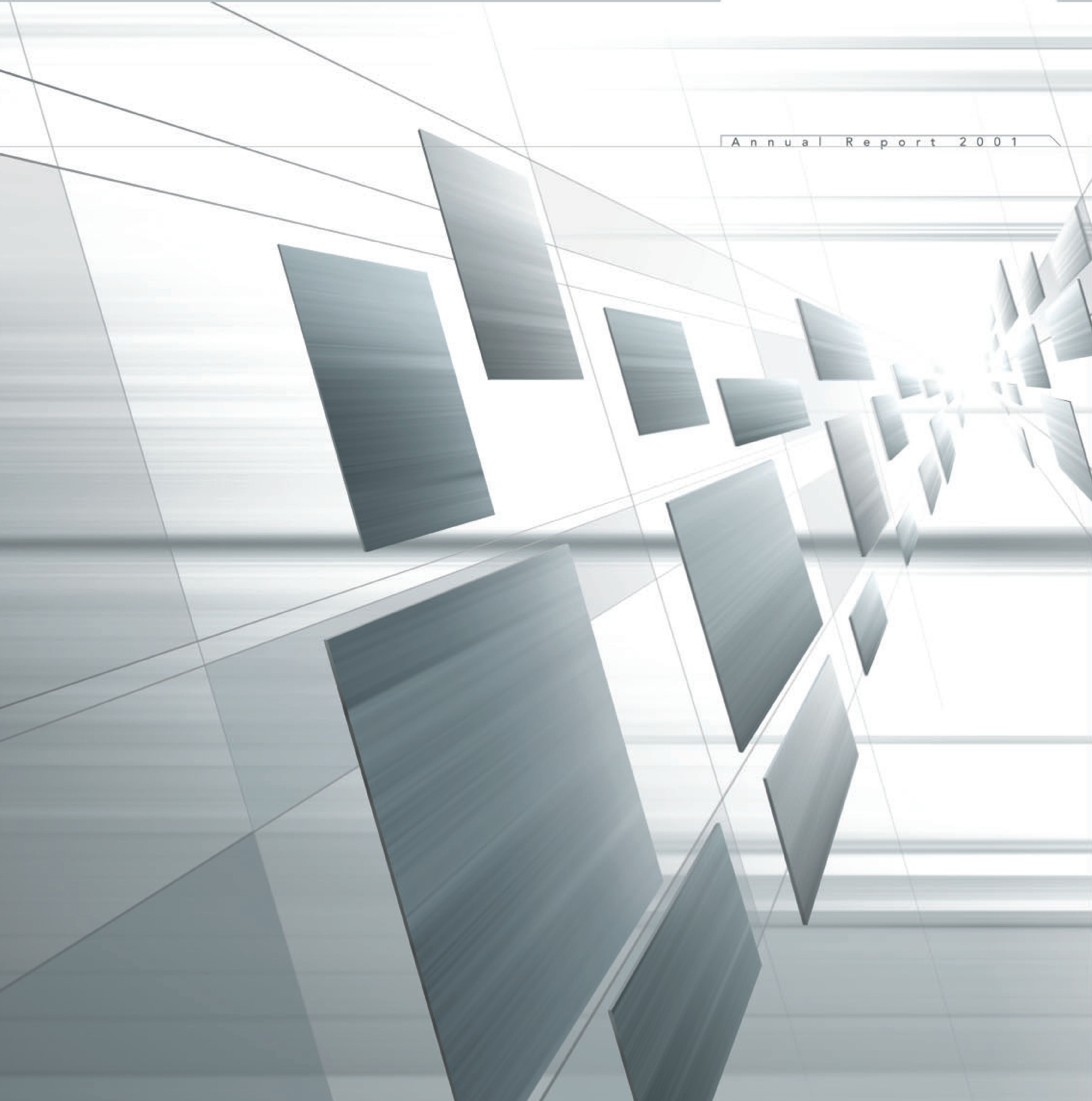
Annual Report 2001



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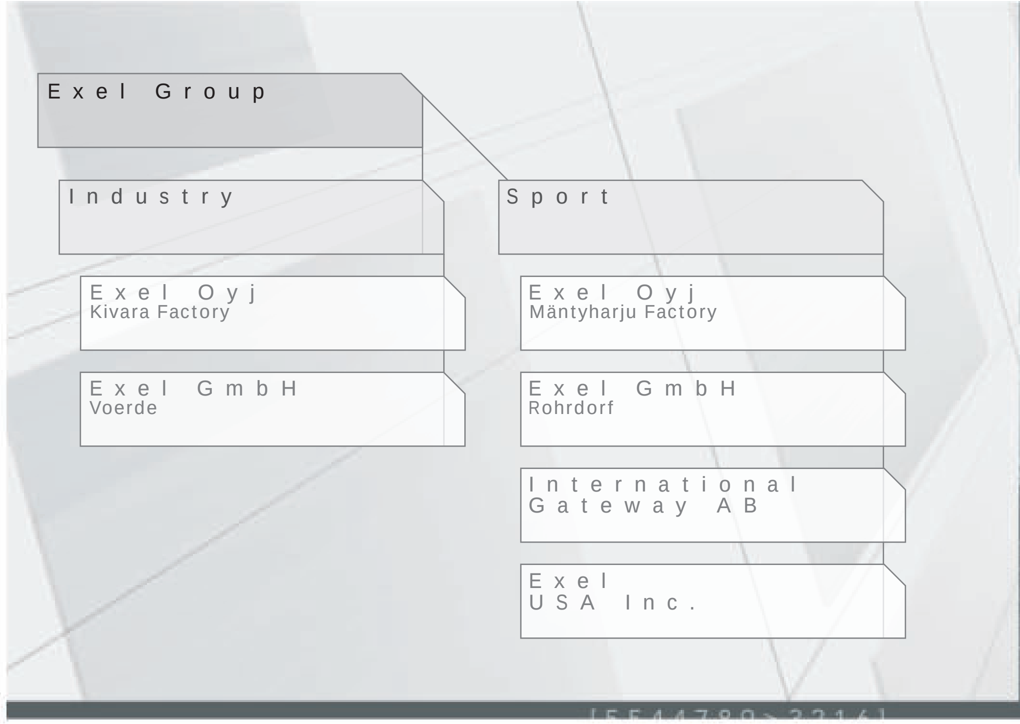
Annual Report 2001



Exel Oyj in brief

Exel Oyj is the leading composite technology enterprise in Europe. Exel designs, manufactures and markets composite - i.e. glass and carbon fibre reinforced - industrial profiles and sports and leisure equipment. The company's has two divisions: Industry and Sport. Exel's Finnish factories are located at Mäntyharju and Kiihtelysvaara. There are also two subsidiaries: Exel GmbH in Germany and International Gateway AB in Sweden. The German subsidiary has works at Rohrdorf in Southern Germany and at Voerde near the Dutch border. International operations account for approximately 70% of Exel's net sales.

The Industry division's product groups comprise profiles, doctor blades for paper machines, composite tool handles, and lattice masts. The profiles product group manufactures, among other things, antenna profiles for GSM and UMTS base stations and carbon fibre profiles used for reinforcing concrete structures, such as bridges. Doctor blades are used for cleaning paper machine rolls. Lattice masts are primarily marketed for airport safety approach systems. All products are supplied direct to industry.

The Sport division comprises the following product groups: poles, floorball, hockey, water sports, and laminates. Water sports articles and laminates are supplied direct to industry, while the other product groups are supplied to consumers through sports equipment stores. Exel is the world market leader in several of the above product groups.

2001 in brief

Net sales reached EUR 49.4 million, up 4%.

Profit after financial items was EUR 4.8 million (EUR 6.0 million) .

Earnings per share were EUR 0.64 (EUR 0.81).

Net sales by Industry increased by 9%.

Acquisition of Menzolit-Fibron GmbH's pultrusion business will reinforce Exel's position on profile markets in Continental Europe.

Targets and strategy

Exel's goal is to be the market leader in closely defined market segments relying on composite technology in which the company has outstanding expertise. In Industry, the target is to be the leading supplier of pultrusion profiles to European industry. In Sport, the strategic goal is to be the leading brand in selected niche segments.

Profitable expansion is sought via strong organic growth and, when necessary, strategic acquisitions. The growth target for net sales and profitability is at least an average of 15% per annum. Exel has a policy of distributing at least 40% of its net profit in dividends, provided that its investment schemes or extension plans do not require otherwise.

Highly skilled personnel and high-level technology are the key to Exel's operations. The foundation for our strategic targets lies in the unique production technology that we have developed, a product range based on it, and domination of selected market segments by means of strong quality and brand images. A continuous search for new applications and product development in cooperation with customers and other business associates provide the basis for our ongoing growth.

There is strong synergy between the business units, based on production technology developed by Exel, shared raw materials, and the economic benefits to be gained from common production units, management and administration.

Values

One of Exel's core values is customer satisfaction. We only manufacture products and provide services that meet specific, established customer needs. Our goal is long-lasting relations that will be of benefit to both parties. Furthermore, we continue to invest in developing our products and operations, so as to be able to offer a competitive advantage to customers purchasing our products and services. We also strive to give Exel a reputation for top-quality products among its customers.

By maintaining profitable operations, we endeavour to generate significant added value on the capital invested by our shareholders.

Exel's sphere of operations relies on high-standard management principles and methods. The company strives to ensure job permanency for its staff by operating profitably. It functions on the teamwork principle, with an emphasis on individual input and responsibility.

In all its operations, Exel is committed to the principles of the European chemical industry's Responsible Care programme. Exel has a certified ISO 9001 quality system. The aim is to obtain ISO 14001 environmental certification in 2002.

President's Review

2001 was an eventful year. In the first quarter, international industry, and Exel with it, still kept up a strong pace. With the approach of spring, however, demand slackened rapidly and market insecurity deepened. The events in the United States in September 2001 and their repercussions on Exel's principal market area, Continental Europe, weakened economic activity still further. Against this background, we can be satisfied with the 4% growth achieved in net sales.

In early 2001 Exel's profitability was considerably encumbered by large price increases for some of our most essential raw materials. Amid the tightening competition, the fallout from these increases could not be passed on to product prices. Furthermore, upgrading the Sport division's production operations proved not to be as successful as planned. Despite these challenges, profitability still remained satisfactory, return on investment being 21.9%. The profitability level we achieved represents the top league in our branch of industry.

Customized carbon and glass fibre reinforced profiles manufactured by the pultrusion method still remain the company's distinct focus and a future growth sector. The market insecurity had the strongest repercussions specifically on the Industry division, which was nevertheless able to write up an approximately 10% increase in net sales.

In the antenna profile market, early 2001 was a time of strong growth and capacity problems. However, the spring saw a swift let-up in demand, as teleoperators started putting off construction decisions concerning UMTS networks and planning collaboration in network construction with a view to optimizing investments in an insecure financial situation. This also gave rise to layoffs at the Kivara factory during the summer. Insecurity in the networks sector has continued, but current forecasts indicate that a significant pick-up can be expected on the market late in 2002, and during 2003 in particular.

The doctor blade product group made the best headway in Industry, where net sales showed an increase on the previous year in excess of 50%. The growth was due to new applications being put into production and to the expansion of Pinaltek, a business associate that is part of Metso Corporation, onto the export market. New product variants are being developed, and thus the future of the product group looks bright.

In the sphere of product development, we also made significant progress in several offshore product applications. Great interest has been shown in the use of carbon fibre since its price settled at a commercially reasonable level, and as exploitation of new deep-sea oil fields is projected for the future. The product development cycle in this field lasts several years, and 2001 was a time of constant testing for Exel, too. The first significant carbon fibre applications are expected to be put into production in three to five years.

In the autumn, we took a strategically important step when we acquired the pultrusion business of the German company Menzolit-Fibron GmbH. The acquisition was an important first step in consolidation of the pultrusion sector in Europe, which we believe will make headway in years to come.

