

Interim Report
January 1 - September 30, 2002



Summary

- Net sales increased by 4% to EUR 38.0 (36.7) million during January-September 2002
- Net sales in the Industry division increased, while the Sport division decreased by 5%
- Published cost-saving measures improve profitability as planned
- Operating profit was EUR 2.9 (4.3) million during January-September 2002, EUR 1.3 (1.5) million in the third quarter

Operating environment

No major changes have taken place in the market situation in the third quarter of the year. Competition is hard and Exel's customers are still uncertain about the future. This situation is expected to prevail at least during the first half of 2003. This is also reflected in the postponement of new projects, even though new customer applications and R&D projects are being developed actively. Most of the new R&D projects relate to the use of carbon fibre, which is one of Exel's technical strengths.

Some discounts have taken place in raw material prices with regard to certain fibre types. This will have a slightly positive effect on profitability in 2002. The raw material market is estimated to be calm during the rest of the year.

Industry division

Net sales in the Industry division increased to EUR 18.6 (16.2) million during January-September 2002, an increase by 15%. Measures to improve productivity are being implemented in the Industry division and the first results have already been seen in the third quarter. Further improvements are expected in the next 12 months.

Antenna profile sales decreased during the first 9 months of 2002, compared to the same period last year (excluding the acquisition of Menzolit-Fibron's Voerde operations). However, the third quarter sales of antenna profiles exceeded sales on the previous year. Volumes delivered at present are mainly products for the 2G/GPRS networks. A major boost in the deliveries for 3G networks is not expected to occur before the second half of 2003.

The utilisation rate in the paper industry continues to be low which is reflected in the sales volumes of doctor blades. The sales of the third quarter were, however, higher than in the previous year, since Exel's carbon fibre doctor blades are used in new paper machines. An upswing is expected to take place when the utilisation rate of paper machines returns to a normal level.

The lattice mast market and Exel's deliveries have developed positively as was foreseen in the interim report of the first six months of the year. Cumulatively deliveries were some 60% ahead of the previous year by the end of the period under review.

Several new customer projects were commenced during the period under review. New potential application areas include the car industry, mechanical engineering and offshore. As has been published before, significant offshore projects are expected to commence around 2004-2005 at the earliest. Infrastructure applications such as reinforcing concrete structures is a new rapidly developing field for carbon fibre profiles.

Sport division

Net sales in the Sport division were EUR 19.4 (20.5) million during January-September 2002, a decrease by 5%. Sales in the third quarter of the year exceeded the previous year's figure slightly. The major cause for this was the rapidly growing Nordic Walking market in Central Europe. Operating profit was EUR 0.9 (1.4) million of which the third quarter accounted for EUR 0.8 (0.9) million.

The Nordic Walking market in Finland is saturated. However, the sales of Nordic Walking and Nordic Blading poles increased in the German speaking countries in Europe at the beginning of the year, and the market is still growing rapidly. Exel has retained its position as the market leader in these categories. The world market for cross-country ski poles and Exel's deliveries are mainly on the previous year's level excluding certain countries where the lack of snow led to a decline in the market.

Exel signed a co-operation agreement with the Austria Ski Pool in Alpine and Nordic skiing in the summer of 2002 with the aim of sharpening Exel's position in especially the Alpine ski pole market in Central Europe. The agreement enables Exel to sign contracts with the best Austrian Alpine and Nordic skiers. The first contract was signed with Stephan Eberharter and includes co-operation in the field of product development.

In water sports, the surfing mast market has clearly declined on the previous year due to weak demand. The mast deliveries during the third quarter were, however, on excess of the forecast as the first masts of the new collection were delivered to main customers. Whether this indicates a return of the total market closer to the previous level will not be seen before next spring when the products are in retail shops and consumers' reactions and buying behaviour are seen.

Laminate sales have proceeded as planned. The first products outside the traditional sport equipment industry were delivered during the third quarter. New market areas offer promising prospects to Exel's laminate technology and to its know-how in composites.

The floorball market is stable in the major markets such as Sweden, Finland and Switzerland. Interest is being shown in new countries towards floorball, and deliveries have increased to countries outside the traditional ones. However, sales to new countries still remain a fraction of the total sales volume.

The Sport division's weakened profitability led to temporary dismissals of 33 employees in autumn 2002. The employees' working hours will be cut down by 25% from September/October to the end of December 2002. Moreover, the salary structure of the persons involved in sales will be modified into incentive salary. The members of the company's management group will cut their salaries by 20% from September to December.

