Interim Report
Jan-Jun 2001

Summary

- Net sales up 21.4% to EUR 25.3 million; growth in both divisions
- Operating profit up 4.2% to EUR 2.7 million
- Antenna profile market quiet in second quarter, as anticipated
- Industry division's lay-offs cancelled

Exel's net sales in the first six months of the year amounted to EUR 25.3 million, an increase of 21.4% on the corresponding period last year (EUR 20.9 million), despite the temporary lull in the antenna profile market. The Industry division's net sales were up 17.2% to EUR 11.8 million. Net sales in the Sport division for the first six months amounted to EUR 13.5 million, up 25.3% on the same period last year.

Operating environment

No significant changes occurred in the markets for sports and leisure products in the first half of the year. However, the global recession in the telecommunications sector was felt in the Industry division, as network operators postponed the construction of new GSM and UMTS telecommunications networks. This led in late winter to a sudden drop in demand for the profiles used to protect base station antennas. Despite this, Exel was still able to grow during the review period, due to its extensive product range.

The raw materials markets have remained quiet since the price increases at the start of the year. The fall in demand growth worldwide is likely to keep the raw materials markets stable in the second half of the year.

Industry division

Net sales in the Industry division continued to grow, reaching a total of EUR 11.8 million for the six-month period, an increase of 17.2% on the same period last year, despite the anticipated weak demand for antenna profiles. The growth was primarily in doctor blades and new product applications.

In profiles, the sale of antenna profiles did not reach the targets set in autumn 2000, because many network operators postponed the construction of their third generation mobile phone networks. Sales in the second quarter were 28% down on the corresponding period last year. This meant that the company had to lay off some 20 employees at its Kiihtelysvaara factory as of May 1, 2001, following joint discussions between management and personnel. It was agreed that the lay-offs would last for no more than 90 days. The antenna profile market picked up more quickly than expected in July, after the end of the period under review, as a result of which the laid-off personnel were recalled until further notice. More substantial growth in antenna profile production is still anticipated in the final quarter of the year, and in 2002.

Sales of doctor blades have increased in line with expectations. Currently, Exel has six different blade types in production. As indicated earlier, this product group will grow considerably this year. The growth is based on Metso Corporation's concerted efforts to enter export markets using these products. Several blade applications are being developed for improving the doctoring process for new types of paper. The current production blades are mainly for use in doctoring newsprint and fine paper grades.

In June, Exel signed an agreement for supplying approach light masts for the new runway III at Helsinki-Vantaa airport. The mast deliveries are scheduled for the middle and end of the summer this year and for the start of 2002. The markets for lattice masts have otherwise again been quieter than expected.

In the composite tool handle group, deliveries of the Extender™ telescopic handle were running at capacity in the later part of the review period, and the order book for this product has been growing all the time. Sales of tool handles by the end of June were about the same as in the first six months of last year, but growth is expected during the remainder of the year, mainly thanks to the Extender™ products.

In the new composite pultrusion applications, the products developed for the offshore industry have made good progress in tests. Within a few years, this sector is expected to develop into the largest single market for pultrusion industry applications.

Sport division

Net sales in the Sport division totalled EUR 13.5 million, an increase of 25.3% on the same period last year. The most significant growth was again in pole products, especially the Nordic Walking and Trekking product family, and in laminates and water sports.

The poles product group continued to grow through its specialist Nordic Walking, Nordic Blading and Trekking products. Net sales of the product group were up by about 26% on the same period last year. Advance sales for delivery in late summer and early autumn have been good. Nordic Walking is spreading to a number of export markets. So far, sales have, in practice, been restricted to Finland. Exel has also made good progress in the composite alpine ski pole market of the traditional alpine skiing countries in Central Europe.

In water sports, the integration of Fiberspar production at the Mäntyharju factory is largely complete. The new collection for the coming season has been developed in collaboration with Exel's principal customers and will be revealed in August. The market for these products has been stable.

