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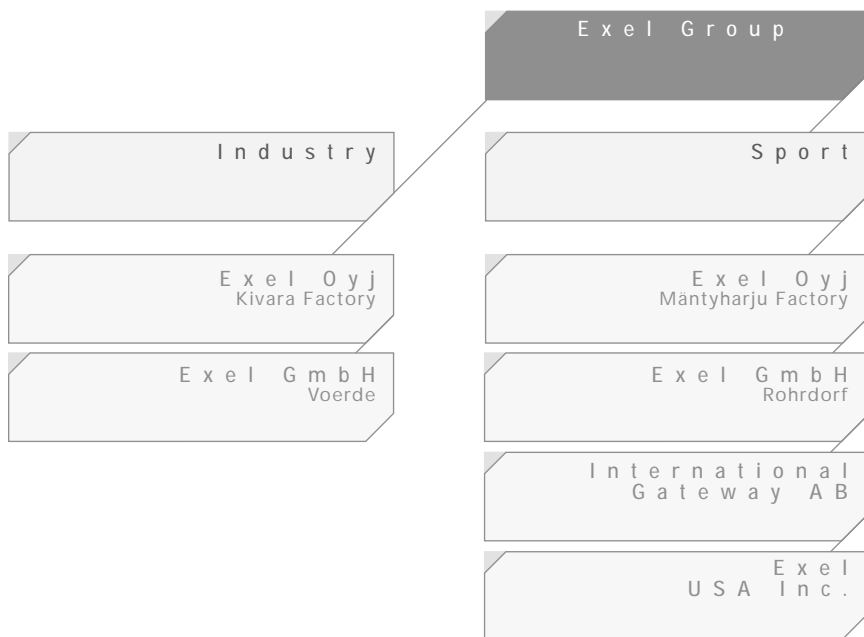
**Exel Oyj in brief**

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 has two divisions: Industry and Sport. Exel's Finnish factories are located in 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 manu-

factures, 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 the division's products are supplied direct to customer companies.

The Sport division comprises the following product groups: poles, winter sports, floorball, hockey, water sports and laminates. Water sports articles and laminates are supplied direct to customer companies, 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.

**2002 in brief**

Net sales reached EUR 51.2 million, up 4%

Profit after financial items was EUR 3.2 (4.8) million

Strong cash flow from business operations after investments, at EUR 4.0 (0.1) million after investments

Earnings per share: EUR 0.42 (EUR 0.64)

Industry division's net sales continued to increase, up 15%

Profit trend improved towards the end of the year, nearly reaching the 2001 level

Sport division invested heavily in new Nordic Fitness Sports™ products, laying a foundation for future growth



### Targets and strategies

Exel's goal is to be the market leader in carefully chosen market segments that use the composite technology in which the company has outstanding expertise. In the Industry division, the aim is to be the leading supplier of pultrusion profiles to European industry, while the strategic goal for the Sport division 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 40% of its net profit in dividends, provided that its investment schemes or expansion plans do not require otherwise.

Highly skilled personnel and state-of-the-art technology are the key to Exel's operations. The foundation for our strategic goals is provided by the unique production technology developed by Exel, a product range based on this technology, and domination of selected market segments by means of a strong quality and brand image. Our ongoing growth is supported by a continuous search for new applications and by working with customers and other partners to develop new products.

The considerable synergy benefits enjoyed by the company's different business units are the result of the production technology

developed in-house, the shared raw materials, and the economic benefits gained from common production units, management and administration.

### Values

**Customer satisfaction** is one of Exel's primary values. We only provide products and services that meet specific needs agreed with customers. Our goal is long-lasting relations that will be of benefit to both parties. We also invest continually in product development and improving our operations, so as to be able to **offer a competitive advantage to customers** purchasing our products and services. We also strive to ensure that Exel earns 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.

Throughout our operations we observe the **highest management standards 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. The aim is to obtain ISO 14001 environmental certification in 2003.



2002 was a year of slow growth for business in general and for Exel. The international market, on which Exel is extremely dependent, remained apprehensive and uncertain throughout the year. Thus the 4% growth we achieved is a moderately good attainment.

Tighter competition on a no-growth market continued to strain our profitability. Operating profit was below EUR 4 million, compared with EUR 5 million in 2001. The beginning of the year was particularly difficult, but the trend in the second half was no longer considerably below 2001. This is a good sign and goes to show that determined, well-chosen measures enable us to create profitable operations and added value for Exel even amid fairly poor market conditions.

Operations continue to be based on our strong expertise in composites, and development and utilization of related pultrusion technology. This is reflected in the fact that the proportion of total net sales accounted for by the Industry division reached 49%, against 44% in 2001. Indeed, Industry succeeded in maintaining 15% growth in net sales this arising from integration of the Voerde works with the Group.

Our Industry division has currently as many as 600 different profiles in continuous production, and several dozen more were developed in 2002. This constitutes a strong foundation on which operations can be built sustainably over the long term. In the biggest product group, antenna profiles, the market was extremely volatile and cyclically problematic throughout the year: at times a number of production lines had unused capacity. All in all, total sales of antenna profiles reached the 2001 level, which indicates distinctive growth in Exel's and composite markets' market share, as according to various sources

network construction declined by as much as 20%. Cyclical fluctuation is expected to continue in 2003, posing tough challenges for our production flexibility.

Product development continued brisk in the Industry division throughout the year. Customer decisions to launch new products are being delayed considerably, however, which is naturally reflected as slow growth at Exel. New applications were developed in the offshore, wind energy and machine engineering sectors, for instance, ensuring that Exel has future growth potential. It is to be noted that development projects are beginning to use more carbon fibre, one of Exel's key strengths.

Lattice mast products also deserve special mention within the Industry division. The effect of the new ICAO (International Civil Aviation Organization) frangibility standard is beginning to be felt. Airports are increasingly replacing their masts to comply with the new standard, which resulted in a handsome 40% increase in net sales.

