



I N T E R I M   R E P O R T  
J A N - S E P   2 0 0 1

2001

exel

## Summary

- Net sales up 7% on same period last year, to EUR 36.7 million
- Operating profit at last year's level, totalling EUR 4.3 million (Jan-Sep 2000: EUR 4.4 million)
- Acquisition of Menzolit-Fibron pultrusion business, strengthening Exel's position in the antenna profile and Central European pultrusion profile markets

Exel's net sales for the nine-month period grew by 7.3% to EUR 36.7 million (EUR 34.2 million). The Industry division's net sales rose by 9.4% to EUR 16.2 million. Growth was especially strong in doctor blades and solar cell profiles. The Sport division's net sales were up by 5.7% to EUR 20.5 million (EUR 19.4 million). The division's growth was mainly in pole products, especially the Nordic Walking range, and laminates.

## Operating environment

As a result of the global crisis that struck in September, Exel's international customers have clearly shown more caution in their decisions. No significant growth is occurring in volumes of existing products, and decisions to begin the development of new products are being considered more carefully than before.

The demand for sports and leisure products showed a slight increase in the third quarter of the year, continuing the trend of the first six months. Growth in the market for the year as a whole is expected to be around 3-5%.

In the profiles market, late winter saw a sudden let-up in the demand for antenna profiles, before picking up again more rapidly than expected. Following orders received in July, Exel cancelled all the layoffs that it had introduced in May, affecting about 20 people. More vigorous growth in antenna profile volumes is not, however, expected until the second or third quarter of 2002, contrary to our earlier indications.

There was little change on the markets for Exel's raw materials. Due to the declining demand in the aircraft industry, the availability of certain carbon fibre materials used by Exel will improve considerably during the coming year.

## Industry division

Net sales in the Industry division continued to grow, reaching EUR 16.2 million, up 9.4%. The growth occurred in doctor blades and in certain new profile applications. The most significant new application is solar cell profiles, deliveries of which began in the first half of the year and are now running at a fairly high level.

To strengthen its ability to compete and offer superior service and value to its customers on the antenna profile markets, Exel signed an agreement in September to acquire the pultrusion business of the German company Menzolit-Fibron GmbH. This was transferred to Exel's control on September 30, 2001. Along with Exel, Menzolit-Fibron is a major manufacturer of composite antenna profiles. The acquisition improves Exel's access to its principal market area, Continental Europe, where its main customers are. The company also gains a significant new customer base as well as further technological competence with the transfer of Menzolit-Fibron's know-how in fire-resistant resins and die injection technology. This technology has certain environmental benefits and will allow savings in raw materials. The acquisition, worth a total of approximately EUR 3.3 million, is an important first step in the consolidation of the pultrusion sector in Europe. This new business will boost Exel's annual net sales by about EUR 5 million.

Sales of doctor blades were in line with expectations. Exel currently has six different blade types in production. As indicated by earlier forecasts, this product group is growing well this year and will continue to do so in future years.

The carbon fibre tethers for oil-drilling platforms developed in cooperation with Kvaerner Oilfield Products and Norske Conoco have been performing well in the year-long testing carried out in Norway. The test results will be ready by the end of 2001. Tethers and other offshore industry product applications are expected to develop into a very

significant application area for the pultrusion industry in the next three to five years or so. Exel is actively involved in the development of applications in several areas.

In September, Exel was awarded the tender for supplying glass fibre profiles to the European Organization for Nuclear Research (CERN), thus confirming the competitiveness of Exel's technology. The profiles will insulate the superconducting busbars of the Large Hadron Collider (LHC) currently under construction, along which the power for the magnets will be fed. The value of the contract is just under EUR 1 million. Delivery will be over a period of several years.

## Sport division

Net sales in the Sport division grew by 5.7% to EUR 20.5 million. The growth was again in pole products and laminates. Third-quarter sales were significantly below those for last year, largely due to the delivery problems in water sports and changes in distribution policy.