Laminate sales grew by about 31% on the same period last year. A considerable proportion of this growth was outside the traditional ski and snowboard industry. Exel aims at developing new product applications for industrial use in order to diversify the customer base.

The main markets for floorball have been stable. The market shares of the main floorball product suppliers appear to have remained unchanged.

Profitability

Consolidated net sales totalled EUR 25.3 million, an increase of 21.4% on the same period last year (EUR 20.9 million). The growth occurred in both divisions as follows:

Net sales (EUR million)

	Jan-Jun 2001	Jan-Jun 2000	Change
Industry	11.8	10.1	+17.2%
Sport	13.5	10.8	+25.3%
Total	25.3	20.9	+21.4%

Consolidated operating profit grew 4.2% on last year, amounting to EUR 2.7 million. The breakdown of operating profit by division and its comparison with last year are shown below:

Operating profit (EUR thousand)

	Jan-Jun 2001	Jan-Jun 2000	Change
Industry	2,200	2,075	+6.0%
Sport	538	552	-2.5%
Total	2,738	2,627	+4.2%

The Industry division's operating profit was up, despite the fact that the resources invested in the antenna profile market were not used to their full capacity. In the second quarter, the Industry division's profitability was affected by the tight pricing policy on the antenna profile market. The decrease in operating profit in the Sport division was mainly due to the pressure from raw material price increases, tougher price competition in Exel GmbH's ski surface and base materials markets, and the poorer than expected performance of mast production at the Mäntyharju factory during the start up phase at the beginning of the year.

Net financial expenses grew slightly, to EUR 193,000 (EUR 165,000), due largely to the financial arrangements made in summer 2000 for expanding operations.

Profit before voluntary provisions and income taxes totalled EUR 2,545,000, which was little changed from last year's six-month figure (EUR 2,462,000).

Balance sheet, financing and liabilities

The consolidated balance sheet total was EUR 30.4 million (Jan-Jun 2000: EUR 29.7 million).

Net interest-bearing liabilities amounted to EUR 9.7 million (EUR 9.9 million). Cash flow from operations, totalling EUR 1.1 million, improved significantly compared to the same period last year (EUR -5.7 million). Last year's poor cash flow was mainly due to the acquisition of Fiberspar operations.

Investment

Consolidated investment totalled EUR 1.5 million (EUR 4.5 million). Last year's largest investment was the acquisition of Fiberspar operations. During the period under review the main investments were in the Industry division's new production lines and in a number of environmental investments.

Personnel

Exel personnel numbered 342 on June 30, 2001 (375). The decrease was due mainly to cessation of mast production at Exel USA Inc. and its transfer to Finland.

Shares and ownership

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

The number of shares traded on Helsinki Exchanges in the period under review amounted to 23.5% of all Exel shares. The highest share price quoted during the period was EUR 12.26, the lowest was EUR 8.80, and the closing price for the period was EUR 10.00. The market capitalization was EUR 52,579,000 on June 29, 2001.

Share-issue authorization

The Board of Directors is authorized until March 27, 2002 to raise the company's share capital through one or more new issues by a maximum total of EUR 325,500. The authorization allows the Board to decide who is entitled to subscribe shares to be issued through a new issue, what the subscription price should be and the principles of determining it, and other terms of the new issue. An exception to the shareholders' right of pre-emption can be made if there is a pressing financial reason from the company's viewpoint. Such reasons may include financing, effecting or enabling a corporate acquisition or some other form of cooperation, consolidation or expansion of the company's financial or capital structure, or the implementation of any other arrangement related to corporate operations. Such a decision must not be made to benefit parties close to the company. The Board is authorized to determine whether a new issue can be subscribed against a contribution in kind or under other specified conditions.

Warrant programme

All the Exel Oyj warrants offered to key personnel in line with the decision of the Annual General Meeting of March 28, 2001 were subscribed in June. The company's personnel subscribed a total of 310,000 warrants and the subsidiary Prostick Oy, wholly owned by Exel Oyj, subscribed 60,000 warrants. The share subscription period begins on June 1, 2002 for A warrants and on October 1, 2003 for B warrants. The share subscription period for all warrants ends on April 30, 2006.