In the Sport division volume fell slightly, amounting to EUR 26 million. Price competition was fierce and the water sports market (windsurfing masts) continued to decline. This is reflected in our figures even though our share of the mast market remained unchanged.

The Sport division continues to be an important part of the company and will be developed in accordance with the situation in the relevant markets. As part of the Sport strategy, we introduced a comprehensive new concept towards the end of the year: Nordic Fitness Sports™ (NFS). The new concept is geared to expand our product range and to target our sales and product supply at large seg-



ments of the non-fitness-oriented population and a wide range of different age groups, with the aim of encouraging an increasing proportion of people into active exercise and enhanced fitness.

Conventional skipole markets (cross-country and alpine) showed a slight decline as a result of the poor snow conditions in Continental Europe and North America, but Nordic Walking and Nordic Blading grew significantly in Europe, compensating for the otherwise thin market. The poles product group exceeded the previous year's figures, and the European popularity of Nordic Walking should continue to grow in 2003.

Laminates production continued to do well, the most encouraging news being that we now have, for the first time, new customers from outside our usual ski, snowboard and ice-hockey clientele. Our new industrial applications will offer an interesting foundation for growth in the future. Plastics production in Rohrdorf, which is part of the laminates product group, suffered from the quiet ski and snowboard market towards the end of the year, and we are planning for new sectors of application in Plastics production, too.

The floorball market was stable, as was our share of it. Our growth percentages were handsome in new countries outside our established market area of Finland, Sweden and Switzerland. Although these new markets are still small, there is interesting potential for growth.

Tight economic situation led to productivity improvements. Good results were achieved at the Mäntyharju factory by the project to enhance efficiency together with fixed-term layoffs. We invested heavily in launching the NFS™ concept on our main markets, and this

fact finds reflection in lower operating profit. No income is expected from these new products until the autumn of 2003. The tight market situation will continue at the beginning of the year.

Special attention was given to the management of working capital and investment. This produced excellent results, and our cash flow from business operations after investments rose to EUR 4.0 million, a record figure in the company's history. This provides a good foundation to build on.

The uncertainty of the market situation and tighter profitability were reflected in our share price, which fell from approximately EUR 10 at the beginning of the year to a low of EUR 6 at worst. The price has since recovered somewhat and now stands at EUR 6.5. Share turnover has been fairly slow, but around the end of 2002 we acquired a number of new shareholders. I should like to extend my thanks to our shareholders old and new for their continued confidence in the company despite the difficult times.

The past year has been a tough one. This is reflected in all of us at Exel, and we have had to face a great many difficult challenges. At times, the importance of internal cooperation and the strength to be derived from it have been forgotten, and there is certainly room for improvement in transparency of communication. We will focus on improving these aspects in 2003. I should like to thank all Exel personnel for their admirable perseverance and endurance. By working together we will turn adversity into victory. And finally, many thanks to our customers and partners for their support and confidence in the past year.

**Ari Jokelainen**  
President



### Industry

The product groups of the Industry division are profiles, doctor blades for paper machines, tool handles, and lattice masts. We specialize in the development, manufacture and marketing of durable, rigid and lightweight composite profiles. Business was good in 2002, despite the uncertainty in the markets.

### Profiles

This product group comprises composite glass and carbon fibre tubes and profiles, all of which are tailored specifically for individual customers. The tubes are made using continuous Pull-Winding production technology developed by Exel, which offers considerable technological advantages compared with conventional pultrusion technology. Pull-Winding minimizes pipe wall thickness and thus product weight, while maximizing rigidity and durability. We also specialize in carbon fibre pultrusion and manufacture of demanding glass and carbon fibre profiles. Exel is a world leader in manufacturing carbon fibre profiles and tubes.

The composite profile market continued to grow in 2002. New and expanding applications include various infrastructural uses and the car industry and building industries.

Sales in the profiles product group were approximately at the previous year's level. A year ago, intensive construction of UMTS networks, i.e. third generation mobile networks, was forecast to start towards the end

of 2002 at the earliest. According to the latest forecasts, deliveries for 3G networks will not begin before 2004.

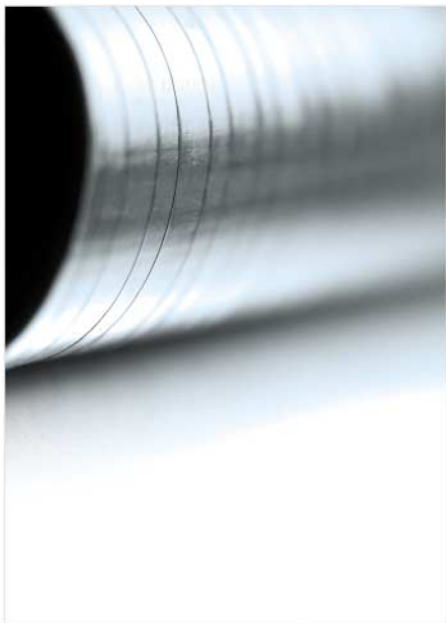
During the year under review, Exel launched some 30 new product applications. Future growth is expected mainly in offshore applications, wind energy and infrastructure applications.

### Conventional and telescopic handles

In the Professional Cleaning market, Exel is Europe's leading marketer and manufacturer of composite cleaning equipment, tool handles and telescopic handles. The product group comprises one-part glass fibre handles and a wide range of telescopic glass and carbon fibre models with a reach potential of as much as 20 metres. The biggest application areas are the cleaning equipment and gardening tool markets.

Net sales for the year under review were slightly below those for 2001, primarily because the market for conventional standard-length handles slowed down. There was growth in other application areas, however, and the biggest single application area was high-reach window cleaning. Telescopic handles offer a great advantage, particularly in cleaning windows that are high or located in difficult places. Carbon fibre is by far the best material because of its rigidity, durability and low weight. Telescopic handles also increase efficiency, speed and safety, since the work can be carried out standing at ground





level. Telescopic products are therefore expected to become a significant growth area. The cleaning equipment market, too, is transferring from standard-sized one-part handles to telescopic handles that can also be used in constricted spaces and can be adjusted by the user. New applications are constantly being found in this product group, leading to continued growth.