We also gained some new customers, such as the European Organization for Nuclear Research (CERN). Existing machinery and staff capacity provided sufficient resources. Profitability was harder to achieve because of the pressures caused by raw material price hikes and the input required in development. Generally speaking, Industry can be said to have succeeded satisfactorily under difficult market conditions.

Net sales in the Sport division remained at the previous year's level. The market was competitive throughout the year, and no significant growth took place in Exel's product groups. There are clear indications of still keener competition as most sports equipment manufacturers seek new applications on conventional static markets.

The share of the sports equipment market claimed by leading retail chains and chain management is likely to increase. The chains are also striving to rationalize their logistics, which will entail concentration of product deliveries on fewer key suppliers. This also holds true for our product groups and presents us with a strategic challenge in deciding how operations should be developed if we are to be able to maintain our position as an important supplier of special products.

In the poles product group, our success derived from sales of Nordic Walking and Nordic Blading poles, as after several years' input some export markets, mainly in Continental Europe and Sweden, showed the first signs of opening up. This bodes well for the future. In cross-country poles, some of our mainly domestic market share was lost to cheap imports from Russia.

Laminate production was strong throughout the period, and a positive improvement was that the search for applications outside the sports equipment industry also yielded promising results. In the future, we must continue to develop our product range for a broader clientele.

In floorball, 2001 was similar to the previous year; there were no important product innovations either from us or from our competitors. Certain Continental countries showed significant growth in terms of percentages, but their impact on total volume was slight. Even so, they gave out a signal that the sport is spreading into new areas. This will be our goal in the future, too.

In water sports, the acquisition of the Fiberspar business meant that the US part of our mast production was relocated in early 2001 to our Mäntyharju factory, where production and material flows are beginning to be in good shape after some start-up problems. The market as such was brisk for the early part of the year, but we estimate that total demand in the field has decreased slightly. In the future, our main challenge will be to strongly upgrade production efficiency and to develop and commercialize high-end Ultra Light carbon fibre products.

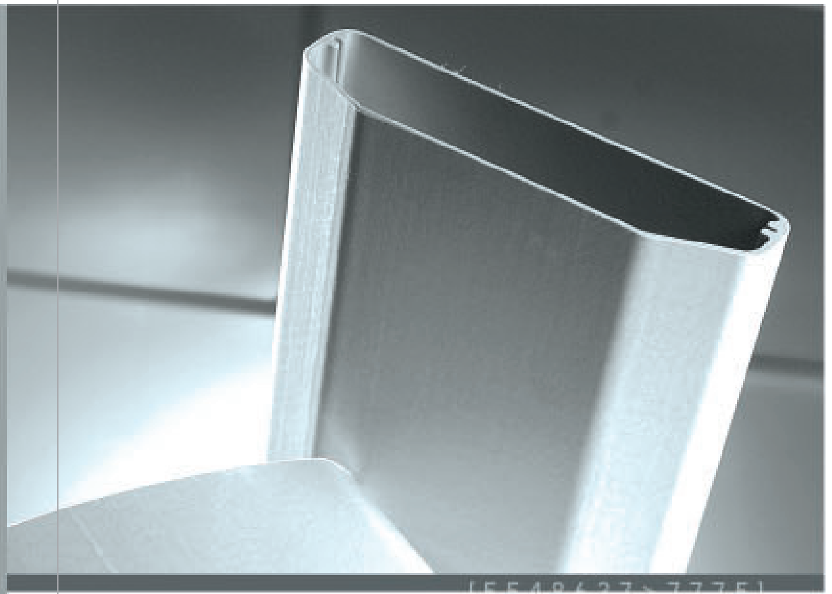
The profitability of the Sport division has sunk to an undesirable low level amid the tighter competition. With hard work and efficient methods, the present situation can be distinctly improved, however.

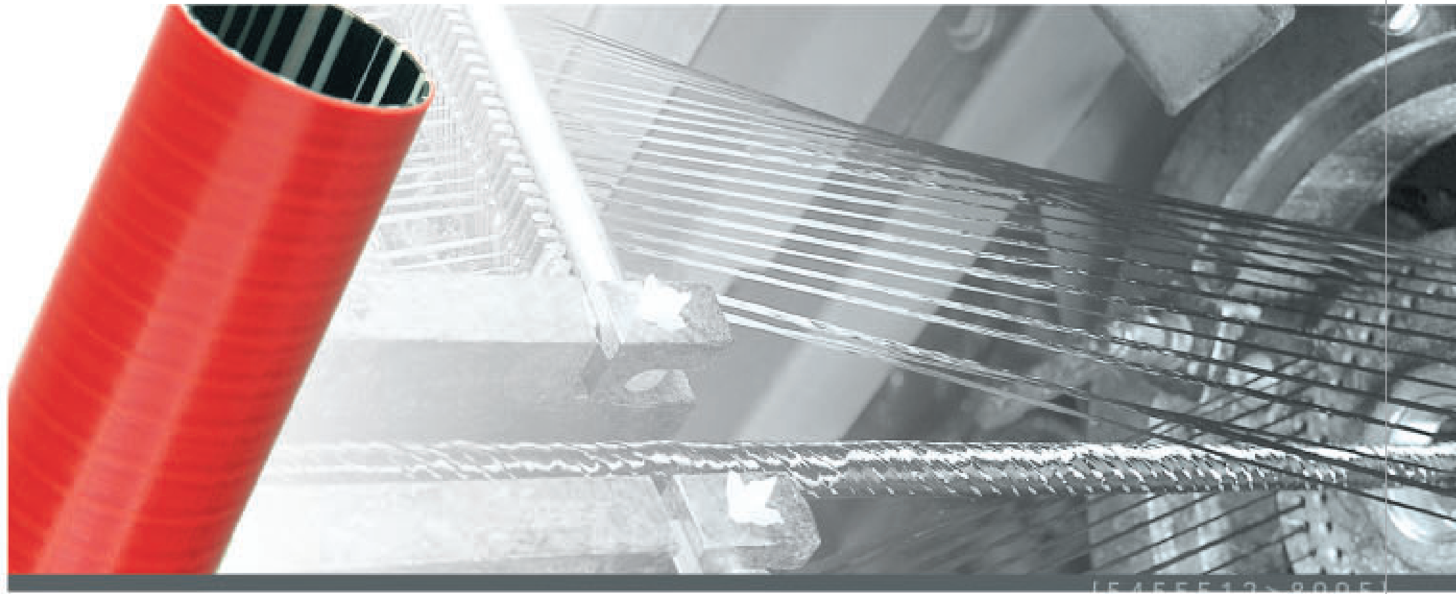
Investments in the past year were moderate, at approximately EUR 5.5 million, with the acquisition of Menzolit-Fibron GmbH accounting for the main part, or EUR 2.8 million. The numbers of our most significant asset, the personnel, remained about the same. We started the year with a staff of 378, and at the close of the year we were 371 altogether.

The quotation of the company share scored better than average in the strong cross-swell during the past year; from EUR 10.80 in early 2001 it rose to a high of EUR 12.26, fell during the summer to EUR 7.65, and rose again to EUR 9.90 at the start of 2002. I should like to thank our shareholders old and new and investment experts for their confidence in the company.

2001 offered prime experience of the reality of change in business life. The only thing that is certain is indeed change itself: it must be accepted, prepared for, and reacted to swiftly. In this way we will be able to ride the crest of the wave in the future as well. I should like to thank the entire personnel for their flexibility and hard work. Thanks are also due to our customers and business partners for the confidence they have shown in us during the past year.

Ari Jokelainen President





Industry division

The product groups handled by Exel's Industry are profiles, doctor blades for paper machines, tool handles, and lattice masts. We specialize in development, manufacture and marketing of durable and rigid lightweight composite profiles. Business grew favourably also in the year under review, despite the world-wide crisis in the early autumn.

Profiles

This product group comprises composite glass and carbon fibre tubes and profiles, all of which are tailored specifically for individual customers. Exel is the world's most important manufacturer of Pull-Winding tubes. Pull-Winding is a unique, continuous production technology developed by Exel. It offers considerable technological advantages compared with conventional pultrusion technology. Pull-Winding minimizes tube wall thickness, thereby maximizing product lightness, while maintaining rigidity and durability. Exel also specializes in carbon fibre pultrusion and is a world leader in manufacturing demanding carbon fibre profiles and tubes.

The profiles market continued to grow in 2001 as the advantages of composite material gained wider recognition. New expanding applications include the infrastructure, transport and building industries.

To safeguard its position as the leading European company in the pultrusion business and to serve its customers even better, Exel acquired the pultrusion business of the German firm Menzolit-Fibron GmbH in September 2001.

Sales in the profiles product group during the year were approximately at the previous year's level, despite the sudden slowdown in demand for antenna profiles for GSM base stations in winter-spring 2001. Intensive construction of UMTS networks, i.e. third generation mobile networks, is not expected to start until late 2002 at the earliest.

During the year under review, Exel launched some 40 new product applications onto the market. Growth is expected in the future mainly in offshore applications, solar cell profiles and windmill profiles.

Tool handles and telescopes

Exel is the biggest manufacturer of composite tool handles in Europe. During the year under review, deliveries of a novelty product, the EXtender™ telescopic handle, began. EXtender™ was well received by the market, as it supplements the handle product group with a variant that falls between one and two-part glass fibre handles for lighter use and more robust six-part carbon and glass fibre telescopes. EXtender™ is a versatile telescopic system that can be used for cleaning equipment, window cleaning, and tree pruners. New applications are being discovered all the time. The EXtender Trioval Concept, together with an efficient and handy locking mechanism, prevents the tubes from rotating during operation.

Doctor blades

Sales of doctor blade profiles, which have been developed in cooperation with Metso Corporation for transferring paper webs and cleaning paper machine rolls, showed good growth during the year under review. The doctor blade is a wearing part with a useful life of anything from two hours to two months. Compared with metal doctor blades, composite blades boost the productivity of the paper machine by shortening and reducing the number of down-times for blade maintenance and exchange.

2001 was the first year of independent operations for the doctor blade unit at Mäntyharju. Upgrading of production concentrated on boosting productivity; the improvement on the previous year was considerable.

Product development in cooperation with Metso Paper Inc. and its subsidiary Pinaltek Oy continued to be lively. During 2001, two new blade types were put into production, and altogether six different blades were manufactured. Intensive development work on the new products will continue during coming years as well. Export markets for doctor blades opened up during the year under review. Currently all significant paper manufacturers use blades manufactured by Exel.

Lattice masts

The product range comprises frangible lattice masts, primarily marketed for use as supporting structures for airport safety approach systems. Exel's masts meet the ICAO (International Civil Aviation Organisation) frangibility standard coming into force in 2005. According to the ICAO standard, all light mast systems must be completely frangible on impact.

Sales of lattice masts did not reach the target, since many decisions to implement mast projects were postponed. The biggest projects carried out in 2001 were Khomeini International Airport in Iran, Ahmedabad in India, Manado in Indonesia, Vienna in Austria, Londonderry and Exeter in the UK, and Porto in Portugal.

A major opening for a new application for military airfields was obtained in the UK. The first deliveries of masts used as supporting structures for dish antennas and lightning conductors in automatic safety approach systems were made towards the end of 2001. Deliveries will continue in 2002, and installation work will be completed in 2003. A preliminary agreement on marketing cooperation covering the military airfields of Western Europe has been concluded with the system supplier ITT Defence Ltd.

Sport division

Exel's Sport division comprises the following product groups: poles, water sports, laminates, floorball, Finnish baseball and hockey. Water sports articles and laminate products are sold direct to industry, while the other product groups focus on the consumer market.

Poles

Exel is the world's leading manufacturer and marketer of cross-country and Nordic Walking poles. In Sport, the laminates product group showed the strongest growth. Sales of new products, Nordic Walking and Nordic Blading poles, also showed a favourable trend. The introduction of Nordic Walking got off to a good start in Sweden, Norway, Germany, Austria and Switzerland, with considerable numbers of poles delivered. Marketing of Nordic Walking has also begun in France, Japan, Australia and North America. The largest inputs have been made in Continental markets, where the fastest growth is expected.

