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
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 NFS™ (Nordic Fitness Sports™) 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:

<table>
<thead>
<tr>
<th>Net sales</th>
<th>1-6/2003</th>
<th>1-6/2002</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry</td>
<td>13.2</td>
<td>13.0</td>
<td>1%</td>
</tr>
<tr>
<td>Sport</td>
<td>12.8</td>
<td>12.2</td>
<td>5%</td>
</tr>
<tr>
<td>Total</td>
<td>26.0</td>
<td>25.2</td>
<td>3%</td>
</tr>
</tbody>
</table>

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 lead 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:

<table>
<thead>
<tr>
<th>Operating profit</th>
<th>1-6/2003</th>
<th>1-6/2002</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry</td>
<td>1.5</td>
<td>1.4</td>
<td>+8.9%</td>
</tr>
<tr>
<td>Sport</td>
<td>0.4</td>
<td>0.1</td>
<td>+203.0%</td>
</tr>
<tr>
<td>Total</td>
<td>2.0</td>
<td>1.5</td>
<td>+27.3%</td>
</tr>
</tbody>
</table>

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

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
## FUNDS STATEMENT

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

## INDICATORS

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

Consolidated contingent liabilities on June 30, 2003

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

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