**Doctor blades and other paper machine applications**

Doctor blades continued to be the biggest product group among the various paper machine applications developed in cooperation with Metso Corporation. Sales of doctor blades increased in 2002 in spite of the global recession that hampered the paper industry.

A number of new products were developed for the doctor blade product family in cooperation with the Metso specialists. These products are sold under the name ValEco. The sales growth was largely based on the existing product range, however, and on the close cooperation between Exel and Metso. In 2003, Metso Corporation's sales organization will be marketing and selling doctor blades worldwide, in all continents.

Heavy investment was made in boosting productivity in 2002. Because of the way doctor blades are used, the uniform quality of the product has required special attention.

In the future, other composite profiles for the paper machine environment, both for doctoring and other purposes, will be developed in cooperation with Metso Corporation experts and marketed globally by Metso.

**Lattice masts**

The product range consists exclusively of frangible lattice masts, which are primarily marketed for use as supporting structures for airport safety approach systems. Exel's masts meet the ICAO (International Civil Aviation Organization) frangibility standard coming into force in 2005. According to the ICAO standard, masts must be completely frangible on impact, causing no damage to the aircraft.

Sales of lattice masts were extremely good in 2002. The biggest projects carried out were Nogliki on Russia's Sahalin Island, Mont de Marsan in France, Arlanda in Sweden and Tripoli in Libya. The first delivery to a Swedish military airfield was to Sätenäs.

Deliveries of masts used as supporting structures for dish antennas and lightning conductors in automatic safety approach systems for military airfields continued in 2002. The installations will be completed in 2003. Marketing cooperation begun in 2001 with the system supplier ITT Defence Ltd will continue, and new delivery agreements are expected in 2003.



Photo: Erich Spies



The most successful Alpine skier at present, Stephan Eberharter, Austria, signed a contract with Exel in 2002. In February 2003 he won for the second time in his career the World Alpine Championships in Giant Slalom.

### Sport

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

### Poles

Exel is the world's leading manufacturer and marketer of cross-country skipoles and Nordic Walking poles. The market for Nordic Walking and Blading is growing rapidly in Continental Europe, particularly in German-speaking countries. In Finland, the Nordic Walking market has become saturated.

The world market for conventional cross-country skipoles was more or less at the previous year's level. The market contracted somewhat in Continental Europe and North America, which suffered from lack of snow. Towards the end of the year, Exel signed a cooperation agreement with the Norwegian biathlete Ole Einar Björndalen, who was voted best male athlete in the world by AIPS (The International Sports Press Association) in 2002.

In summer 2002, Exel signed a cooperation agreement with Austria Ski Pool with the purpose of enhancing its position on the Continental Alpine pole market in particular. The agreement allows Exel to participate in contract negotiations with Austria's top Alpine and cross-country skiers. The first agreement was made with Stephan Eberharter and in-

cludes close collaboration in product development. Naturally Exel is also continuing its cooperation with the Finnish Alpine and freestyle teams.

Towards the end of the year, Exel introduced a new Nordic Fitness Sports™ (NFS) concept in Finland and on its export markets. The concept covers all exercise supporting health and fitness, including Nordic Walking and Blading, snowshoeing and skiing. Exel will also begin imports and distribution of Bjørn Dæhlie's Bjørn Dæhlie technical wear®, ODLÖ sports and leisure textiles, and Tubbs snowshoes in Finland.

### 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, the world market shrank substantially.

### 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 maximize the products' lightness, durability and rigidity. 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. In 2002, the first product applications outside the sports equipment industry were commercialised in the laminates product group. 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 sticks, which Exel makes not only under its own Exel and Christian brands but also under a number of different customer brand names. Apart from sticks, the product group includes goalkeeper outfits, balls, goals, rinks and other accessories.

#### Other product groups

The Finnish baseball product group consists of bats and balls. Being a summer sport in Finland, this product group helps to keep Exel's name visible in sports equipment stores through the summer season. In hockey Exel focused on the domestic market.

#### Exel GmbH

The operations of Exel's German subsidiary, Exel GmbH, are divided into Plastics, Profiles and Sport. Plastics produces bases and surface and base 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.

#### Plastics, Exel GmbH

Plastics developed two new products during the year. One of these is a metal surface material for snowboards and downhill skis, developed in cooperation with a well-known manufacturer of metal foil. The second new product is a polyamide surface material, which is expected to sell well even outside the winter sports market, as it can be used for products such as wakeboards and kiteboards as well as traditional waterskis.

#### Profiles, Exel GmbH

Profiles operations began in 2001, when the Menzolit-Fibron GmbH pultrusion business was integrated with Exel GmbH. Today these operations involve about 30 employees. The principal products are glass fibre profiles marketed primarily to customer countries in Continental Europe.

#### Sport, Exel GmbH

In the Sport division, Exel GmbH's main investment priorities have been the launch and sale of Nordic Walking products and, more recently, the introduction of the Nordic Fitness Sports™ concept, which comprises skis and poles for Nordic Walking, Nordic Blading, snowshoeing and skiing. All major German and Austrian sports equipment retailers, chains and sports associations have included Nordic Walking poles in their range, and the sales trend was very good in the period under review.