The pole range for Nordic Blading has been under development, and the marketing concept is being tested, mainly in Finland, Switzerland and Germany.

By contrast, markets for conventional cross-country skipoles contracted somewhat during the year under review. This was brought on by the poor snow situation in traditional skiing countries, fallout from the doping scandal that hit specifically the extensive Finnish market, and a general trend towards less interest in cross-country skiing. In addition, competition in the lower price categories has become tougher, mainly from ski and wax brands selling poles made in Russia.

There was a strong increase in demand for telescopic Trekking and Backcountry poles developed for trekking, Telemark and backcountry, though this demand could not totally be met because of technical launching problems. Demand for Alpine poles increased considerably. A clear shift from aluminium poles to composite poles can be seen in the market. Demand for composite poles has particularly increased in traditional Alpine skiing countries, such as Austria and Switzerland. The new Alpine pole collections, components and designs were well received on the market.

Water sports
The main product line in water sports is windsurfing masts sold to sail and board makers. All masts are sold under customer brands. Exel is the world's leading windsurfing mast manufacturer. In the year under review, demand in this line was at the projected level. In 2000, masts manufactured under the Fiberspar brand were sold directly to customers from the factory in the United States, but in 2001, Exel started delivering the masts 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 distribution costs.

Laminates
The laminates product group manufactures and markets glass and carbon fibre reinforced laminates for the ski, snowboard and ice-hockey stick industries. Laminates are used to ensure sufficient rigidity, while still achieving maximum durability and light weight. There are hundreds of different laminate types tailored to suit individual customers and products. Our range also covers polyethene-based ski and snowboard base and surface materials, production of which has been concentrated at the Group's German unit Exel GmbH.

Exel is one of the three main laminate suppliers in Europe. Laminate sales were up 10% on the previous year's figure. The growth was in industrial applications. The main focus in product development will continue to be on industrial applications.

Floorball
The floorball product group includes all equipment required for the game. The main product line is clubs, which Exel makes not only under its own Exel and Christian brands but also under a number of different customer brand names. Apart from clubs, the product group includes goalie outfits, balls, goals, rinks and other accessories.

Exel has reinforced its position as the world leader in floorball. The total market in great floorball countries such as Finland, Sweden and Switzerland is stable. We have succeeded in increasing sales in Sweden and Switzerland. The Swedish subsidiary International Gateway AB continued to be successful as part of the Group's floorball business. The project designed to spread the game to potential new countries in Continental Europe continued according to plan. The Czech Republic again showed the most promising growth. During 2001, product development concentrated primarily on further processing of shafts to meet the increasingly challenging demands of the game.

Other product groups
The Finnish baseball product group includes bats, balls, gloves and helmets. Exel makes the bats and balls itself and buys the rest from subcontractors. The product group helps to keep Exel's product names visible in sports equipment stores through the summer season, too. No significant changes were made in the bat and ball product range, which has proved to be good. In the glove product range, the main focus of product development was on gloves for competition players.

Hockey products comprise composite ice-hockey stick shafts, ice-hockey sticks, gloves and other accessories. The product range also includes shafts for ice-hockey, inline hockey, rinkball and ringette. Compared with a wooden stick, a composite stick has the advantage of maximum torsion stiffness, light weight and durability. The market share of composite sticks has been rising constantly. In about five years, approximately half of all net sales in the stick market are expected to be from composite sticks. In 2001, more than 60% of the players in the NHL already used a composite stick.

Towards the end of 2001, Exel broadened its stick and glove product range, and feedback is now expected from the market. The sticks have been very well received among players.

Exel GmbH
The operations of Exel's German subsidiary Exel GmbH are divided into Plastics, Profiles and Sport. Plastics produces bases and base and surface materials for the ski and snowboard industry in Rohrdorf, southern Germany. Profiles makes composite profiles, such as antenna profiles, using pultrusion technology in Voerde near the Dutch border, and Sport sells Exel poles, and floorball and hockey products to customers in Austria and Germany.

In 2001, net sales by Exel GmbH doubled. Sport sales grew vigorously, thanks to Nordic Walking. New products were developed for the ski and snowboard industry in 2001, and Menzolit-Fibron GmbH pultrusion operations were integrated with Exel GmbH in the autumn.

Plastics, Exel GmbH
A number of new products were developed for the ski and snowboard industry in 2001. Cooperation with major snowboard producers, such as Burton, Volkl and Elan continued to deepen. A new cross-country ski base material with good sales prospects for 2002 was developed jointly with Madshus. Surface and base materials developed by Exel GmbH performed well in Rossignol tests, and they will be used in Rossignol's 2003 product collection.

Profiles, Exel GmbH
Profiles operations began in autumn 2001, when the Menzolit-Fibron GmbH pultrusion business was integrated with Exel GmbH. The principal product is antenna profiles for GSM and UMTS networks.

Sport
Nordic Walking and Nordic Blading were introduced successfully on the German and Austrian markets. As a result of a massive marketing effort, the most important sports equipment chains and sports associations will start to promote these new fitness events vigorously. The International Nordic Walking Association INWA has expanded its network of instructors, and sales of Nordic Walking poles are expected to continue to develop extremely favourably in 2002. Sales of cross-country and Alpine poles also showed a good trend in the year under review.

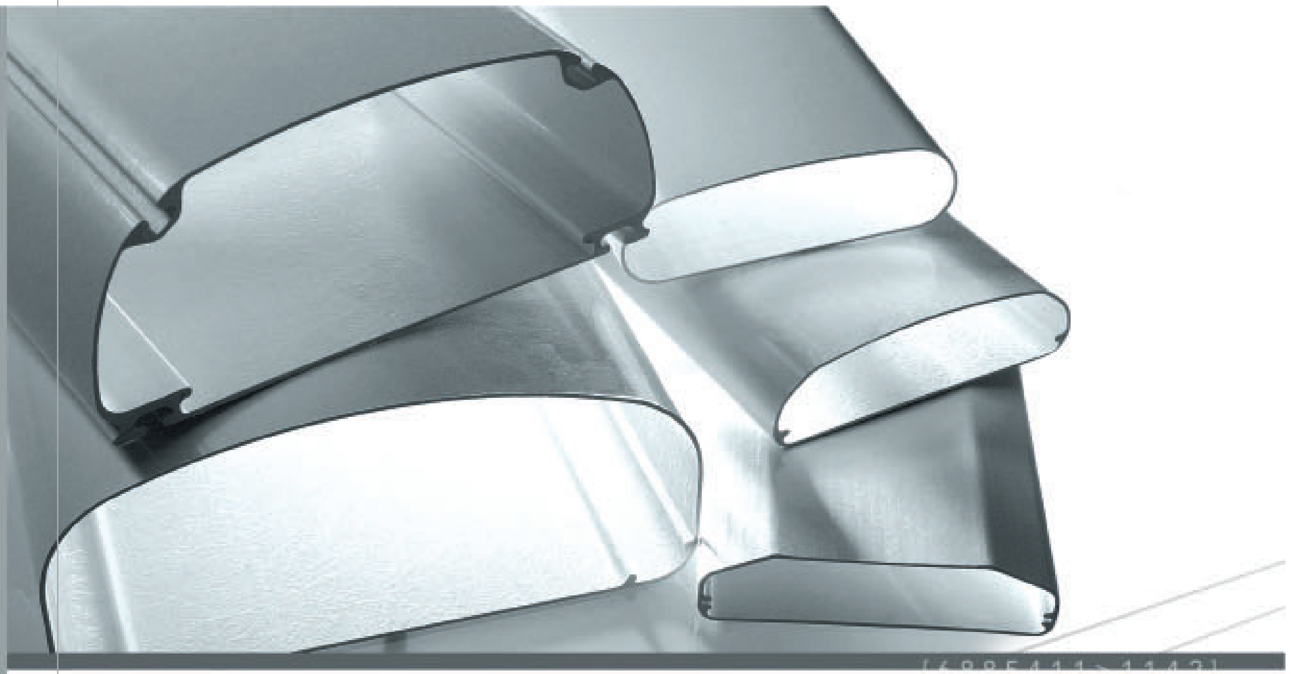
International Gateway AB
Exel's Swedish subsidiary International Gateway AB designs, markets and distributes floorball clubs under the brands Christian and Canadien. It is one of the leading suppliers in floorball as a part of Exel Group. Gateway's product range also includes a large assortment of technical textiles and other accessories needed in the game.

2001 was a successful year for Gateway. Net sales grew by 7% in a highly competitive market. On the whole, the floorball market continued to expand.

OEM sales, Gateway
Apart from the Christian brand, Gateway manufactures and markets floorball clubs under its customers' own brands. The licence agreement relating to the Canadien brand, concluded ten years ago with Hockey Company CCM/JOFA, has been very successful. An OEM agreement was concluded with IIC InterSport in 2000, and sales have developed very well. The product range includes medium-priced and lower-priced clubs under the brand Protouch.

The technical properties of products are becoming more and more important. Gateway has developed several blades that are technically very sophisticated. In 2001 Christian introduced the Magnum blade, which is extremely light in weight and has very high torsion stiffness. The blade was well received among consumers and is expected to sell well in 2002, too.

Report by the Board of Directors



Business operations

Consolidated net sales increased 4% during the period under review, amounting to EUR 49.4 (47.6) million. Operating profit was 18.5% down on 2001, at EUR 5.3 (6.5) million. Profitability remained good in the Industry division. In the Sport division, on the other hand, profitability declined on the previous year. Profit after financial items was EUR 4.8 (6.0) million. Profitability was primarily encumbered by higher raw material costs early in the year, quality costs, keener price competition in some of our principal market areas, and production inefficiency due to internal arrangements. The Group's personnel was more or less unchanged, numbering 371 (378) at the end of the year. Thirty employees were added to the staff when Exel acquired the pultrusion business of Menzolit-Fibron GmbH, Germany. However, relocating Exel USA Inc's production processes to Finland caused a corresponding fall.

The consolidated balance sheet total rose to EUR 33.3 (29.3) million, as a result of the incorporation of Menzolit-Fibron GmbH's pultrusion business into the Industry division. Despite the acquisition, solvency remained at a good level, i.e. 43.3% (44.3%).

Earnings per share were EUR 0.64 (0.81). Return on investment was 21.9% (34.6%).

Financing

Net interest-bearing liabilities reached EUR 10.6 (8.6) million because of the acquisition of Menzolit-Fibron GmbH's pultrusion business. Otherwise there was no reorganization of long-range financing. Thanks to the strong cash flow from business operations, amounting to EUR 1.4 (-0.3) million after investments, repayments of long-term loans were made in accordance with the schedule agreed upon in 2000. Net financial expenses, at EUR 0.5 million, were at the previous year's level (EUR 0.5 million).

Industry division

The Group's main focus, the Industry division, continued to grow despite postponement of the construction of third generation networks related to the antenna profile market and the world-wide slump in the autumn and its repercussions on Exel's principal market area, Continental Europe. Net sales increased by 9.1%, amounting to EUR 21.9 (20.1) million. Operating profit remained good at EUR 3.3 (3.6) million. The majority of the growth in net sales came from the doctor blade business. Doctor blade sales are expected to experience rapid growth in the future, too, since new product applications are in the pipeline.

In order to strengthen its competitiveness in the antenna profile market and to serve its customers even better, Exel acquired the pultrusion business of the German firm Menzolit-Fibron GmbH in September 2001. The acquisition improves Exel's access to its principal market area, Continental Europe, where its main customers are located. Likewise, Exel's technological basis was strengthened when Menzolit-Fibron GmbH's know-how in fire-resistant resins and die injection technology was transferred to Exel. This technology has certain environmental benefits and will allow savings in raw materials. Annually, Exel's net sales are expected to grow by approximately EUR 5 million as a result of this acquisition.

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 tests carried out. The test results will be ready in early 2002. Tethers and other offshore industry product applications are expected to develop into a significant application of the pultrusion industry in the next three to five years or so.

