



## **exel**

**Exel Oyj**  
Uutelantie 24 B  
P.O. Box 29  
FIN-52700 Mantyhärju, 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 Öjebyn, Sweden  
tel. +46 (911) 66 501  
fax +46 (911) 66 142

**Summary:**

- Strong growth continued in the third quarter; net sales totaled EUR 14.8 million (12.8), up by 15%, and operating profit totaled EUR 1.9 million (1.3), up by 41% on the corresponding period of 2002.
- During the period January-September 2003 net sales up by 7% and operating profit by 34%.
- Operating profit improved due to the improved market situation, cost savings and the increased popularity of Nordic Walking in Central Europe.

**Operating environment**

The early signs of market recovery, which began early this summer, has continued in the autumn in the Industry division. Despite weak economic growth in our main markets in Central Europe, the demand for specialty products, especially carbon fiber profiles and products related to Exel's Nordic Fitness Sports™ (NFS) concept has been very good. We expect the trend to continue.

The raw material markets have been stable despite the occasional price hikes affecting the oil price. In 2004, there will be pressure to raise raw material prices, especially in carbon fiber, as aircraft industry requirements are on the increase, causing growth in demand for some carbon fiber types.

**Industry division**

The net sales of the Industry division for the period January-September increased by 8.8% and totaled EUR 20.2 million (18.6). The division's profitability also remained good, and the operating profit increased to EUR 2.2 million (1.9). The Industry division's product sales continued to increase, despite the fact that its customers' manufacturing activities in basic products remained cautious. The price competition on the market is tight, which creates cost pressures.

Despite the caution in the market, the demand for specialty profiles is high. The profiles product group is carrying out several big R&D projects mainly focused on the automotive industry, infrastructure construction and wind energy.

The antenna profiles market took off in the summer, and demand has continued to increase in the autumn. Demand is expected to remain strong until next spring. The strong demand anticipates investments in 3G networks.

In the paper industry, machine capacity utilization rates remained low, which was reflected in the sales volumes of doctor blades. In the autumn Exel and Metso Corporation have agreed on renewal of their co-operation and product development agreement.

The lattice mast market picked up significantly in the beginning of the summer. Demand is expected to increase further as airports prepare to meet the new regulations set by the International Civil Aviation Organization (ICAO). The regulations, which come into effect in 2005, stipulate that the lattice masts used as support structures for airport lighting systems must break in the case of collision.

**Sport division**

The net sales of the Sport division during the period totaled EUR 20.5 million (19.4), up by 5.7% on the previous year. Profitability improved significantly, with the operating profit totaling EUR 1.7 million (0.9). The NFS™ concept is gradually conquering markets and arousing great interest in the otherwise slow-growing sports goods market.

The NFS™ and Nordic Walking markets in particular are still growing strongly in the German speaking countries of Central Europe. Exel's share of the market has remained extremely strong. At the moment, Nordic Walking is being introduced to new countries such as Australia, Canada, Japan and Estonia. Exel opened its first Nordic Fitness Sports™ Park in Saariselkä, Lapland this summer in co-operation with the International Nordic Walking Association. The park is equipped with signposts and the walking routes are clearly marked for the benefit of users. Similar parks have also been opened in Germany and Austria.

Laminate sales have not reached the set targets as customer production volumes have been lower than expected. The low product volumes of skis and snowboards and of specialty products have had the biggest effect. Exel has reorganized the operations of Exel GmbH Plastics by moving the printing of snowboard bases to subcontracting during the summer. In water sports, the demand for windsurfing masts has remained stable. Customer deliveries for the new collection began in September.

In the main floorball market areas, i.e. Finland, Sweden and Switzerland, market shares have remained virtually the same. The International Floorball Federation and companies operating in the field are working hard to introduce floorball to new countries, e.g. Germany, Canada and Russia, all prominent ice-hockey countries.

**Sales and profits**

The Group's net sales grew by 7.2% compared with the previous year. The distribution of net sales by division was as follows:

| Net sales (EUR million) |          |          |        |
|-------------------------|----------|----------|--------|
|                         | 1-9/2003 | 1-9/2002 | Change |
| Industry                | 20.2     | 18.6     | 8.8%   |
| Sport                   | 20.5     | 19.4     | 5.7%   |
| Total                   | 40.8     | 38.0     | 7.2%   |

Growth in the Sport division was mainly concentrated on Nordic Walking pole sales in Central Europe, which compensated for the low laminate sales in the Industry division, the strongest growth was experienced in antenna profiles sales and in new carbon fiber applications.