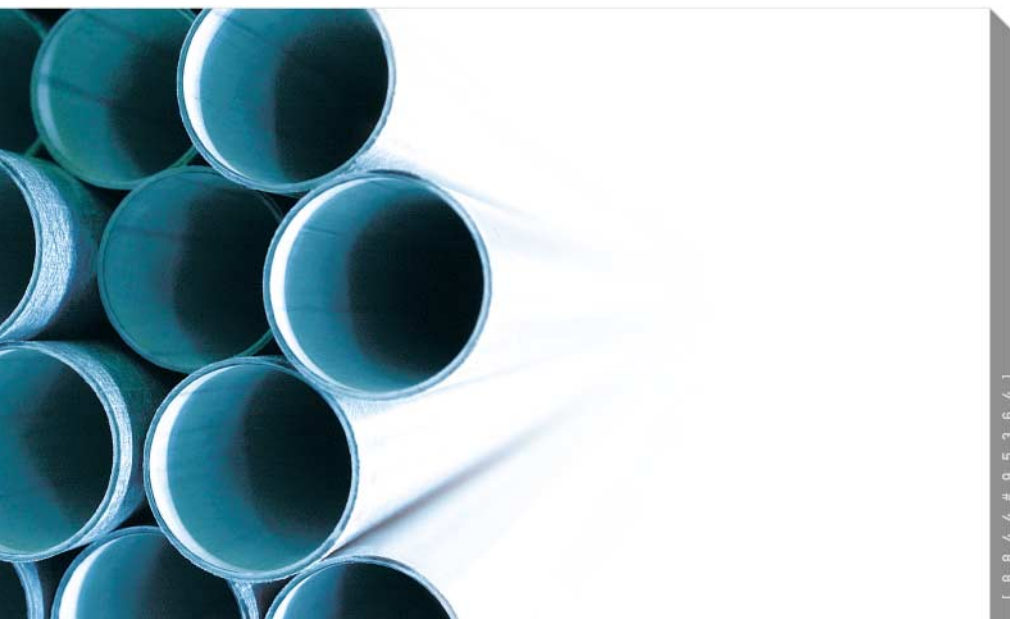
#### International Gateway AB

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

2002 was a successful year for Gateway. Sales grew particularly well in the Czech Republic and Switzerland. Growth is expected to continue in the Czech Republic and to pick up significantly in the Baltic States.

Growth in the overall floorball market continued in 2002, and was concentrated particularly in countries new to floorball. Sales of sticks marketed under the Canadien brand increased 19% in 2002, while sales of Christian sticks remained at the 2001 level.

In 2003, Gateway will introduce a new player textile collection, new goalkeeper outfits and a new range of sticks, all under the Canadien brand. The Christian collection will be completely revised with new graphics and blades.



### Corporate profitability

Consolidated net sales increased 4% during the period under review, amounting to EUR 51.2 million (49.4 million in 2001). Operating profit was 28% down, at EUR 3.8 (5.3) million. Uncertainty on the markets and stiffer competition put pressure on profits, and production capacity was not utilized in full throughout the period because of the cyclical nature of the markets. However, rationalization measures improved operative efficiency in Group operations located in Finland. The poor market trend in Germany was reflected on Exel GmbH's operations, especially at the end of the year and this strained the Group's profitability. Profit after financial items came to EUR 3.1 (4.8) million. The number of Group personnel fell on the previous year, primarily as a result of greater efficiency in production, and totalled 359 (371) at the end of the year.

Total consolidated assets declined slightly, amounting to EUR 31.8 (33.3) million. The decline was primarily due to the low investment level of EUR 2.0 (5.5) million and control of working capital. Consolidated depreciation totalled EUR 3.3 (2.9) million, and solvency remained good, at 47.2% (43.3%).

Earnings per share were EUR 0.42 (0.64) and return on investment 14.3% (21.9%). The decline was due to lower operating margins and the fact that seasonal production started earlier compared to 2001 in the year under review, employing additional capital. By the end of the year, working capital was reduced as planned.

### Financing

Net interest-bearing liabilities were reduced to EUR 8.3 (10.6) million. EUR 2.8 million in new short-term loans were taken out to finance working capital and were repaid in full on January 2, 2003. At the end of 2002, the outstanding amount of these loans was still EUR 2.0 million. Otherwise there were no rearrangements in the long-range financing position. Cash flow from business operations after investments was extremely good at EUR 4.0 (0.1) million after investments. Repayments of long-term loans were made in accordance with the schedule agreed on earlier. Net financial expenses, at EUR 0.7 (0.5) million, were slightly higher than the previous year, due to the arrangements made to finance working capital.

### Industry

The Group's main focus, the Industry division, continued to grow in spite of general uncertainty on the global market. Net sales came to EUR 25.1 (21.9) million, up 15%. The increase was caused by the acquisition of the Voerde works into the Group as of October 2001. Cooperation with Metso Corporation proceeded and net sales increased in paper machine applications. Tighter competition caused operating profit to fall to EUR 2.7 (3.3) million. The costs of integrating Voerde works and the poor market trend in Germany also strained the division's profitability slightly.

Considerable work was done on new profile applications, and some 30 new profiles were developed in 2002. Because of the uncertainty





Exel has signed cooperation agreements with the Norwegian biathlonist Ole Einar Bjørndalen and with the most successful Norwegian cross-country skier ever, Bjorn Daehlie.

of markets and customers, commercialization of these new profiles was largely postponed to later years, however. The key R&D areas were the offshore, wind energy and machine engineering sectors.

### Sport

Net sales by the Sport division totalled EUR 26.1 (27.4) million, down 5% on the previous year, mainly because of a decline on the global water sports market. The overall market was challenging, but Nordic Walking grew significantly in Continental Europe, compensating for the lull on the conventional pole market. Furthermore, the first product applications outside the sports equipment industry were commercialized in the laminates product group. Strategic development continued with the introduction of the Nordic Fitness Sports™ concept and related new product categories in Finland and on selected key export markets. The rest of Exel's product groups retained their market shares.

The Sport division's profitability fell and operating profit came to EUR 1.1 (2.0) million. Profitability was not only reduced by the tight market situation, but also by the heavy investments made in marketing and new product development in order to safeguard future growth. The measures to reverse the profitability trend began to show partial results in the second half of the year, and operating profit improved compared to the beginning of the year during this period.