The energy business offers several applications for glass and carbon fibre profiles. Significant growth in coming years is expected in profiles for windmill blades and solar cell profiles, for example.

During the year under review, several new product applications were developed, the most important relating to the doctor blade business and offshore industry. The profiles product group currently has more than 600 different customer applications in continuous annual production.

Sport division

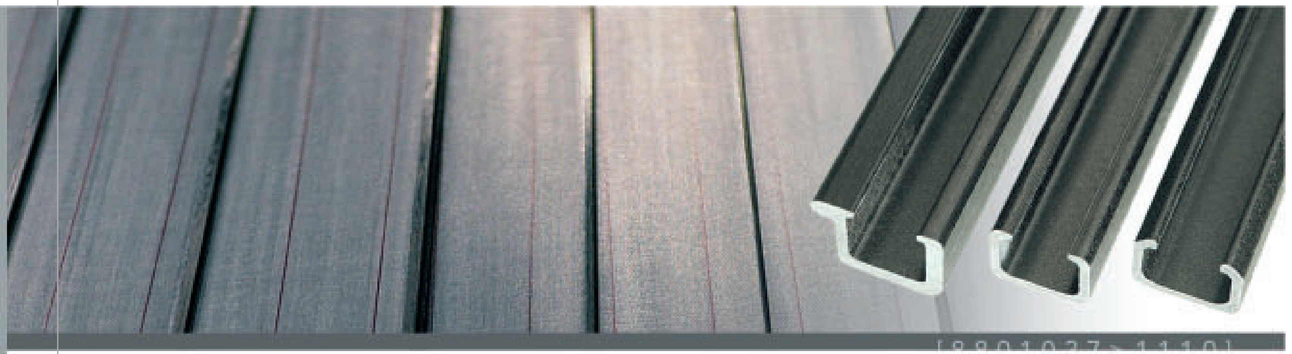
Net sales in the Sport division remained at the previous year's level, at EUR 27.4 (27.5) million. Sport's operating profit amounted to EUR 2.0 (2.9) million. The market was competitive throughout the year and no significant growth took place. The strongest increase was primarily in Nordic Walking poles, special poles and laminates. Nordic Walking looks likely to spread energetically into Continental Europe. We succeeded in developing product applications for other branches of industry, as well as for the conventional sports equipment industry. Future product development will also concentrate on new markets for these products.

In water sports, relocation of Fiberspar production from the United States to the Mäntyharju factory proved a more challenging task than expected, both technically and in terms of schedule. Production got into full swing in the late autumn. In future, the focus will be on improving productivity and developing new, technically sophisticated products.

The floorball market was stable and Group sales at the previous year's level. Sales to new countries in Continental Europe made some headway.

Corporate organization

The Group consists of the parent company Exel Oyj in Finland and two operating subsidiaries abroad, i.e. Exel GmbH in Germany and International Gateway AB in Sweden. Both of these subsidiaries are owned in full by the parent company. Exel GmbH makes thermoplastic components for the European ski and snowboard industry in Rohrdorf, and antenna profiles and other profiles in Voerde. International Gateway develops, markets and sells the floorball brands under its control. Exel USA has had no operations since spring 2001. The parent company also owns a subsidiary named Pro Stick Oy, but it had no operations in 2001, either.



Ownership

Exel Oyj's shares are quoted on Helsinki Exchanges Main List under Other Industries. Exel's largest shareholder is Nordstjernan AB, a Swedish investment company, which owned 33.3% at the end of 2001. Other major owners include Metso Capital Oy (10.5%), Ilmarinen Mutual Pension Insurance Company (9.5%) and Varma-Sampo Mutual Pension Insurance Company (4.9%). The operative management and the members of the Board own 1.3% of the stock. At the end of 2001, the company had a total of 882 owners.

Exel Oyj's Annual General Meeting on March 28, 2001 decided to issue option rights targeted at key personnel in the Group and at Exel's wholly owned subsidiary Pro Stick Oy. Exel's Board of Directors granted a total of 343,000 warrants to key personnel. The remainder of the warrants were issued to Pro Stick to be granted later to present or future key personnel of the Exel Group. The company personnel subscribed 343,000 warrants and Prostick Oy 27,000. The subscription period for shares with A warrants begins on June 1, 2002 and that for shares with B warrants on October 1, 2003. The subscription period for exercising all warrants ends on April 30, 2006.

Exel Oyj's share capital is EUR 1,840,265, comprising 5,257,900 shares each with a book countervalue of EUR 0.35. There is only one share type and all the shares are non-restricted in accordance with Finnish law. The quoted price of the share at the end of 2001 was EUR 9.90 (10.80); the market capitalization was EUR 52.1 (56.6) million.

Investments and product development

Investments remained close to the previous year's level, at EUR 5.5 (5.6) million. The largest investment related to the acquisition of the pultrusion business of Menzolit-Fibron GmbH (approximately EUR 2.8 million). Other investments were mainly in production lines in the Industry division and tools and moulds.

Product development expenditure amounted to EUR 1.2 (1.4) million, which is 2.5% (2.9%) of net sales. In the Industry division, key projects related to the development of new customer applications, including solar cell profiles, profiles for CERN's particle accelerator, and doctor blade profiles. Furthermore, special inputs went into testing new resin and reinforcement materials with a view to improving process efficiency. The Sport division concentrated primarily on structural and process development related to windsurfing masts.

Insider regulations

As of March 1, 2000, Exel adopted insider regulations complying with the general insider trading guidelines issued by Helsinki Exchanges.

Management

Kari Haavisto was Chairman of the Board of Directors for the year under review. The members were Peter Hofvenstam, Vesa Kainu, Juhani Sammasmaa and Mika Sulin. Peter Hofvenstam and Juhani Sammasmaa were elected by the spring 2001 Annual General Meeting, and Olli Anttila and Pentti Piisku also then resigned from the Board. Ari Jokelainen is President and Vesa Korpimies Vice President of the company.

Auditors

Authorized Public Accountants PricewaterhouseCoopers Oy, with Christian Savtschenko-Alexandroff, APA, as the principally responsible auditor, and Johan Kronberg, APA, were the company auditors.

Outlook for 2002

Antenna profile markets are projected to pick up, but not until the latter half of 2002 at the earliest. Raw material prices are expected to remain stable. Internal restructuring within the Sport division will still call for resources. New growth potential in the offshore business and other sectors of Industry will also require some input in 2002. Based on the above the Group's net sales are expected to grow and the corrective measures taken in production and quality are expected to enhance profitability.

Income Statement, EUR thousands

	Group		Parent Company	
	2001	2000	2001	2000
NET SALES	49,362	47,609	44,083	40,305
Increase(+)/Decrease(-) in inventories of finished goods and work in progress	531	818	551	602
Production for own use	344	275	344	275
Other operating income	560	341	492	637
Materials and services	-19,538	-18,232	-17,525	-16,018
Personnel expenses	-12,121	-11,842	-10,037	-8,753
Depreciation	-2,888	-2,444	-2,493	-2,109
Other operating expenses	-10,950	-10,019	-9,993	-8,400
OPERATING PROFIT	5,300	6,506	5,422	6,539
Financial income and expenses	-520	-482	-398	-392
PROFIT BEFORE EXTRAORDINARY ITEMS	4,780	6,024	5,025	6,147
Extraordinary items				
PROFIT BEFORE INCOME TAXES	4,780	6,024	5,025	6,147
Appropriations			116	32
Direct taxes	-1,416	-1,788	-1 491	-1,799
PROFIT FOR THE YEAR	**3,364**	**4,236**	**3,650**	**4,379**

	Group 2001	Group 2000	Parent Company 2001	Parent Company 2000
ASSETS				
NON-CURRENT ASSETS				
Intangible assets				
Intangible rights	33	86	20	69
Goodwill	3,588	2,247	1,946	2,247
Other capitalized expenditure	338	335	338	330
	3,959	2,668	2,304	2,646
Consolidated goodwill	473	545		
Intangible assets				
Land and water	123	123	123	123
Buildings	2,953	3,008	2,949	2,997
Machinery and equipment	7,259	5,307	5,602	4,601
Construction in progress	1,088	1,634	1,088	1,634
	11,423	10,072	9,762	9,355
Investments				
Holdings in Group companies	3	3	1,191	1,191
Other shares and holdings	124	124	124	124
	127	127	1,315	1,315
TOTAL NON-CURRENT ASSETS	15,982	13,412	13,382	13,316
CURRENT ASSETS				
Inventories				
Raw materials and consumables	4,972	4,638	4,108	4,053
Work in progress	905	1,046	871	1,002
Finished products	2,025	1,349	1,629	946
	7,903	7 033	6,607	6,002
Current receivables				
Trade receivables	6,290	6,605	4,899	5,233
Receivables from Group companies			4,986	2,173
Other receivables	350	62	58	28
Prepaid expenses and accrued income	705	1,438	611	1,401
	7,345	8,105	10,555	8,834
Deferred tax assets	142	164		
Cash in hand and at bank	1,934	571	1,660	331
TOTAL CURRENT ASSETS	17,324	15,873	18,822	15,167
	33,306	**29,285**	**32,204**	**28,484**

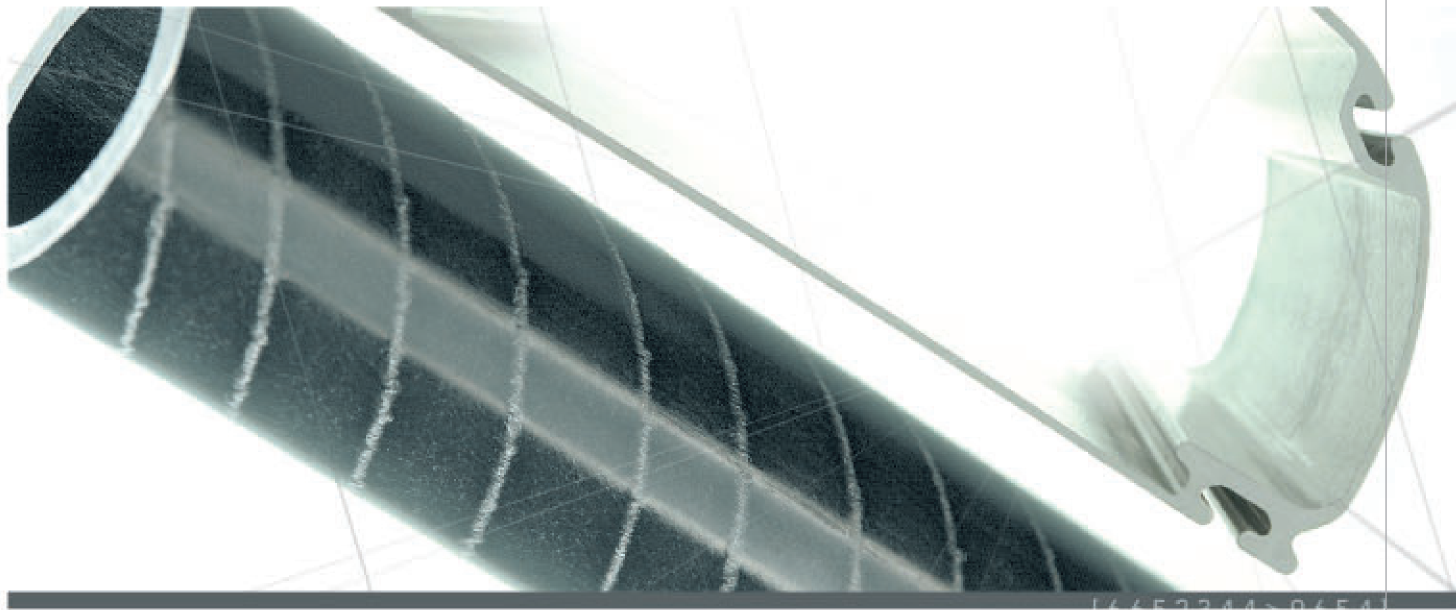
Balance Sheet, EUR thousands

	Group 2001	Group 2000	Parent Company 2001	Parent Company 2000
LIABILITIES AND SHAREHOLDERS' EQUITY				
EQUITY				
Share capital	1,840	1,834	1,840	1,834
Premium fund	2,763	2,696	2,763	2,696
Retained earnings	6,433	4,185	6,282	3,894
Profit for the financial year	3,364	4,236	3,650	4,379
TOTAL EQUITY	14,400	12,951	14,536	12,803
APPROPRIATIONS				
Depreciation difference			582	698
PROVISIONS				
LIABILITIES				
Deferred tax liabilities	169	203		
Non-current liabilities				
Warrant bond		48		48
Loans from financial institutions	8,231	7,092	8,231	6,851
Other non-current liabilities	106	63	106	63
	8,337	7,202	8,337	6,962
Current liabilities				
Loans from financial institutions	4,152	2,008	3,496	1,912
Trade payables	3,207	3,494	2,813	3,129
Liabilities to Group companies			54	56
Other liabilities	665	410	297	350
Accrued liabilities and deferred income	2,377	3,017	2,089	2,574
	10,400	8,930	8,749	8,020
TOTAL LIABILITIES	18,906	16,335	17,086	14,982
	33,306	**29,285**	**32,204**	**28,484**