The Group's operating profit was EUR 3.9 million (2.9). The distribution of operating profit by division and the change compared with the previous year were as follows:

**Operating profit (EUR million)**

|          | 1-9/2003 | 1-9/2002 | Change |
|----------|----------|----------|--------|
| Industry | 2.2      | 1.9      | 12.0%  |
| Sport    | 1.7      | 0.9      | 78.3%  |
| Total    | 3.9      | 2.9      | 33.7%  |

Profitability continued to improve, due to increased sales, the improved productivity of the Sport division's production, and the cost savings conducted mainly in the Group's Finnish units.

**Net financial expenses**

Net financial expenses totaled EUR 339,000 (474,000). The decrease in financial expenses was the result of rearrangements made in short-term loans, and repayment of long-term loans.

**Balance sheet, financing and liabilities**

The balance sheet totaled EUR 34.4 million (36.0). Interest-bearing net liabilities decreased by 44.6%, totaling EUR 7.8 million (14.1). Liabilities remained practically the same.

**Capital expenditure**

Group capital expenditure totaled EUR 1.4 million (1.5). Investments have been kept on a low level. New investments were mainly concentrated on moulds and tools related to product development.

**Personnel**

On September 30, 2003, Group personnel totaled 342 employees (357). The decrease was due to the downsizing activities conducted in the Sport division.

**Shares and ownership**

Exel Oyj's share capital is EUR 1,854,755 divided into 5,299,300 shares each with a nominal value of EUR 0.35. The members of the Board of Directors and the President hold 98,100 shares, i.e. 1.9%.

The number of shares traded on the Helsinki Exchanges during the period under review amounted to 16.6 % of all shares. During the period the highest share price quoted was EUR 9.00, and the lowest EUR 5.50. The closing price for the review period was EUR 8.55. Market capitalization was EUR 45.3 million on September 30, 2003.

**Prospects for the rest of 2003**

The market outlook for the end of 2003 is positive. The popularity of Nordic Walking in Central Europe is increasing. The demand for antenna profiles remains good. Significant expenses are booked on new product developments. Cost pressures are growing due to increasing demand for certain raw materials. Based on these factors, the company estimates that its net sales for 2003 will increase and its operating profit will improve significantly from the previous year.

Mäntyharju, November 4, 2003

**Exel Oyj**  
Board of Directors

**Ari Jokelainen**  
President & CEO

**Consolidated Income Statement, EUR 1,000**

|  | 1-9/03        | 1-9/02        | Change %  | 1-12/02       |
|--|---------------|---------------|-----------|---------------|
| <b>NET SALES</b>   | <b>40,760</b> | <b>38,016</b> | <b>7</b>  | <b>51,203</b> |
| Increase(+)or decrease (-)of finished goods and work in progress | 619           | 716           | -14       | 422           |
| Production for own use   | 202           | 174           | 16        | 251           |
| Other operating income   | 323           | 440           | -27       | 770           |
| Materials and services   | -15,159       | -15,165       | 0         | -20,175       |
| Personnel expenses   | -10,435       | -9,837        | 6         | -13,198       |
| Depreciation   | -2,421        | -2,355        | 3         | -3,318        |
| Other operating expenses   | -10,039       | -9,110        | 10        | -12,153       |
| <b>OPERATING PROFIT</b>  | <b>3,850</b>  | <b>2,879</b>  | <b>34</b> | <b>3,802</b>  |
| Financial income and expenses (net)                              | -339          | -474          | -28       | -655          |
| <b>PROFIT BEFORE EXTRAORDINARY ITEMS</b>                         | <b>3,511</b>  | <b>2,405</b>  | <b>46</b> | <b>3,147</b>  |
| Extraordinary items  |               |               |           |               |
| <b>PROFIT BEFORE INCOME TAXES</b>                                | <b>3,511</b>  | <b>2,405</b>  | <b>46</b> | <b>3,147</b>  |
| Income taxes   | -1,074        | -715          | 50        | -921          |
| <b>PROFIT FOR THE PERIOD</b>                                     | <b>2,437</b>  | <b>1,690</b>  | <b>44</b> | <b>2,225</b>  |