### Corporate organization

The corporate organization remained the same in 2002. 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 and other profiles in Voerde. International Gateway develops and markets the floorball brands under its control. The parent company also owns two subsidiaries named Pro Stick Oy and Exel USA Inc., but neither had any operations in 2002.

### 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 33.0% at the end of 2002. Other major owners include Metso Capital Oy (12.3%), Ilmarinen Mutual Pension Insurance Company (9.5%) and Varma-Sampo Mutual Pension Insurance Company (4.9%). The President and Board members own 1.9% of the total share capital. At the end of 2002, the company had a total of 950 owners.

Exel Oyj's share capital is EUR 1,853,215, comprising 5,294,900 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 shares at the end of 2002 was EUR 6.38 (9.90). The market capitalization was EUR 33.8 (52.1) million.

#### **Investment and product development**

Investment was tightly controlled in 2002 and declined to EUR 2.0 (5.5) million. Money went primarily into tooling and moulds in both divisions. No new investments were made in capacity.

Product development expenditure amounted to EUR 1.1 (1.2) million, or 2.2% (2.5%) of net sales. In the Industry division, key projects related to development of new customer applications. Inputs also continued in testing new resin and reinforcement materials to improve process efficiency. The Sport division concentrated mainly on developing new collections and on a range of new Nordic Fitness Sports™ concept products and their commercialization.

#### **Insider regulations**

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

#### **Corporate governance**

The Board reviewed and amended its corporate governance policy and guidelines. New guidelines will be adopted in 2003.

#### **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. 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 2003**

The outlook for 2003 is currently difficult to assess. The markets are expected to be tough during at least the first half of the year. Ongoing efficiency improvement programmes within the Group are expected to result in cost reductions. Projects to enhance productivity in the Finnish factories are proceeding as planned and measures will be taken to improve the profitability of the German production units. Exel estimates that the overall market conditions in the first quarters of 2003 will be essentially the same as in the fourth quarter of 2002.

	Group		Parent Company	
	2002	2001	2002	2001
<b>NET SALES</b>	51,203	49,362	42,916	44,083
Increase(+)/Decrease(-) in inventories of finished goods and work in progress	422	531	386	551
Production for own use	251	344	251	344
Other operating income	770	560	489	492
Materials and services	-20,175	-19,538	-17,064	-17,525
Personnel operating expenses	-13,198	-12,121	-10,163	-10,037
Depreciation	-3,318	-2,888	-2,626	-2,493
Other operating expenses	-12,153	-10,950	-10,632	-9,993
<b>OPERATING PROFIT</b>	3,802	5,300	3,556	5,422
Financial income and expenses	-655	-520	-382	-398
<b>PROFIT BEFORE EXTRAORDINARY ITEMS</b>	3,147	4,780	3,174	5,025
Extraordinary items				
<b>PROFIT BEFORE INCOME TAXES</b>	3,147	4,780	3,174	5,025
Appropriations			216	116
Direct taxes	-921	-1,416	-1,003	-1,491
<b>PROFIT FOR THE YEAR</b>	<b>2,225</b>	<b>3,364</b>	<b>2,388</b>	<b>3,650</b>

	Group		Parent Company	
	2002	2001	2002	2001
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
Intangible assets				
Intangible rights	58	33	30	20
Goodwill	3,119	3,588	1,646	1,946
Other capitalized expenditure	344	338	344	338
	3,521	3,959	2,020	2,304
Consolidated goodwill	402	473		
Tangible assets				
Land and water	123	123	123	123
Buildings	2,751	2,953	2,751	2,949
Machinery and equipment	6,945	7,259	5,354	5,602
Construction in progress	817	1,088	817	1,088
	10,636	11,423	9,045	9,762
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
<b>TOTAL NON-CURRENT ASSETS</b>	14,685	15,982	12,380	13,382
<b>CURRENT ASSETS</b>				
Inventories				
Raw materials and consumables	4,607	4,972	3,693	4,108
Work in progress	1,118	905	1,092	871
Finished products	2,237	2,025	1,793	1,629
	7,962	7,903	6,578	6,607
Current receivables				
Trade receivables	5,346	6,290	4,314	4,899
Receivables from Group companies			4,652	4,986
Other receivables	563	350	81	58
Prepaid expenses and accrued income	563	705	523	611
	6,472	7,345	9,570	10,555
Deferred tax assets	163	142		
Cash in hand and at bank	2,525	1,934	2,235	1,660
<b>TOTAL CURRENT ASSETS</b>	17,122	17,324	18,383	18,822
	<b>31,807</b>	<b>33,306</b>	<b>30,764</b>	<b>32,204</b>



	Group		Parent Company	
	2002	2001	2002	2001
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>EQUITY</b>				
Share capital	1,853	1,840	1,853	1,840
Premium fund	16		16	
Retained earnings	2,882	2,763	2,882	2,763
Profit for previous financial years	7,963	6,433	8,092	6,282
Profit for the financial year	2,225	3,364	2,388	3,650
<b>TOTAL EQUITY</b>	<b>14,939</b>	<b>14,400</b>	<b>15,231</b>	<b>14,536</b>
<b>APPROPRIATIONS</b>				
Depreciation difference			366	582
<b>PROVISIONS</b>				
<b>LIABILITIES</b>				
Deferred tax liabilities	106	169		
Non-current liabilities				
Loans from financial institutions	6,111	8,231	6,111	8,231
Other non-current liabilities	112	106	112	106
	<b>6,223</b>	<b>8,337</b>	<b>6,223</b>	<b>8,337</b>
Current liabilities				
Loans from financial institutions	4,570	4,152	4,155	3,496
Trade payables	2,868	3,207	2,451	2,813
Liabilities to Group companies			76	54
Other liabilities	812	665	361	297
Accrued liabilities and deferred income	2,288	2,377	1,902	2,089
	<b>10,538</b>	<b>10,400</b>	<b>8,944</b>	<b>8,749</b>
<b>TOTAL LIABILITIES</b>	<b>16,868</b>	<b>18,906</b>	<b>15,168</b>	<b>17,086</b>
	<b>31,807</b>	<b>33,306</b>	<b>30,764</b>	<b>32,204</b>

