400
<b>Total</b>	<b>35,375</b>	<b>30,388</b>	<b>16</b>	<b>33,306</b>
<b>Indicators (EUR 1,000)</b>	<b>30.6.2002</b>	<b>31.3.2001</b>	<b>Change %</b>	<b>31.12.2001</b>
Gross investment	1,169	1,533	-24	5,474
% of net sales	5%	6%		11%
R&D expenses	619	666	-7	1,216
% of net sales	2%	3%		2%
Average personnel	380	351	8	356
Personnel at end of period	385	342	13	371
Order book	11,192	9,560	17	8,918
Solvency ratio, %	38%	42%		43%
Return on investment, %	11%	25%		22%
Net gearing, %	107%	76%		73%
Earnings per share EUR	0.16	0.34	-52	0.64
Equity per share EUR	2.55	2.43	5	2.74
<b>Consolidated contingent liabilities on June 30, 2002</b>				
Corporate mortgages	12,500	12,500		12,500
Mortgages on land and buildings	2,954	2,954		2,954
Other contingent liabilities	3,487	2,976		2,795

Columns 1-6/02 and 1-6/01 are unaudited.

**exel**

**Exel Oyj**

Uutelantie 24 B  
P.O. Box 29  
FIN-52700 Mäntyharju, 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 Ojebyn, Sweden  
tel. +46 (911) 66 501  
fax +46 (911) 66 142

w w w . e x e l . n e t