Funds Statement, EUR thousands

	Group		Parent Company	
	2001	2000	2001	2000
Cash flow from business operations				
Operating profit	5,300	6,506	5,422	6,539
Operating profit adjustments	2,922	2,453	2,458	2,097
Change in net working capital	787	-3 731	-2,493	-4,283
Interest paid and other financial expenses	-540	-495	-509	-447
Interest received	34	43	93	85
Income taxes paid	-2,161	-2,059	-2,161	-2,058
Cash flow from business operations	**6,342**	**2,717**	**2,810**	**1,933**
Investment cash flow				
Investments in tangible and intangible assets	-6,337	-5,558	-2,586	-5,273
Income from surrender of tangible and intangible assets	61	193	61	193
Investment cash flow	**-6,276**	**-5,365**	**-2,525**	**-5,080**
Cash flow before financing	**66**	**-2,648**	**285**	**-3,147**
Cash flow				
Rights issue	74		74	
Withdrawals of non-current loans	3,627	5,076	3,627	5,076
Repayments of non-current loans	-1,838	-1,457	-1,838	-1,400
Withdrawals of/repayments on current loans	1,489	-72	1,172	149
Dividend paid	-1,991	-1,572	-1,991	-1,572
Other	-64	-97		
Cash flow	**1,297**	**1,878**	**1,044**	**2,253**
Change in liquid funds	**1,363**	**-770**	**1,329**	**-894**
Liquid funds on January 1	571	1,341	331	1,225
Liquid funds on December 31	**1,934**	**571**	**1,660**	**331**

Principles Applied in Consolidated Financial Statements



Consolidated subsidiaries

Apart from the parent company, the consolidated financial statements include the subsidiaries Exel GmbH, International Gateway AB and Exel USA Inc. No figures are included for Pro Stick Oy, since it had no business operations in 2001. The consolidated financial statements can be viewed at the corporate headquarters at Uutelantie 24 B, Mäntyharju, Finland.

Consolidation

As far as the subsidiaries are conserned, the consolidation was carried out using the acquisition cost method. The difference between the acquisition cost of the subsidiary and the equity corresponding to the purchased holding was entered as consolidation goodwill to be depreciated over ten years.

Business between Group companies was eliminated. The income statements of the subsidiaries abroad were converted into euros at the monthly average of the conversion rates quoted by the European Central Bank. The balance sheets were correspondingly converted into euros at the central rate at the end of the financial period. Conversion differences were recorded in the consolidated accounts under equity.

Items denominated in foreign currency

Internal receivables and liabilities denominated in foreign currencies were converted into euros at the central rate on the date of closing.

Fixed assets

The book value of fixed assets in the balance sheet is the acquisition cost less subsidies received and planned depreciation.

Depreciation principle

Planned depreciation is calculated on the basis of economic life as a straight-line depreciation on the original cost.

Pension expenses

The Group's pension arrangements follow the law on pension coverage.

Deferred tax liabilities and assets

Depreciation accumulated by the parent company in excess of what had been planned was divided into deferred tax liabilities and shareholders' equity in the consolidated balance sheet. The tax rate on the date of closing was applied. The proportion of the accumulated depreciation difference included in equity was EUR 413,000 on December 31, 2001. The Companies Act does not regard this as distributable equity. The EUR 169,000 in deferred tax liabilities were shown as a separate item in the balance sheet. Deferred tax assets related to losses made by subsidiaries amounted to EUR 142,000.

Direct taxes

Taxes allocated to the financial period under review and to previous financial periods were treated on an accrual basis and recorded in the income statement.

EUR 1,000	Group 2001	Group 2000	Parent company 2001	Parent company 2000
1. NET SALES				
By division				
Sport	27,436	27,511	23,256	20,207
Industry	21,926	20,098	20,827	20,098
Total	49,362	47,609	44,083	40,305
By market area				
Finland	13,504	13,580	13,149	13,058
Other Nordic countries	5,241	5,067	4,955	4,978
Rest of Europe	26,415	24,172	22,766	20,024
North America	3,370	3,754	2,569	1,668
Other countries	832	1,036	644	577
Total	49,362	47,609	44,083	40,305
2. PERSONNEL EXPENSES				
Management salaries and remunerations				
President and managing directors	417	354		
Members of the Board	70	56	70	56
Total	487	410	70	56
Average personnel employed by the Group and the parent company				
Salaried employees	99	82	74	64
Non-salaried employees	257	268	237	215
Total	356	350	311	279

EUR 1,000	Group 2001	Group 2000	Parent company 2001	Parent company 2000

3. DEPRECIATION

Fixed assets have been entered in the balance sheet at cost after deduction of planned depreciation. Planned depreciation is calculated on the basis of economic life, as a straight-line depreciation on the original cost.

Planned depreciation periods

Buildings	5-20 years
Machinery and equipment	3-8 years
Other capitalized expenditure	3-8 years
Goodwill	10 years
Intangible rights	3-5 years
Consolidation goodwill	10 years

Goodwill from the parent company's corporate acquisitions and the purchase of Fiberspar Inc. Performance Products, and consolidation goodwill from the acquisition of Gateway International AB are depreciated over 10 years, which is the estimated income expectation period.

Goodwill from the acquisition of Menzolit-Fibron's pultrusion business by Exel GmbH is depreciated over 10 years, which is the estimated income expectation period.

Planned depreciation

EUR 1,000	Group 2001	Group 2000	Parent company 2001	Parent company 2000
Intangible rights	58	96	50	92
Goodwill	342	250	300	250
Other capitalized expenditure	90	64	86	58
Consolidation goodwill	72	72		
Buildings	259	222	252	215
Machinery and equipment	2,067	1,740	1,805	1,494
Total	2,888	2,444	2,493	2,109
Change in depreciation difference				
Buildings			45	
Machinery and equipment			71	-32
Total			116	-32
4. OTHER OPERATING EXPENSES				
Rents	540	375	445	204
Marketing expenses	1,693	1,658	1,428	1,209
Other expenses	8,717	7,986	8,120	6,987
Total	10,950	10,019	9,993	8,400

EUR 1,000	Group 2001	Group 2000	Parent company 2001	Parent company 2000
5. FINANCIAL INCOME AND EXPENSES				
Other interest and financial income				
From Group companies			99	54
From others	228	438	219	426
Total	228	438	318	480
Interest and other financial income				
To others	748	920	716	872
Total financial income and expenses	-520	-482	-398	-392
6. APPROPRIATIONS				
Difference between planned depreciation and depreciation made in taxation			116	-32
7. DIRECT TAXES				
Income tax on actual operations	1,427	1,874	1,491	1,799
Change in deferred tax liabilities	-11	-86		
Total	1,416	1,788	1,491	1,799

EUR 1,000	Group 2001	Group 2000	Parent company 2001	Parent company 2000
8. INTANGIBLE AND TANGIBLE ASSETS				
Intangible rights				
Acquisition cost Jan. 1	376	355	354	354
Increase 1.1.-31.12.	4	21		
Decrease 1.1.-31.12.				
Acquisition cost Dec. 31	380	376	354	354
Accumulated planned depreciation Jan. 1	-290	-194	-285	-193
Planned depreciation 1.1.-31.12.	-58	-96	-50	-92
Book value Dec. 31	33	86	20	69
Goodwill				
Acquisition cost Jan. 1	3,141	1,653	3,141	1,653
Increase 1.1.-31.12.	1,684	1,488		1,488
Acquisition cost Dec. 31	4,825	3,141	3,141	3,141
Accumulated planned depreciation Jan. 1	-894	-644	-894	-644
Planned depreciation 1.1.-31.12.	-342	-250	-300	-250
Book value Dec. 31	3,588	2,247	1,947	2,247
Capitalized expenditure				
Acquisition cost Jan. 1	792	657	773	638
Increase 1.1.-31.12.	94	135	94	135
Acquisition cost 31.12.	886	792	866	773
Accumulated planned depreciation Jan. 1	-458	-394	-443	-385
Planned depreciation 1.1.-31.12.	-90	-64	-85	-58
Conversion difference		1		
Book value Dec. 31	338	335	338	330
Consolidation goodwill				
Acquisition cost Jan. 1	719	719		
Increase 1.1.-31.12.				
Acquisition cost Dec. 31	719	719		
Accumulated planned depreciation Jan. 1	-174	-102		
Planned depreciation 1.1.-31.12.	-72	-72		
Book value Dec. 31	473	545		

EUR 1,000	Group 2001	Group 2000	Parent company 2001	Parent company 2000
Land and water				
Acquisition cost Jan. 1	123	116	123	116
Increase 1.1.-31.12.		7		7
Acquisition cost Dec. 31	123	123	123	123
Book value Dec. 31	123	123	123	123
Buildings				
Acquisition cost Jan. 1	3,821	3,507	3,788	3,474
Increase 1.1.-31.12.	204	314	204	314
Acquisition cost Dec. 31	4,025	3,821	3,992	3,788
Accumulated planned depreciation Jan. 1	-813	-591	-791	-576
Planned depreciation 1.1.-31.12.	-259	-222	-252	-215
Conversion difference				
Book value Dec. 31	2,953	3,008	2,949	2,997
Machinery and equipment				
Acquisition cost Jan. 1	11,217	9,166	9,920	8,144
Increase 1.1.-31.12.	4,067	2,304	2,833	2,029
Decrease 1.1.-31.12.	-32	-253	-27	-253
Acquisition cost Dec. 31	15,252	11,217	12,726	9,920
Accumulated planned depreciation Jan. 1	-5,915	-4,244	-5,319	-3,895
Accumulated depreciation on decreases		70		70
Planned depreciation 1.1.-31.12.	-2,067	-1,740	-1,805	-1,494
Conversion difference	-11	4		
Book value Dec. 31	7,259	5,307	5,602	4,601
Undepreciated acquisition cost of production machinery and equipment	6,932	4,952	5,275	4,246
Accumulated planned depreciation Dec. 31				
Intangible rights	348	290	335	285
Goodwill	1,236	894	1,194	894
Capitalized expenditure	548	458	528	443
Consolidation goodwill	246	174		
Buildings	1,072	813	1,043	791
Machinery and equipment	7,981	5,914	7,124	5,319
Total	11,431	8,543	10,225	7,732
Accumulated difference between total and planned depreciation Jan. 1			698	730
Decrease in depreciation difference 1.1.-31.12.			-116	-32
Accumulated difference between total and planned depreciation Dec. 31			582	698

EUR 1,000	Group 2001	Group 2000	Parent company 2001	Parent company 2000
Shares				
Group companies				
Acquisition cost Jan. 1			1,191	1,191
Acquisition cost Dec. 31			1,191	1,191
Other shares and holdings				
Acquisition cost Jan. 1	124	99	124	99
Increase 1.1.-31.12.		25		25
Acquisition cost Dec. 31	124	124	124	124