	Group		Parent Company	
	2002	2001	2002	2001
<b>Cash flow from business operations</b>				
Operating profit	3,802	5,300	3,556	5,422
Operating profit amendments	3,316	2,922	3,224	2,458
Change in net working capital	316	787	-267	-2,493
Interest paid and other financial expenses	-658	-540	-624	-509
Interest received	23	34	264	93
Income taxes paid	-805	-2,161	-805	-2,161
<b>Cash flow from business operations</b>	<b>5,994</b>	<b>6,342</b>	<b>5,348</b>	<b>2,810</b>
<b>Investment cash flow</b>				
Investments in tangible and intangible assets	-2,077	-6,337	-1,682	-2,586
Income from surrender of tangible and intangible assets	57	61	57	61
<b>Investment cash flow</b>	<b>-2,020</b>	<b>-6,276</b>	<b>-1,625</b>	<b>-2,525</b>
<b>Cash flow before financing</b>	<b>3,974</b>	<b>66</b>	<b>3,723</b>	<b>285</b>
<b>Cash flow</b>				
Rights issue	147	74	147	74
Withdrawals of non-current loans	71	3,627	71	3,627
Repayments of non-current loans	-2,240	-1,838	-2,205	-1,838
Withdrawals of/repayment of current loans	473	1,489	679	1,172
Dividend paid	-1,840	-1,991	-1,840	-1,991
Other	6	-64		
<b>Cash flow</b>	<b>-3,383</b>	<b>1,297</b>	<b>-3,148</b>	<b>1,044</b>
<b>Change in liquid funds</b>	<b>591</b>	<b>1,363</b>	<b>575</b>	<b>1,329</b>
Liquid funds on January 1	1,934	571	1,660	331
<b>Liquid funds on December 31</b>	<b>2,524</b>	<b>1,934</b>	<b>2,235</b>	<b>1,660</b>



#### 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 2002. The consolidated financial statements can be viewed at the corporate headquarters at Uutelantie 24 B, Mäntylharju, Finland.

#### Consolidation

As far as the subsidiaries are concerned, 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 260,000 on December 31, 2002. The Companies Act does not regard this as distributable equity. The EUR 106,000 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 163,000.

#### 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.

	Group		Parent Company	
	2002 EUR 1,000	2001 EUR 1,000	2002 EUR 1,000	2001 EUR 1,000
<b>1. NET SALES</b>				
By division				
Sport division	26,091	27,436	22,014	23,256
Industry division	25,112	21,926	20,902	20,827
Total	51,203	49,362	42,916	44,083
By market area				
Finland	12,522	13,504	12,297	13,149
Other Nordic countries	6,513	5,241	6,220	4,955
Rest of Europe	28,674	26,415	20,909	22,766
North America	2,326	3,370	2,321	2,569
Other countries	1,169	832	1,169	644
Total	51,203	49,362	42,916	44,083
<b>2. PERSONNEL EXPENSES</b>				
Management salaries and remunerations				
President and managing directors	449	417		
Members of the Board	75	70	75	70
Total	523	487	75	70
Average personnel employed by the Group and the parent company				
Salaried employees	102	99	77	74
Non-salaried employees	272	257	231	237
Total	374	356	308	311

	Group		Parent Company	
	2002 EUR 1,000	2001 EUR 1,000	2002 EUR 1,000	2001 EUR 1,000

### 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

Intangible rights	35	58	20	50
Goodwill	468	342	300	300
Other capitalized expenditure	202	90	202	86
Consolidation goodwill	72	72		
Buildings	268	259	262	252
Machinery and equipment	2,274	2,067	1,842	1,805
<b>Total</b>	<b>3,318</b>	<b>2,888</b>	<b>2,626</b>	<b>2,493</b>
Change in depreciation difference				
Buildings			67	45
Machinery and equipment			149	71
<b>Total</b>			<b>216</b>	<b>116</b>
<b>4. OTHER OPERATING EXPENSES</b>				
Rents	606	540	450	445
Marketing expenses	1,746	1,693	1,326	1,428
Other expenses	9,801	8,717	8,856	8,120
<b>Total</b>	<b>12,153</b>	<b>10,950</b>	<b>10,632</b>	<b>9,993</b>

	Group		Parent Company	
	2002 EUR 1,000	2001 EUR 1,000	2002 EUR 1,000	2001 EUR 1,000
<b>5. FINANCIAL INCOME AND EXPENSES</b>				
<b>Other interest and financial income</b>				
From Group companies			244	99
From others	97	228	93	219
Total	97	228	337	318
<b>Interest and other financial income</b>				
To others	753	748	719	716
Total financial income and expenses	-655	-520	-382	-398
<b>6. APPROPRIATIONS</b>				
Difference between planned depreciation and depreciation made in taxation			216	116
<b>7. DIRECT TAXES</b>				
Income tax on actual operations	1,005	1,427	1,003	1,491
Change in deferred tax liabilities	-84	-11		
Total	921	1,416	1,003	1,491