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

**Consolidated Balance Sheet, EUR 1,000**

|   | 30.9.03       | 30.9.02       | Change %  | 31.12.2002    |
|---|---------------|---------------|-----------|---------------|
| <b>ASSETS</b>                               | <b>30,903</b> | <b>30,902</b> |           |               |
| <b>Non-current assets</b>                   |               |               |           |               |
| Intangible assets                           | 3,013         | 3,537         | -15       | 3,521         |
| Consolidation goodwill                      | 348           | 419           | -17       | 402           |
| Tangible assets                             | 10,205        | 11,096        | -8        | 10,636        |
| Investment                                  | 95            | 127           | -25       | 127           |
| <b>Current assets</b>                       |               |               |           |               |
| Inventories                                 | 8,697         | 8,883         | -2        | 7,962         |
| Receivables                                 | 9,753         | 11,119        | -12       | 6,635         |
| Marketable securities                       | 344           | 0             |           |               |
| Cash in hand and at bank                    | 1,938         | 851           | 128       | 2,525         |
| <b>Total</b>                                | <b>34,393</b> | <b>36,032</b> | <b>-5</b> | <b>31,807</b> |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b> |               |               |           |               |
| <b>Equity</b>                               |               |               |           |               |
| Share capital                               | 1,855         | 1,840         | 1         | 1,853         |
| Other equity                                | 14,465        | 12,462        | 16        | 13,086        |
| <b>Liabilities</b>                          |               |               |           |               |
| Deferred tax liability                      | 109           | 171           | -36       | 106           |
| Non-current                                 | 4,453         | 6,600         | -33       | 6,223         |
| Current                                     | 13,512        | 14,959        | -10       | 10,538        |
| <b>Total</b>                                | <b>34,393</b> | <b>36,032</b> | <b>-5</b> | <b>31,807</b> |

**Funds Statement, EUR 1,000**

|   | 1-9/03      | 1-9/02        | Change %  | 1-12/02    |
|---|-------------|---------------|-----------|------------|
| Cash flow from business operations                      | 2,884       | -175          | 1,748     | 5,348      |
| Invest in tangible and intangible assets                | -1,495      | -1,593        | -6        | -1,682     |
| Income from surrender of tangible and intangible assets | 102         | 42            | 143       | 57         |
| Rights issue  | 6           | 43            | -86       | 147        |
| Withdrawal of non-current loans                         | 54          | 50            | 8         | 71         |
| Repayments of non-current loans                         | -1,810      | -1,808        | 0         | -2,205     |
| Withdrawals of/repayments of current loans              | 1,060       | 4,228         | -75       | 679        |
| Dividend paid   | -1,060      | -1,840        | -42       | -1,840     |
| Other   | 16          | -30           | 153       |            |
| <b>Change in liquid funds</b>                           | <b>-243</b> | <b>-1,083</b> | <b>78</b> | <b>575</b> |

**Indicators, EUR 1,000**

|  | 30.9.03 | 30.9.02 | Change % | 31.12.2002 |
|--|---------|---------|----------|------------|
| Gross investment   | 1,393   | 1,545   | -10      | 2,014      |
| % of net sales   | 3%      | 4%      |          | 4%         |
| R&D expenses   | 1,248   | 823     | 52       | 1,113      |
| % of net sales   | 3%      | 2%      |          | 2%         |
| Average personnel  | 355     | 378     | -6       | 374        |
| Personnel at end of period                                       | 342     | 357     | -4       | 359        |
| Order book   | 8,870   | 8,723   | 2        | 7,564      |
| Solvency ratio, %  | 48%     | 40%     |          | 47%        |
| Return on investment, %  | 20%     | 14%     |          | 14%        |
| Net gearing, %   | 48%     | 99%     |          | 55%        |
| Earnings per share, EUR  | 0.46    | 0.32    | 44       | 0.42       |
| Equity per share, EUR  | 3.08    | 2.70    | 14       | 2.82       |
| <b>Consolidated contingent liabilities on September 30, 2003</b> |         |         |          |            |
| Corporate mortgages  | 12,500  | 12,500  |          | 12,500     |
| Mortgages on land and buildings                                  | 2,954   | 2,954   |          | 2,954      |
| Other contingent liabilities                                     | 2,477   | 3,312   |          | 2,694      |

Columns 1-9/03 and 1-9/02 are unaudited.