Events after the period under review

The laid-off personnel from the Kiihtelysvaara production plant were recalled until further notice, as a result of the antenna profile orders received in July, which were greater than expected.

Prospects for the rest of 2001

The outlook for Exel's doctor blades is very positive, and the demand for antenna profiles is expected to pick up further in the last quarter of the year. The cost of raw materials has risen, however, and there are now strong pressures to increase the sales prices of certain products. The first half of the year has been a period of satisfactory growth, and so consolidated net sales for the year are expected to be up on last year's figure. An improvement in profits compared to last year will depend on whether or not the predicted revival in the antenna profile market materializes in the final quarter of the year.

Mäntyharju, June 2001

Exel Oyj
Board of Directors

Ari Jokelainen
President

CONSOLIDATED INCOME STATEMENT

EUR 1,000	Jan-Jun 01	Jan-Jun 00	Change %	Jan-Dec 00
NET SALES	25,322	20,863	21	47,609
Increase(+)/decrease(-) of finished goods and work in progress	-141	1,369	-110	818
Production for own use	153	127	21	275
Other operating income	367	178	106	341
Materials and services	-9,459	-8,455	12	-18,232
Personnel expenses	-6,135	-5,571	10	-11,842
Depreciation	-1,365	-1,168	17	-2,444
Other operating expenses	-6,004	-4,717	27	-10,019
OPERATING PROFIT	2,738	2,627	4	6,506
Financial income and expenses (net)	-193	-165	17	-482
PROFIT BEFORE EXTRAORDINARY ITEMS, INCOME TAXES AND VOLUNTARY RESERVES	2,545	2,462	3	6,024
Extraordinary items				
PROFIT BEFORE VOLUNTARY RESERVES AND INCOME TAXES	2,545	2,462	3	6,024
Income taxes	-786	-730	8	-1,788
PRORIT FOR THE PERIOD	1,759	1,731	2	4,236

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

CONSOLIDATED BALANCE SHEET

EUR 1,000	30.6.01	30.6.00	Change %	31.12.2000
ASSETS				
Non-current assets				
Intangible assets	2,446	3,166	-23	2,668
Consolidation goodwill	509	581	-12	545
Tangible assets	10,487	9,785	7	10,072
Investment	127	108	18	127
Current assets				
Inventories	7,089	7,187	-1	7,033
Receivables	8,015	7,287	10	8,269
Money in hand and at bank	1,714	1,559	10	571
Total	30,388	29,673	2	29,285
LIABILITIES AND SHAREHOLDERS' EQUITY				
Equity				
Share capital	1,840	1,763	4	1,834
Other equity	10,955	8,690	26	11,117
Liabilities				
Deferred tax liability	203	203	0	203
Non-current	6,616	9,185	-28	7,202
Current	10,774	9,833	10	8,930
Total	30,388	29,673	2	29,285

	30.6.01	30.6.00	Change %	31.12.2000
Indicators (EUR 1,000)				
Gross investment	1,533	4,513	-66	5,561
% of net sales	6%	22%		12%
R&D expenses	666	797	-16	1,367
% of net sales	3%	4%		3%
Average personnel	351	317	11	350
Personnel at end of period	342	375	-9	378
Order book	9,560	10,720	-11	7,559
Solvency ratio, %	42%	35%		44%
Return on investment, %	25%	29%		37%
Net gearing, %	76%	95%		66%
Earnings per share, EUR	0.34	0.33	2	0.81
Equity per share, EUR	2.43	1.99	22	2.47
Consolidated contingent liabilities on June 30, 2001				
Corporate mortgages	12,500	12,500		12,500
Mortgages on land and buildings	2,954	2,784		2,784
Other contingent liabilities	3,194	201		2,255

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

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