Exel Oyj

Ari Jokelainen

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In the first quarter, the delivery volume increased by 42% over the corresponding period the previous year. The growth was significant in all divisions. The strongest growth was achieved in the Sport division, which nearly doubled its delivery volume. The growth was due to an increase in sales of the new Slim line of floorball sticks, in doctor blades for the paper industry and, in the majority-owned subsidiary, in the Finnish paper and board mill. The growth in the Service division was a result of new assignments for the Exel quality management system. In the Industry division, the Finnish and foreign customers placed numerous orders for lamination, doctor blades and flooring products. The deliveries to the antenna profile market also increased. In lattice masts, the orders decreased over the previous year due to delays in the introduction of new products.

Market conditions

The market conditions in the first quarter were difficult. The increased demand for raw materials led to higher prices. However, an excess demand for some fibre qualities limited the price increases. The market conditions were also affected by the reduction in inventories by end users. The market situation did not change very much in early April. The raw material markets, which are influential on the market situation, continued to remain difficult. The softening in the paper market did not produce any visible effect on the Exel Group's deliveries. The market situation will probably remain difficult in the near future, as new higher price levels are expected to appear in the raw material markets.

Consolidated financial results

In the first quarter, Exel's net sales totalled EUR 13,655,000 (EUR 9,538,000) and increased by 43%. Net sales increased in all divisions. Exel's profitability improved significantly. The sales margin was 37% (23%). Exel's profitability was strongly influenced by the foreign exchange rates. The weaker US dollar and the Sterling both contributed to the growth in profitability. The sales margin in the Industry division improved considerably and was 23% (13%). In the Sport division, sales margin improved to 10% (8%). In the Service division, sales margin increased to 15% (14%). The Service division's profitability was influenced by a write-down of an investment unit.

The income statement in the first quarter includes EUR 1,249,000 (EUR 1,171,000) attributable to the special situation in the Mäntyharju production unit. This is a one-off cost of EUR 1,249,000 (EUR 1,171,000) attributable to the introduction of new processes and the doubling of the production volume and safeguarding the jobs of some 20-30 people at the Mäntyharju factory. This means a temporary reduction in productivity of 4-5%. There is a long-term benefit of 8-10% in productivity, which will be achieved over two phases. The first phase will last until the end of the third quarter of the year, and the second phase will last longer. The benefit of the new processes will be reflected in the profitability of the Mäntyharju production unit.

The first quarter was one of delay in delivery period in the service division's technical solutions and in the Service division. As a result, the delivery performance of some of Exel's service projects was negatively affected. The delay was visible in the Service division's sales margin, which is 4-5% below the planned sales margin of 10%.

In the first quarter, Exel's cash flow from operations was EUR 1,334,000 (EUR 229,000) and increased by 438%. The net increase in cash from operations of EUR 5,561,000 was due to an improvement in cash flow from operating activities in all divisions. The Exel Group's working capital increased by EUR 4,752,000. The increase in working capital was the result of an increase in deliveries and receivables in all divisions. The only exception was the Service division, which had a decrease in working capital. The trade receivables increased by EUR 3,737,000, while inventories increased by EUR 2,385,000.

Net financial expenses totalled EUR 85,000 (EUR 43,000). The increase in net financial expenses was due to the increase in the interest-bearing net liabilities, which increased by EUR 3,680,000 to EUR 8,300,000. The increase in the interest-bearing net liabilities was primarily due to an increase in long-term debt associated with the purchase of Norra Täby. The increase in net financial expenses was also due to the interest on the trade payables and the short-term borrowings associated with working capital.

Profitability

The Exel Group's operating profit totalled EUR 1,334,000 (EUR 1,171,000) and increased by 13%. The increase in operating profit was due to the increase in sales margin and an increase in the number of deliveries. The operating profit margin was 14.8% (12.3%). The changes in operating profit over the corresponding period the previous year are shown in the tables below. The results were influenced by the write-down in the Mäntyharju production unit and a write-down in some of the French Service division's projects.

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Board of Directors

Ari Jokelainen

President