Sales and profits

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

Net sales (EUR million)	1-9/2002	1-9/2001	Change
Industry	18.6	16.2	+15.0%
Sport	19.4	20.5	-5.4%
Total	38.0	36.7	+3.6%

In 2002, operating profit has been weakened mainly by tight price competition in several product groups, certain development expenses and low utilisation rate of capacity due to the slack market at the beginning of the year. Operating profit totalled EUR 1.3 (1.5) million in the third quarter. The distribution of operating profit and its development compared to the previous year were as follows:

Operating profit (EUR million)

	1-9/2002	1-9/2001	Change
Industry	1.9	2.8	-32.1%
Sport	0.9	1.4	-33.1%
Total	2.9	4.3	-32.4%

Balance sheet, financing and liabilities

The balance sheet total increased to EUR 36.0 (32.4) million. The increase is due to the Sport division's production season commencing earlier than the previous year. Interest-bearing net liabilities increased to EUR 14.1 (10.7) million due to lower results and higher capital employed. Net financial expenses came to EUR 0.5 (0.4) million. Financial expenses are relatively low even though interest-bearing net liabilities have clearly increased on the previous year.

Investment

Investment totalled EUR 1.5 (4.7) million. The most significant difference resulted from the above mentioned acquisition of Menzolit-Fibron's Voerde operations (EUR 2.8 million). Other noteworthy investments were relative to molds and tools.

Personnel

Exel's personnel numbered 357 (364) on September 30, 2002. Constant improvement of productivity and competitiveness will call for a thorough assessment of resources required in the future.

Shares and ownership

Exel Oyj's share capital is 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%.

The number of shares traded on Helsinki Exchanges in the period under review amounted to 10.7% of all Exel shares. The highest share price quoted was EUR 10.05, the lowest EUR 6.20 and the closing price for the period EUR 6.50. The market capitalization was EUR 34.2 million on September 30, 2002.

Prospects for the rest of 2002

The recovery of the market will take longer than expected. Price competition continues to be tight in several product groups. Raw material prices have partly dropped. Sales in the Sport division are expected to be lower than in the previous year, whereas the Industry division's sales are expected to increase slightly. The third quarter's profitability is in accordance with expectations. Measures to improve productivity will continue to be implemented during the rest of the year. On this basis net sales are expected to grow slightly and operating profit to be lower than in the previous year, yet remaining positive.

Mäntyhärju, October 2002

Exel Oyj
Board of Directors

Ari Jokelainen
President

Consolidated Income Statement, EUR 1,000

	1-9/2002	1-9/2001	change %	1-12/2001
NET SALES	38,016	36,692	4	49,362
Increase(+)/decrease(-) of finished goods and work in progress	716	-140	-610	531
Production for own use	174	256	-32	344
Other operating income	440	582	-24	560
Materials and services	-15,165	-13,995	8	-19,538
Personnel expenses	-9,837	-8,730	13	-12,121
Depreciation	-2,355	-2,113	11	-2,888
Other operating expenses	-9,110	-8,291	10	-10,950
OPERATING PROFIT	2,879	4,261	-32	5,300
Financial income and expenses (net)	-474	-440	8	-520
PROFIT BEFORE EXTRAORDINARY ITEMS, INCOME TAXES AND VOLUNTARY RESERVES	2,405	3,821	-37	4,780
Extraordinary items				
PROFIT BEFORE VOLUNTARY RESERVES AND INCOME TAXES	2,405	3,821	-37	4,780
Income taxes	-715	-1,181	-40	-1,416
PROFIT FOR THE PERIOD	1,690	2,640	-36	3,364

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

Consolidated Balance Sheet, EUR 1,000

	30.9.02	30.9.01	change %	31.12.01
ASSETS				
Non-current assets				
Intangible assets	3,537	4,069	-13	3,959
Consolidation goodwill	419	491	-15	473
Tangible assets	11,096	11,289	-2	11,423
Investment	127	127	0	127
Current assets				
Inventories	8,883	7,184	24	7,903
Receivables	11,119	7,198	54	7,487
Cash in hand and at bank	851	2,078	-59	1,934
Total	36,032	32,435	11	33,306
LIABILITIES AND SHAREHOLDERS' EQUITY				
Equity				
Share capital	1,840	1,840	0	1,840
Other equity	12,462	11,835	5	12,560
Liabilities				
Deferred tax liability	171	203	-16	169
Non-current	6,600	8,955	-26	8,337
Current	14,959	9,602	56	10,400
Total	36,032	32,435	11	33,306
Indicators (EUR 1,000)	30.9.02	30.9.01	change %	31.12.01
Gross investment	1,545	4,700	-67	5,474
% of net sales	4%	13%		11%
R&D expenses	823	1,012	-19	1,216
% of net sales	2%	3%		2%
Average personnel	378	350	8	356
Personnel at end of period	357	364	-2	371
Order book	8,723	8,795	-1	8,918
Solvency ratio, %	40%	42%		43%
Return on investment, %	14%	23%		22%
Net gearing, %	99%	78%		73%
Earnings per share, EUR	0.32	0.50	-36	0.64
Equity per share, EUR	2.72	2.60	5	2.74
Consolidated contingent liabilities on September 30, 2002				
Corporate mortgages	12,500	12,500		12,500
Mortgages on land and buildings	2,954	2,954		2,954
Other contingent liabilities	3,312	3,202		2,795

Columns 1-9/02 and 1-9/01 are unaudited.

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