9. COMPANIES OWNED BY PARENT COMPANY

SHARES IN SUBSIDIARIES

Owned by the parent company Name of company	Proportion owned %	Share of equity EUR 1,000	Profit/loss according to latest accounts EUR 1,000
Pro Stick Oy, Mäntyharju, Finland	100	6	0
Exel USA Inc., Atlanta, USA	100	-76	-275
Exel GmbH, Rohrdorf, Germany	100	104	64
International Gateway AB, Piteå, Sweden	100	51	1

EUR 1,000	Group 2001	Group 2000	Parent company 2001	Parent company 2000
10 . RECEIVABLES				
Current receivables				
Receivables from Group companies				
Trade receivables			632	217
Loan receivables			3,998	998
Other receivables				673
Prepaid expenses and accrued income			356	285
Total			4,986	2,173
Receivables from others				
Trade receivables	6,290	6,605	4,899	5,233
Other receivables	350	62	58	28
Prepaid expenses and accrued income	705	1,438	611	1,401
Total	7,345	8,105	5,569	6,661
Deferred tax assets	142	164		
Total current receivables	7,487	8,269	10,555	8,834
11 . EQUITY				
Share capital Jan. 1	1,834	1,763	1,834	1,763
Increase in share capital	6		6	
Bonus issue		71		71
Share capital Dec. 31	1,840	1,834	1,840	1,834
Premium fund Jan. 1	2,696	2,767	2,696	2,767
Increase in share capital	68		68	
Transfer to share capital at time of bonus issue		-71		-71
Premium fund Dec. 31	2,763	2,696	2,763	2,696
Reserve fund Jan. 1				
Transfer from reserve fund to premium fund				
Reserve fund Dec. 31				
Retained earnings	8,421	5,760	8,273	5,466
Dividend distributed	-1,991	-1,572	-1,991	-1,572
Conversion differences	3	-3		
Retained earnings	6,433	4,185	6,282	3,894
Profit for the financial period	3,364	4,236	3,650	4,379
Total equity	14,400	12,951	14,535	12,803

Up to July 9, 2000, the share capital was EUR 1,762,609.47 (equivalent FIM 10,480,000) divided into 5,240,000 shares with a nominal value of EUR 0.34 (equivalent FIM 2). After registration of the bonus issue on July 10, 2000, the share capital is EUR 1,834,000.00 divided into 5,240,000 shares. The 10,200 shares subscribed on March 21, 2001 under A warrants related to the warrant bond targeted at Exel's key personnel in 1998 were entered in the Trade Register on March 22, 2001.

A total of EUR 43,758 was paid for the shares, and EUR 40,188 of this was entered in the premium fund. As a result of the subscriptions, Exel's share capital rose by a total of EUR 3,570. Exel's registered share capital was EUR 1,837,570, or 5,250,000 shares, on March 22, 2001.

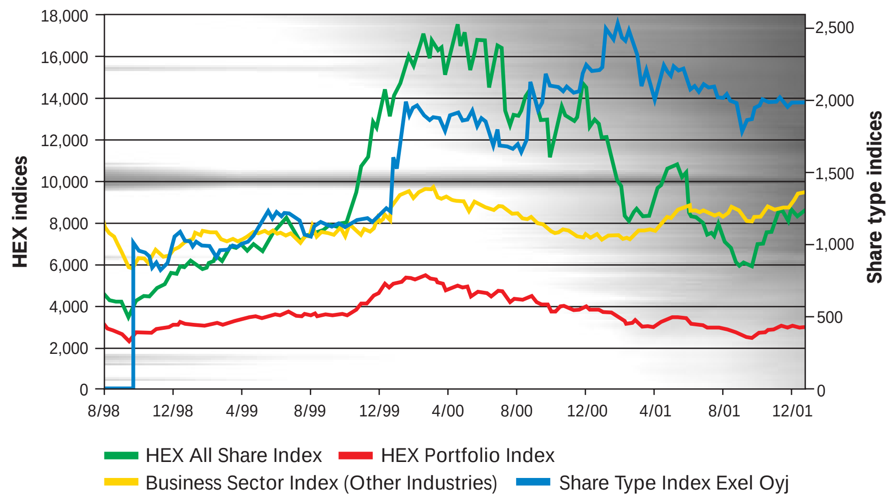
The 7,700 shares subcribed on June 19, 2001 under A warrants related to the warrant bond targeted at Exel's key personnel in 1998 were entered in the Trade Register on June 19, 2001. A total of EUR 30,107 was paid for the shares, and EUR 27,412 of this was entered in the premium fund. As a result of the subsriptions, Exel's share capital rose by a total of EUR 2,695. Exel's registered share capital was EUR 1,840,265, or 5,257,900 shares, on June 19, 2001.

The equivalent book value of the shares is EUR 0.35. There is only one type of share.

EUR 1,000	Group 2001	Group 2000	Parent company 2001	Parent company 2000
Calculation of funds distributable as profit Dec. 31				
Retained earnings	6,433	4,185	6,282	3,894
Profit for the financial year	3,364	4,236	3,650	4,380
Transfer of accumulated depreciation difference to equity	-413	-496		
Total	9,383	7,925	9,932	8,274
12. APPROPRIATIONS				
Depreciation difference			582	698
13. DEFERRED TAX LIABILITIES				
On appropriations	169	203		
14. NON-CURRENT LIABILITIES				
Liabilities to others				
Warrant bond		48		48
Loans from financial institutions	8,231	7,092	8,231	6,851
Other non-current liabilities	106	63	106	63
Total non-current liabilities	8,337	7,203	8,337	6,962
Liabilities falling due in a period longer than five years	1,673	1,082	1,673	1,082

The EUR 47,765.37 (equivalent FIM 284,000) warrant bond is paid up. The bond was non-interest bearing and was repaid in a single sum on October 16, 2001.

HEX indices and share type indices
1.10.1998 - 27.12.2001



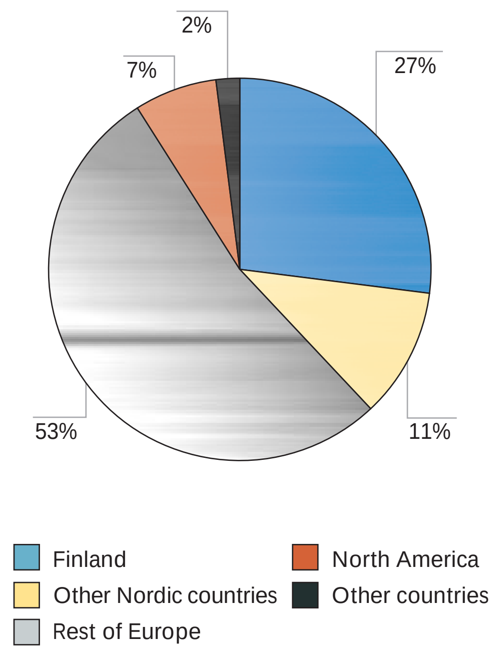
Exel Oyj's shares were quoted on Helsinki Exchanges I List from October 19, 1998 to May 1, 2000. As from May 2, 2000, Exel Oyj shares have been quoted on Helsinki Exchanges Main List.

EUR 1,000	Group 2001	Group 2000	Parent company 2001	Parent company 2000
15. CURRENT LIABILITIES				
Liabilities to Group companies				
Trade payables			54	56
Liabilities to others				
Loans from financial institutions	4,152	2,009	3,496	1,912
Advance payments	37	55	37	55
Trade payables	3,207	3,494	2,813	3,129
Other liabilities	627	355	259	295
Accrued liabilities and deferred income	2,377	3,017	2,089	2,574
Total	10,400	8,930	8,695	7,964
Total current liabilities	10,400	8,930	8,749	8,020
Breakdown of accrued liabilities and deferred income				
Salaries, wages and holiday pay, including social security expenses	1,604	1,587	1,533	1,551
Deferred tax liabilities	6	509		421
Other accrued liabilities and deferred income	767	921	555	602
Total	2,377	3,017	2,088	2,574
16. CONTINGENT LIABILITIES				
Liabilities for which a corporate mortgage and real estate mortgages have been provided as collateral				
Financial institution loans	11,673	8,683	11,673	8,683
Mortgages given on land and buildings	2,954	2,784	2,954	2,784
Corporate mortgages given	12,500	12,500	12,500	12,500
Collateral for Group companies				
Credit limit guarantee			140	40
The pension liabilities are covered via the insurance company as prescribed by legislation.				
17. LEASING AND RENTAL LIABILITIES				
Leasing liabilities				
Falling due in 2002	135	107	135	107
Falling due later	285	176	285	176
Rental liabilities				
Falling due in 2002	197	162	197	162
Falling due later	1,851	1,770	1,851	1,770
Other liabilities	327		327	
18. ORDER BOOK				
Order book on Dec. 31	8,918	7,559	7,931	7,045

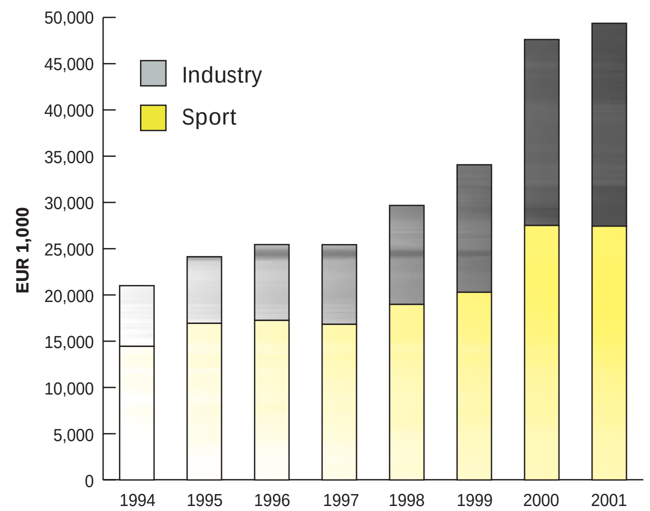
19. DISTRIBUTION OF NET SALES, OPERATING PROFIT AND PERSONNEL BY DIVISION

Group	Sport	Industry	Total
Net sales			
2001	27,436	21,926	49,362
2000	27,511	20,098	47,609
Operating profit			
2001	2,024	3,276	5,300
2000	2,860	3,646	6,506
Personnel on Dec. 31			
2001	218	153	371
2000	246	132	378
Parent company	**Sport**	**Industry**	**Total**
Net sales			
2001	23,256	20,827	44,083
2000	20,207	20,098	40,305
Operating profit			
2001	2,135	3,287	5,422
2000	2,893	3,646	6,539
Personnel on Dec. 31			
2001	189	123	312
2000	161	132	293

Net Sales by Market Area



Net Sales by Division



20. SHARE OWNERSHIP

Distribution of share ownership on December 31, 2001	**%**
Private companies	22.9
Financial and insurance institutions	9.5
Public sector entities	18.6
Non-profit organizations	0.3
Households	15.4
Foreign	33.3
Of which, nominee registration	0.3

Distribution of share ownership on December 31, 2001

Shares	Number of shareholders	Percentage of shareholders	Total number of shares	Percentage of total number of shares
1 - 1,000	747	84.69	255,130	4.85
1,001 - 10,000	97	11.00	281,187	5.35
10,001 - 50,000	24	2.72	514,730	9.79
Over 50,000	14	1.59	4,206,853	80.01

21. SHAREHOLDERS

Information on shareholders on December 31, 2001

Shareholder	Number of shares	Percentage of shares and votes
Nordstjernan AB	1,748,253	33.3
Metso Capital Oy	550,000	10.5
Ilmarinen Mutual Pension Insurance Company	500,000	9.5
Varma-Sampo Mutual Pension Insurance Company	256,800	4.9
Aktia Secura Investment Fund	166,000	3.2
Eläke-Fennia Mutual Pension Insurance Company	161,200	3.1
Oy Lindell Ab	160,800	3.1
Suutarinen Matti Otto Antero	133,700	2.5
Renkkeli Oy	130,000	2.5
Suomi Mutual Life Assurance Company Ltd.	100,000	1.9
Nominee registration	14,150	0.3
Other	1,336,997	25.4
	5,257,900	100.0

During the financial period Exel Oyj received two notifications under chapter 2, section 9, of Finland's Securities Market Act, as the votes held by the various owners exceeded or fell under the limits set for notification. On February 9, 2001 Exel received a notification stating that Nordstjernan AB's holding had exceeded one third, reaching 33.4% of the company's stock and votes on February 9, 2001. On February 12, 2001 Conventum Oyj and the investment funds administered by Conventum Investment Company Oy submitted a notification stating that their ownership of Exel Oyj had fallen under one-twentieth and was 4.7% on February 9, 2001.