	Group		Parent Company	
	2002 EUR 1,000	2001 EUR 1,000	2002 EUR 1,000	2001 EUR 1,000
<b>8. INTANGIBLE AND TANGIBLE RIGHTS</b>				
<b>Intangible rights</b>				
Acquisition cost Jan. 1	380	376	354	354
Increase 1.1.-31.12.	59	4		
Decrease 1.1.-31.12.			30	
Acquisition cost Dec. 31	439	380	384	354
Accumulated planned depreciation Jan. 1	-348	-290	-335	-285
Planned depreciation 1.1.-31.12.	-35	-58	-20	-50
Book value Dec. 31	58	33	30	20
<b>Goodwill</b>				
Acquisition cost Jan. 1	4,825	3,141	3,141	3,141
Increase 1.1.-31.12.		1,684		
Acquisition cost Dec. 31	4,825	4,825	3,141	3,141
Accumulated planned depreciation Jan. 1	-1,236	-894	-1,194	-894
Planned depreciation 1.1.-31.12.	-468	-342	-300	-300
Book value Dec. 31	3,119	3,588	1,646	1,947
<b>Capitalized expenditure</b>				
Acquisition cost Jan. 1	886	792	866	773
Increase 1.1.-31.12.	208	94	208	94
Acquisition cost Dec. 31	1,094	886	1,074	866
Accumulated planned depreciation Jan. 1	-548	-458	-528	-443
Planned depreciation 1.1.-31.12.	-202	-90	-202	-85
Conversion difference				
Book value Dec. 31	344	338	344	338
<b>Consolidation goodwill</b>				
Acquisition cost Jan. 1	719	719		
Acquisition cost Dec. 31	719	719		
Accumulated planned depreciation Jan. 1	-246	-174		
Planned depreciation 1.1.-31.12.	-72	-72		
Book value Dec. 31	402	473		

	Group		Parent Company	
	2002 EUR 1,000	2001 EUR 1,000	2002 EUR 1,000	2001 EUR 1,000
<b>Land and water</b>				
Acquisition cost Jan. 1	123	123	123	123
Increase 1.1.-31.12.				
Acquisition cost Dec. 31	123	123	123	123
Book value Dec. 31	123	123	123	123
<b>Buildings</b>				
Acquisition cost Jan. 1	4,025	3,821	3,992	3,788
Increase 1.1.-31.12.	65	204	65	204
Acquisition cost Dec. 31	4,090	4,025	4,057	3,992
Accumulated planned depreciation Jan. 1	-1,072	-813	-1,043	-791
Planned depreciation 1.1.-31.12.	-268	-259	-262	-252
Conversion difference				
Book value Dec. 31	2,751	2,953	2,751	2,949
<b>Machinery and equipment</b>				
Acquisition cost Jan. 1	15,252	11,217	12,726	9,920
Increase 1.1.-31.12.	2,047	4,067	1,649	2,833
Decrease 1.1.-31.12.	-236	-32	-196	-27
Acquisition cost Dec. 31	17,063	15,252	14,179	12,726
Accumulated planned depreciation Jan. 1	-7,982	-5,915	-7,124	-5,319
Accumulated depreciation on decreases	141		141	
Planned depreciation 1.1.-31.12.	2,272	-2,067	-1,842	-1,805
Conversion difference	-6	-11		
Book value Dec. 31	6,945	7,259	5,354	5,602
Undepreciated acquisition cost of production machinery and equipment	6,718	6,932	5,127	5,275
Accumulated planned depreciation Dec. 31				
Intangible rights	383	348	355	335
Goodwill	1,704	1,236	1,494	1,194
Capitalized expenditure	750	548	730	528
Consolidation goodwill	318	246		
Buildings	1,340	1,072	1,305	1,043
Machinery and equipment	10,254	7,981	8,966	7,124
Total	14,749	11,431	12,851	10,225
Accumulated difference between total and planned depreciation Jan. 1			582	698
Decrease in depreciation difference 1.1.-31.12.			-216	-116
Accumulated difference between total and planned depreciation Dec. 31			366	582



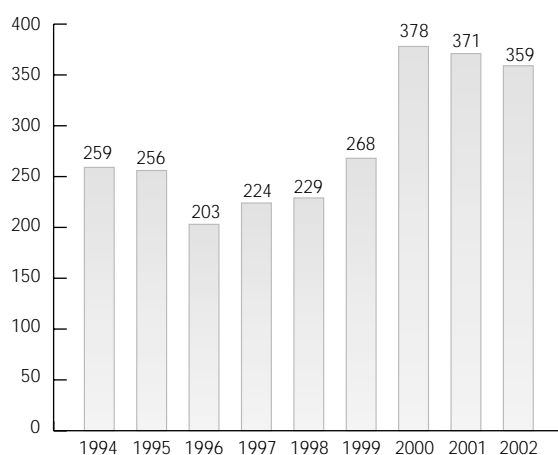
	Group		Parent Company	
	2002 EUR 1,000	2001 EUR 1,000	2002 EUR 1,000	2001 EUR 1,000
<b>Shares</b>				
Group companies				
Acquisition cost Jan. 1			1,191	1,191
Acquisition cost Dec. 31			1,191	1,191
<b>Other shares and holdings</b>				
Acquisition cost Jan. 1	124	124	124	124
Acquisition cost Dec. 31	124	124	124	124

## 9 . COMPANIES OWNED BY PARENT COMPANY

### SHARES IN SUBSIDIARIES

Owned by the parent company	Proportion owned	Share of equity	Profit/loss according to latest accounts
Name of company	%	EUR 1,000	EUR 1,000
Pro Stick Oy, Mäntyharju, Finland	100	6	0
Exel USA Inc., Atlanta, USA	100	2	73
Exel GmbH, Rohrdorf, Germany	100	156	52
International Gateway AB, Piteå, Sweden	100	57	4