The pole products group continued to grow through its specialist Nordic Walking, Nordic Blading and Trekking products. Net sales of these products were up by about 30% on the same period last year, and exports of Nordic Walking products were begun to Sweden, Germany, Austria and Switzerland. By contrast, the market for traditional cross-country skipoles has contracted somewhat. In addition to this, the competition in lower priced products has become tougher, mainly from Russian-made products.

In water sports, demand has been in line with forecasts. Delivery problems at the production plant have continued, as a result of which some orders have not been delivered on time. Production costs have also proved difficult to control. Last year, Fiberspar masts were sold directly to customers from the factory in the United States, but this year the masts are being delivered from Finland at dealer prices to an importer, who then sees to customer deliveries. This has an adverse impact on sales but at the same time cuts the costs of distribution.

Laminate sales were up by about 22% on the previous year's figure. The growth was in industrial applications. The main focus in product development will continue to be on new markets.

The floorball market has continued unchanged and Exel has retained its market share. Deliveries are at last year's level and no major changes are expected in Exel's main markets.

## Profitability

Consolidated net sales totalled EUR 36.7 million, up 7% on the same nine-month period last year (EUR 34.2 million). The growth occurred in both divisions as follows:

### Net sales (EUR million)

	Jan-Sep 2001	Jan-Sep 2000	Change
Industry	16.2	14.8	+9.4%
Sport	20.5	19.4	+5.7%
Total	36.7	34.2	+7.3%

Consolidated operating profit amounted to EUR 4.3 million, down 2% on the same period last year. The breakdown of operating profit by division and its comparison with last year are shown below:

### Operating Profit (EUR million)

	Jan-Sep 2001	Jan-Sep 2000	Change
Industry	2.8	2.5	+14.7%
Sport	1.4	1.9	-24.6%
Total	4.3	4.4	-2.2%

The Industry division's operating profit increased despite the dip in the antenna profile market in the summer. The decrease in the Sport division's operating profit was the result of production inefficiency in meeting the major volumes in pole and floorball products in the summer, and the bottlenecks in mast production.

Net financial expenses increased to EUR 440,000 (EUR 341,000), due mainly to the financial arrangements for previous corporate acquisitions.

Profit before voluntary provisions and income taxes totalled EUR 3.8 million, down slightly on last year (EUR 4.0 million). The decrease was primarily due to the production inefficiencies referred to already.

## Balance sheet, financing and liabilities

The consolidated balance sheet total was EUR 32.4 million (EUR 31.3 million). Capital turnover was at last year's level. Net interest-bearing liabilities amounted to EUR 10.7 million (EUR 8.7 million). Cash flow from operations totalled EUR 3.2 million (EUR -1.0 million).

## Investment

Consolidated investment totalled EUR 4.7 million (EUR 5.5 million). The main investment in the review period was the acquisition of Menzolit-Fibron's pultrusion business (approx. EUR 2.8 million). Other investment included the Industry division's new production lines (EUR 0.2 million).

## Personnel

Exel personnel numbered 364 (374) on September 30, 2001. The main changes during the review period were the reduction in personnel at Exel USA Inc (-57 people) and the addition of personnel transferred from Menzolit-Fibron (+30 people).

## Shares and ownership

The number of shares subscribed using the 1998 warrants during the review period was 17,900. Following the increase in share capital of EUR 6,265 as a result of these subscriptions, the company's total share capital stood at EUR 1,840,265 and the total number of shares was 5,257,900. Each share has a nominal value of EUR 0.35. Holdings of the members of the Board of Directors and the President totalled 70,100 shares, or 1.3% of the total.

The number of shares traded on Helsinki Exchanges in the review period amounted to 25.3% of all Exel shares. The highest share price quoted during the period was EUR 12.26, the lowest was EUR 7.65 and the closing price for the period was EUR 9.30. The market capitalization was EUR 48,898,470 on September 28, 2001.