22. MANAGEMENT INTERESTS

The aggregate holding of the members of the Board of Directors and the President was 70,100 shares on December 31, 2001. This accounts for 1.33% of corporate shares and 1.33% of the votes carried by all shares. Apart from this, the warrants held by them account for 20.80% of the total number of warrants issued by Exel Oyj. If all warrants entitling holders to subscription are used, members of the Board of Directors and the President will hold 3.50% of the total number of shares.

23. SHARE ISSUE AND WARRANT BOND

On March 28, 2000, the Annual General Meeting authorized the Board to decide to raise the share capital through a new issue by March 28, 2002, up to a maximum increase of EUR 352,500.00. The authorization includes the right to derogate from the shareholders' pre-emptive right. The Board has not decided to exercise this authorization to raise the share capital.

An extraordinary shareholders' meeting of Exel Oyj held on August 17, 1998 decided to issue an EUR 47,765.37 (equivalent FIM 284,000) warrant bond targeted at key personnel. The bond was non-interest-bearing and was repaid in a single sum on October 16, 2001. A total of 284 bonds at EUR 168.19 (equivalent FIM 1,000) were issued, each with 1,000 warrants, 500 of them marked with the letter A and 500 with the letter B.

On March 28, 2001, the annual General Meeting decided to issue option rights to the key personnel of the Exel Group and to Exel Oyj's wholly-owned subsidiary. The number of option rights is 370,000 of which half is marked with the letter A and half with the letter B.

The 1998 and 2001 option programmes and their principal terms

	A1998	B1999	A2001	B2001
Number of warrants	142,000	142,000	185,000	185,000
Number of shares to be subscribed	142,000	142,000	185,000	185,000
Maximum increase in share capital EUR	49,700	49,700	64,750	64,750
Number of shares subsribed on Dec. 31, 2001	17,900	-	-	-
Number of shares not subscibed under warrants	124,100	142,000	185,000	185,000
Maximum increase in share capital EUR	43,435	49,700	64,750	64,750
Subscription price EUR	4.76*	4.76*	10.77**	10.27***
Subscription period	1.10.2001-31.10.2004	1.10.2002-31.10.2004	1.6.2002-30.4.2006	1.10.2003-30.4.2006

The total number of shares that can be subscribed under warrants represents 10.79% of the company's share capital and voting rights. The warrants related to Exel Oyj's 1998 warrant bond were quoted on Helsinki Exchanges Main List from November 5, 2001.

* The subscription price of the shares will be reduced by the amount of dividend per share distributed after October 1, 1998 and before subscription.

** The subscription price of the shares will be reduced by the amount of dividend distributed after April 30, 2001 and before subscription, on the record date of each dividend distribution.

*** The subscription price of the shares will be reduced by the amount of dividend distributed after October 31, 2001 and before subscription, on the record date of each dividend distribution.

October 31, 2001 and before subscription, on the record date of each dividend distributed.

24. SHARE PRICE AND TRADING

Share price EUR	1998	1999	2000	2001
Average price	4.30	5.19	9.33	10.87
Lowest price	3.87	4.40	5.51	7.65
Highest price	5.38	6.20	11.00	12.26
Share price at end of financial year	5.13	5.75	10.80	9.90
Market capitalization, EUR million	26.9	30.1	56.6	52.1
Share trading				
Number of shares traded	305,000	914,092	6,872,437	1,396,691
% of total	6.0	17.4	131.2	26.6
Number of shares adjusted for share issues				
Average number	5,050,630	5,240,000	5,240,000	5,252,099
Number at end of financial year	5,240,000	5,240,000	5,240,000	5,257,900

25. INDICATORS

Indicators illustrating financial trends

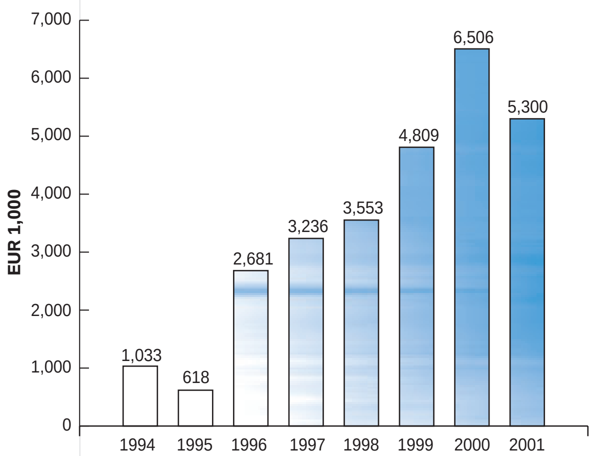
Figures given in EUR 1,000 unless otherwise specified	1997	1998	1999	2000	2001
Net sales	25,432	29,675	34,072	47,609	49,362
Operating profit	3,236	3,553	4,809	6,506	5,300
% of net sales	12.7	12.0	14.1	13.7	10,7
Profit before extraordinary items	2,726	2,842	4,554	6,024	4,780
% of net sales	10.7	9.6	13.4	12.7	9.7
Profit before provisions and income taxes	2,726	2,397	4,554	6,024	4,780
% of net sales	10.7	8.1	13.4	12.7	9.7
Total assets	17,846	18,938	21,173	29,285	33,306
Return on equity, %	40.7	29.9	36.6	36.5	24.6
Return on investment, %	21.9	22.6	31.8	34.6	21.9
Solvency ratio, %	30.7	41.4	48.6	44,3	43.3
Net gearing, %	116.5	72.2	41.5	66.3	73.3
Gross investment in fixed assets	1,982	2,558	2,288	5,561	5,474
% of net sales	7.8	8.6	6.7	11.7	11.1
R&D expenses	711	764	1,179	1,367	1,216
% of net sales	2.8	2.6	3.5	2.9	2.5
Average personnel	214	240	247	350	356
Personnel at year end	224	229	268	378	371

Share data

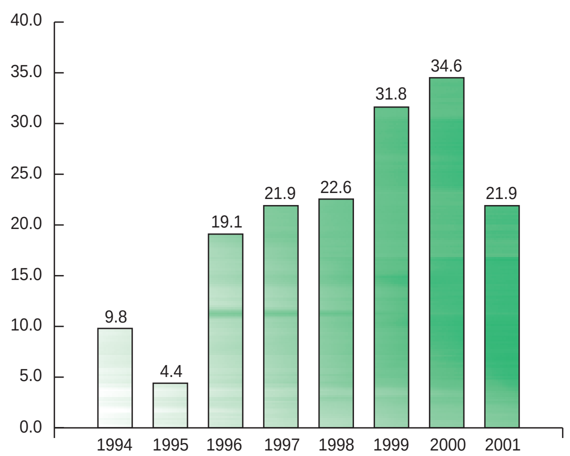
Earnings per share (EPS), EUR	0.38	0.38	0,63	0.81	0.64
Adjusted earnings per share (EPS), EUR*				0.79	0.62
Equity per share, EUR	1.09	1.50	1,96	2.46	2.74
Dividend per share, EUR	0.10	0.17	0,30	0.38	0.35
Payout ratio, %	25.1	42.6	47,4	47.1	54.6
Effective yield of shares, %		3.3	5,2	3.5	3.5
Price/earnings (P/E), %		13.0	9,1	13.4	15.5

*Adjusted for the dilution of option rights.

Operating Profit



Return on Investment



COMPUTATION FORMULAE

Return on equity %

$$\frac{\text{profit before extraordinary items, provisions and income taxes less income taxes}}{\text{equity + minority interest + voluntary provisions and depreciation difference less deferred tax liabilities (average)}} \times 100$$

Return on investment %

$$\frac{\text{profit before extraordinary items, provisions and income taxes + interest and other financial expenses}}{\text{total assets less non-interest-bearing liabilities (average)}} \times 100$$

Solvency ratio %

$$\frac{\text{equity + minority interest + voluntary provisions and depreciation difference less deferred tax liabilities}}{\text{total assets less advances received}} \times 100$$

Gearing %

$$\frac{\text{net interest-bearing liabilities (= interest-bearing liabilities less liquid assets)}}{\text{equity}} \times 100$$

Earnings per share (EPS) EUR

$$\frac{\text{profit before extraordinary items, provisions and income taxes less income taxes +/- minority interest}}{\text{average adjusted number of shares in the financial period}}$$

Equity per share EUR

$$\frac{\text{equity + voluntary provisions + depreciation difference less deferred tax liabilities and minority interest}}{\text{adjusted number of shares on closing date}}$$

Dividend per share EUR

$$\frac{\text{dividend for the financial period}}{\text{adjusted number of shares on closing date}}$$

Payout ratio %

$$\frac{\text{dividend per share}}{\text{earnings per share (EPS)}} \times 100$$

Effective yield of shares %

$$\frac{\text{dividend per share x 100}}{\text{adjusted average share price at year end}} \times 100$$

Price/earnings (P/E) %

$$\frac{\text{adjusted average share price at year end}}{\text{earnings per share}} \times 100$$

Proposal for Distribution of Profit

On December 31, 2001, the Group's distributable funds totalled EUR 9,383,319.68. Exel Oyj's distributable funds totalled EUR 9,932,048.52, of which profit for the financial period accounted for EUR 3,649,671.95.

The Board proposes that the profit funds be distributed as follows:

- a dividend of 54.6% of earnings per share, i.e. EUR 0.35 per share	EUR 1,840,265.00
- carried over as equity	EUR 8,091,783.52
	EUR 9,932,048.52

Helsinki, February 12, 2002

Kari Haavisto — Peter Hofvenstam — Vesa Kainu
Chairman

Juhani Sammasmaa — Mika Sulin

Ari Jokelainen
President

The financial statements have been drawn up in accordance with good accounting practice. An auditors' report on the audit of the accounts has been submitted today.

Helsinki, March 1, 2002

PricewaterhouseCoopers Oy
Authorized Public Accountants

Christian Savtschenko-Alexandroff — Johan Kronberg
Authorized Public Accountant — Authorized Public Accountant

Auditors' Report

To the shareholders of Exel Oyj

We have audited the accounts, the financial statements and the administration of Exel Oyj for the financial period January 1 - December 31, 2001. The financial statements drawn up by the Board of Directors and the President comprise a report on operations and income statements, balance sheets and notes to the accounts for the Group and the parent company respectively. On the basis of our audit we hereby make the following report on the financial statements and administration.

The audit has been carried out in accordance with good auditing practice. Consequently, the accounts, the principles of drawing up the financial statements and the content and presentation of the financial statements have been examined to a sufficient extent to ensure that the financial statements do not contain any essential mistakes or defects. In auditing the administration, we have examined the legality of the operations of the members of the parent company Board and the President on the basis of the provisions of the Companies Act.

We put forward as our report that the financial statements have been drawn up in accordance with the Accounting Act and other provisions concerning financial statements. The financial statements provide a true and fair view of the result of Group and parent company operations and of their financial standing. The financial statements, including the consolidated financial statements, can be adopted, and release from liability granted to the members of the parent company Board of Directors and the President for the financial period now audited. The Board's proposal for disposing of the profit for the financial year is in accordance with the Companies Act.