## Share issue authorization

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.

## Prospects for the rest of 2001

Exel's markets are currently going through a quiet period. The recovery of the antenna profile market is not expected to occur until 2002. Net sales are, however, expected to grow slightly as a result of the Industry division's new product applications. The results for the review period was due to low operating efficiency of the Sport division. The integration of Menzolit-Fibron's pultrusion business into the Exel Group will demand special attention and expenditure in the remainder of this year. Thanks to improvement of operating efficiency and a cost-cutting campaign Exel's profit for the year will be close to last year's figure.

Mäntyharju, October 2001

**Exel Oyj**  
Board of Directors

**Ari Jokelainen**  
President

## CONSOLIDATED INCOME STATEMENT

EUR 1,000	Jan-Sep/01	Jan-Sep/00	Change %	Jan-Dec/00
<b>NET SALES</b>	36,692	34,206	7	47,609
Increase(+)/decrease(-) of finished goods and work in progress	-140	1 121	-113	818
Production for own use	256	201	27	275
Other operating income	582	216	170	341
Materials and services	-13,995	-13,720	2	-18,232
Personnel expenses	-8,730	-8,535	2	-11,842
Depreciation	-2,113	-1,820	16	-2,444
Other operating expenses	-8,291	-7,311	13	-10,019
<b>OPERATING PROFIT</b>	4,261	4,358	-2	6,506
Financial income and expenses (net)	-440	-341	29	-482
<b>PROFIT BEFORE EXTRAORDINARY ITEMS, INCOME TAXES AND VOLUNTARY RESERVES</b>	3,821	4,017	-5	6,024
Extraordinary items				
<b>PROFIT BEFORE VOLUNTARY RESERVES AND INCOME TAXES</b>	3,821	4,017	-5	6,024
Income taxes	-1,181	-1,210	-2	-1,788
<b>PROFIT FOR THE PERIOD</b>	2,640	2,807	-6	4,236

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

## CONSOLIDATED BALANCE SHEET

EUR 1,000	30.9.2001	30.9.2000	Change %	31.12.2000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets	4,069	2,973	37	2,668
Consolidation goodwill	491	563	-13	545
Tangible assets	11,289	10,278	10	10,072
Investment	127	108	18	127
<b>Current assets</b>				
Inventories	7,184	6,650	8	7,033
Receivables	7,198	8,366	-14	8,269
Cash in hand and at bank	2,078	2,319	-10	571
<b>Total</b>	32,435	31,256	4	29,285
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>Equity</b>				
Share capital	1,840	1,834	0	1,834
Other equity	11,835	9,707	22	11,117
<b>Liabilities</b>				
Deferred tax liability	203	203	0	203
Non-current	8,955	7,890	13	7,202
Current	9,602	11,622	-17	8,930
<b>Total</b>	32,435	31,256	4	29,285
	30.9.2001	30.9.2000	Change %	31.12.2000
<b>Indicators (EUR 1,000)</b>				
Gross investment	4,700	5,458	-14	5,561
% of net sales	13%	16%		12%
R&D expenses	1,012	1,068	-5	1,367
% of net sales	3%	3%		3%
Average personnel	350	337	4	350
Personnel at end of period	364	374	-3	378
Order book	8,795	9,863	-11	7,559
Solvency ratio, %	42%	37%		44%
Return on investment, %	24%	32%		37%
Net gearing, %	78%	75%		66%
Earnings per share, EUR	0.50	0.53	-6	0.81
Equity per share, EUR	2.60	2.19	18	2.47
<b>Consolidated contingent liabilities on September 30, 2001</b>				
Corporate mortgages	12,500	12,500		12,500
Mortgages on land and buildings	2,954	2,784		2,784
Other contingent liabilities	3,202	411		2,255

Columns Jan-Sep/01 and Jan-Sep/00 have not been audited.

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