Helsinki, March 1, 2002

PricewaterhouseCoopers Oy
Authorized Public Accountants

Christian Savtschenko-Alexandroff — Johan Kronberg
Authorized Public Accountant — Authorized Public Accountant

Environment and Quality Issues

Environment, health and safety

Exel is committed to Responsible Care, a Chemical Industry Federation of Finland programme covering environmental and occupational health and safety issues. For Exel, this means pursuing a principle of continuous development and transparency in order to prevent health hazards and accidents, and to minimize adverse environmental impacts. At the same time, these measures will help us to sharpen our competitive edge.

Exel's production units have systematically developed EHS (Environment, Health and Safety) operations. During recent years, special attention has been paid to improving process safety and seeking alternative raw materials.

In 2001, the Kivara factory invested in more efficient air conditioning and dust removal. Mäntyharju carried out an important change in the layout of the factory, providing separate facilities for the basic process cycle and further processing.

Exel conducted a preliminary environmental review in 2001. The target is to obtain ISO 14001 environmental system certification in spring 2002.

Exel's environmental policy

Exel is dedicated to abiding by the environmental legislation and official regulations in all its operations. Attention to environmental issues is a natural part of the Company's operations.

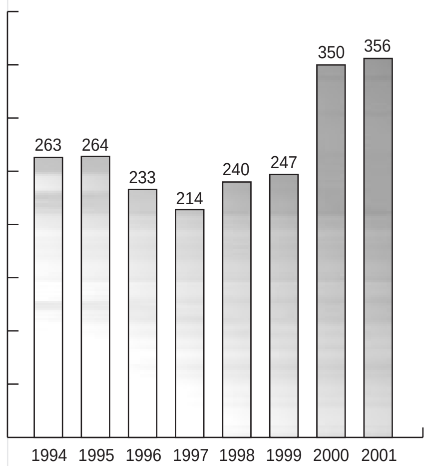
To operate in accordance with its targets, Exel

- is committed to pursuing the principle of continuous improvement in all its operations and to combating damage to the environment
- is committed to developing its products and processes so as to place a smaller burden on the environment and to make more efficient use of materials
- uses raw materials and processes that are tested and safe to the environment and the employees
- educates its staff to recognize the quality and environmental impacts of their work
- maintains open communications and confidential relations with the inhabitants of the neighbourhood, the authorities and other stakeholders
- is committed to the targets of the European Responsible Care programme

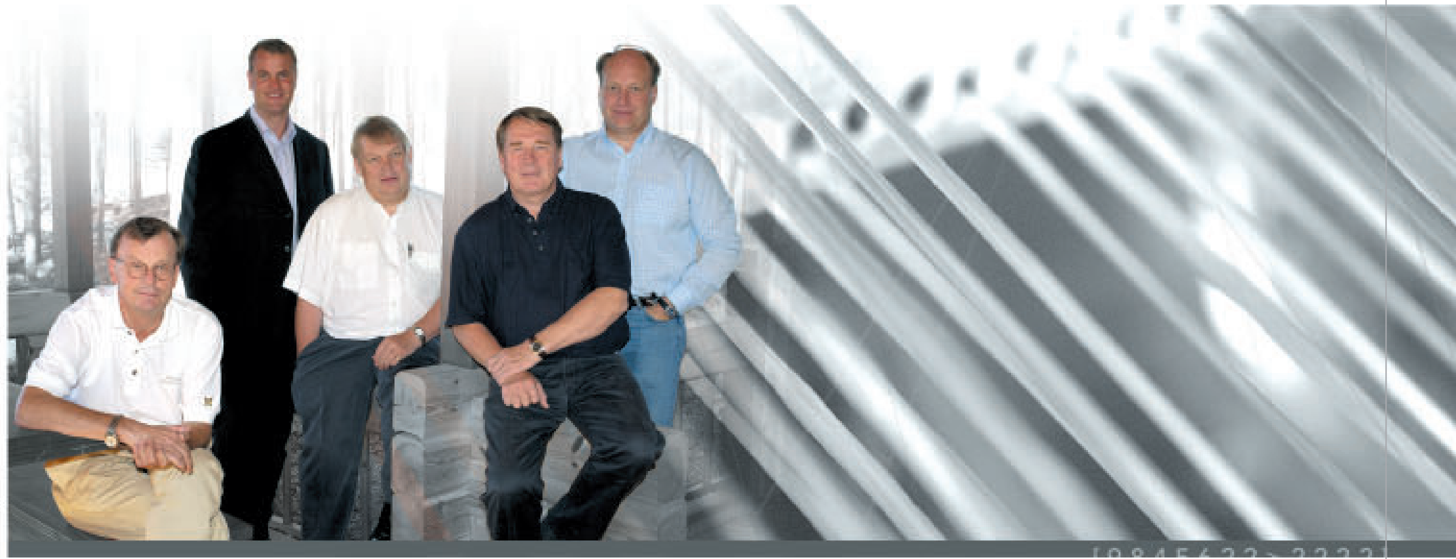
Certified quality system ISO 9001

Det Norske Veritas audited Exel's quality system during the year and found it to be in compliance with the requirements of the ISO 9001 standard.

Average Personnel



Management



Board of Directors

Chairman
Kari Haavisto, born 1941, Lc.Sc. (Econ.)
Director of Finances, Metsäliitto Corporation
Chairman of the Board, MMM Logisware Ltd
Chairman of the Board, Tunturi Oy Ltd
Vice Chairman of the Board, Metsä Group Financial Services Oy
Vice Chairman of the Board, Finland Post Corporation
Member of the Board, Aspo plc
Member of the Board, Finnforest Corporation
Member of the Board, J.W. Suominen Yhtymä Oyj
Member of the Board, Neomarkka Oyj
Member of the Board, Novalis Oyj
Owns 13,400 Exel shares.

Peter Hofvenstam, born 1965, MBA
Vice President, Nordstjernan AB
Chairman of the Board, Nordstjernan Ventures AB
Member of the Board, Improve Information Management Sweden AB
Owns no Exel shares.

Vesa Kainu, born 1947, B.Sc. (Eng.)
Vice President, Metso Minerals, Inc.
Chairman of the Board, Farros Blatter AG
Chairman of the Board, Finbow Oy
Chairman of the Board, Metso Paper Service SAS
Member of the Board, Metso Minerals, Inc.
Member of the Board, Metso Automation, Inc.
Member of the Board, Metso Paper S.p.A.
Member of the Board, Scandinavian Mill Service
Member of the Board, Allimand S.A.
Owns no Exel shares.

Juhani Sammasmaa, born 1940, M.Sc. (Eng.)
Advisor, Noviant Oy
Owns no Exel shares.

Mika Sulin, born 1958
Managing Director, Hartwall Areena
Member of the Board, Sponsor Service Finland Oy
Member of the Board, Sports Marketing Oy
Member of the Board, FC Jokerit Oy
Member of the Board, Suomen Urheiluradio Oy
Owns no Exel shares.

Exel Oyj Management Group

Ari Jokelainen
born 1955, M.Sc. (Econ.)
President & CEO
In the employ of the company since 1990
Owns 56,700 Exel shares.

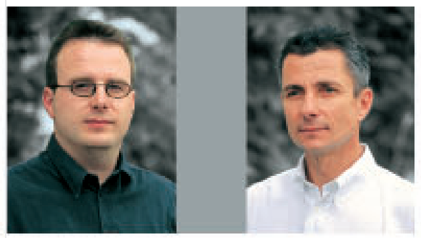
Vesa Korpimies
born 1962, M.Sc. (Econ.)
Vice President
Director of Industry division
In the employ of the company since 1987
Owns 22,000 Exel shares.

Markku Herranen
born 1949, Diploma in Business Administration
CFO
In the employ of the company since 1988
Owns 22,000 Exel shares.

Jukka Juselius
born 1953, M.Sc. (Eng.)
Senior Vice President, R&D
In the employ of the company since 1998
Owns no Exel shares.

Aki Karihtala
born 1961, Diploma in Business Administration
Senior Vice President, Sport Division
In the employ of the company since 1986
Owns 12,180 Exel shares.

Pekka Tiikkainen
born 1954, M.Sc. (Eng.)
Senior Vice President, Manufacturing
In the employ of the company from 1992 to 1998 and as of October 1, 2001
Owns 2,500 Exel shares.

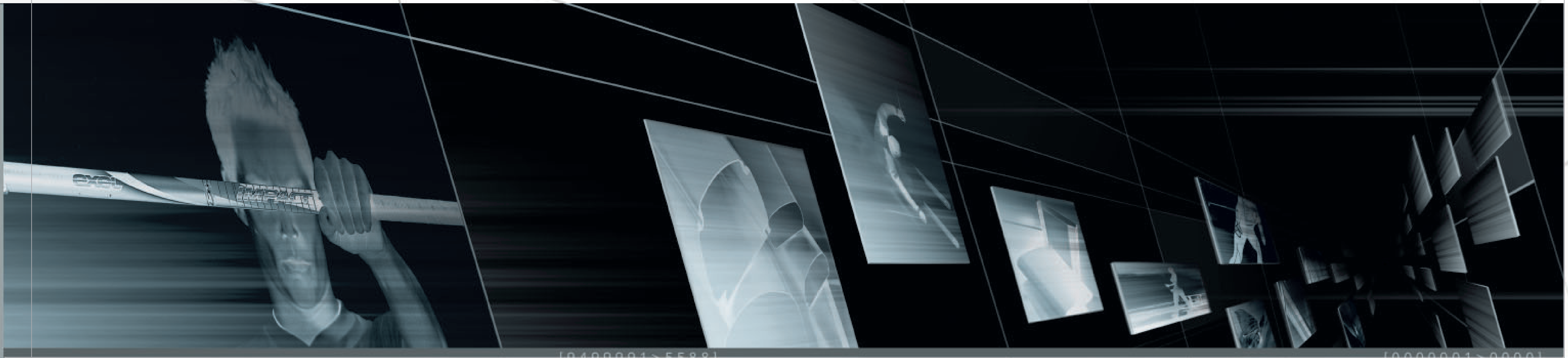


Managing Directors of subsidiaries

Joacim Bergström
International Gateway AB

Harald Bierbaumer
Exel GmbH

Investor Information



Annual General Meeting

Exel Oyj's Annual General Meeting will be held at 10.00 a.m. on April 3, 2002, in the Marski room of the World Trade Center, Aleksanterinkatu 17, Helsinki, Finland.

To attend the Annual General Meeting, the shareholder must so inform the Company in writing by 16.00 p.m. on March 25, 2002 at the latest, to the address Exel Oyj, P.O. Box 29, 52701 Mäntyharju, Finland, by telephone +358 15 3461 233/Soile Parta, by fax +358 15 3461 215, or by e-mail soile.parta@exel.fi. In the case of written registration of attendance, the letter must have arrived before the end of the registration period. Any letters of authority should be delivered to the above address with the registration.

Dividend

The Board has decided to propose to the AGM that a dividend of EUR 0.35 per share be distributed for 2001. Shareholders registered in the list of shareholders maintained by the Finnish Central Securities Depository on the record date of April 8, 2002 are entitled to the dividend. The dividend will be paid on April 15, 2002.

Change of address

Please send information on any changes in personal or address data to your book-entry register.

Financial reports 2002

Apart from the annual report for 2001, Exel will issue three interim reports, on April 30, 2002, July 23, 2002 and October 29, 2002. The annual report, the interim reports and all stock exchange releases will be available in Finnish and English, and can be accessed at the Company website www.exel.net. Exel does not issue printed interim reports. Paper copies of the interim reports can be obtained from Corporate Communications. It is also possible to register on the website for the e-mail list receiving stock exchange releases and for the mailing list receiving the annual report and interim reports.

Financial reports can also be ordered from Corporate Communications:

Exel Oyj, Corporate Communications
P.O. Box 29, 52701 Mäntyharju, Finland
Telephone +358 15 3461 225
Fax +358 15 3461 216
E-mail: sari.huoso@exel.fi

Precis/Kirjapaino Öhrling 2002 • Exel pictures: Sami Helenius • Alpine ski pictures: Jancsi Hadik 2000 © + skier: Dominique Perret • Floorball pictures: Åström/Fotonokka