Personnel at Year End



	Group		Parent Company	
	2002 EUR 1,000	2001 EUR 1,000	2002 EUR 1,000	2001 EUR 1,000
<b>10. RECEIVABLES</b>				
<b>Current receivables</b>				
Receivables from Group companies				
Trade receivables			880	632
Loan receivables			3,408	3,998
Prepaid expenses and accrued income			364	356
Total			4,652	4,986
<b>Receivables from others</b>				
Trade receivables	5,346	6,290	4,314	4,899
Other receivables	563	350	81	58
Prepaid expenses and accrued income	563	705	523	611
Total	6,472	7,345	4,918	5,569
Deferred tax assets	163	142		
Total current receivables	6,635	7,487	9,570	10,555
<b>11. EQUITY</b>				
Share capital Jan. 1	1,840	1,834	1,840	1,834
Increase in share capital	13	6	13	6
<b>Share capital Dec. 31</b>	1,853	1,840	1,853	1,840
Share issue Jan. 1				
Increase	16		16	
<b>Share issue Dec. 31</b>	16		16	
Premium fund Jan. 1	2,763	2,696	2,763	2,696
Increase in share capital	119	68	119	68
<b>Premium fund Dec. 31</b>	2,882	2,763	2,882	2,763
Reserve fund Jan. 1				
Transfer from reserve fund to premium fund				
<b>Reserve fund Dec. 31</b>				
Retained earnings	9,797	8,421	9,932	8,273
Dividend distributed	-1,840	-1,991	-1,840	-1,991
Conversion differences	6	3		
<b>Retained earnings</b>	7,963	6,433	8,092	6,282
<b>Profit for the financial year</b>	2,225	3,364	2,388	3,650
<b>Total equity</b>	14,939	14,400	15,231	14,535

The 37,000 shares subscribed under A warrants related to the warrant bond targeted at Exel's key personnel in 1998 were entered in the Trade Register on November 26, 2002.

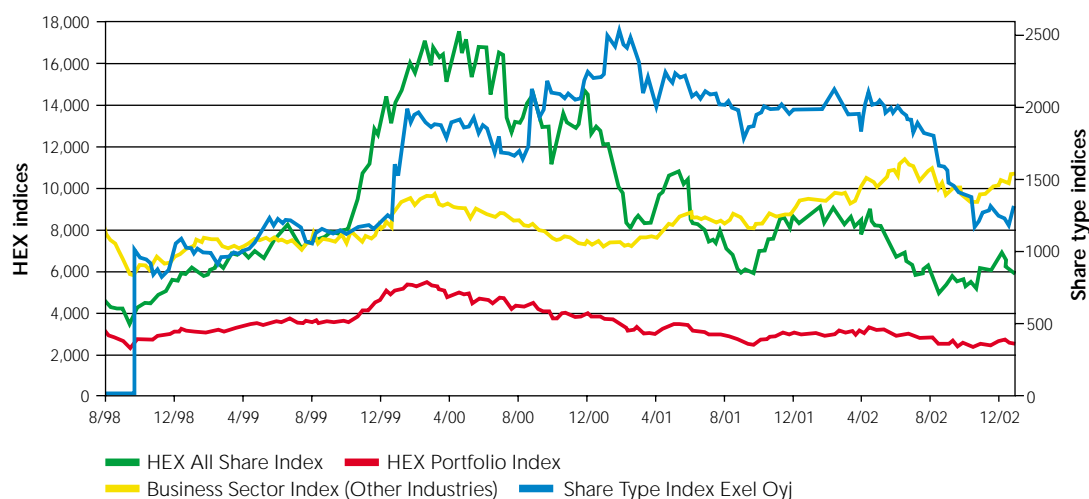
A total of EUR 131,720 was paid for the shares, and EUR 118,770 of this was entered in the premium fund. As a result of the subscriptions, Exel's share capital rose by a total of EUR 12,950. Exel's registered share capital was 5,294,900 shares, or EUR 1,853,215, on November 26, 2002. The 4,400 shares subscribed under A warrants related to the warrant bond targeted at Exel's key personnel in 1998 had not been entered in the Trade Register on December 31, 2002. A total of EUR 15,664 was paid for the shares, and it was entered in the share issue.

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

	Group		Parent Company	
	2002 EUR 1,000	2001 EUR 1,000	2002 EUR 1,000	2001 EUR 1,000
<b>Calculation of funds distributable as profit Dec. 31.</b>				
Retained earnings	7,963	6,433	8,092	6,282
Profit for the financial year	2,225	3,364	2,388	3,650
Transfer of accumulated depreciation difference to equity	-260	-413		
<b>Total</b>	<b>9,928</b>	<b>9,383</b>	<b>10,479</b>	<b>9,932</b>
<b>12. APPROPRIATIONS</b>				
Depreciation difference			366	582
<b>13. DEFERRED TAX LIABILITIES</b>				
On appropriations	106	169		
<b>14. NON-CURRENT LIABILITIES</b>				
Liabilities to others				
Loans from financial institutions	6,111	8,231	6,111	8,231
Other non-current liabilities	112	106	112	106
<b>Total non-current liabilities</b>	<b>6,223</b>	<b>8,337</b>	<b>6,223</b>	<b>8,337</b>
Liabilities falling due in a period longer than five years	875	1,673	875	1,673

### HEX indices and share type indices

1.10.1998 - 27.12.2002



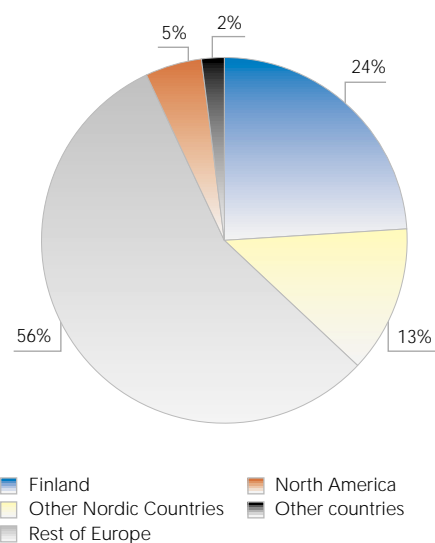
Exel Oyj's shares were quoted on Helsinki Exchanges I List from October 19, 1998 to May 1, 2000. As from May 2, 2000, Exel Oyj's shares have been quoted on Helsinki Exchanges Main List.

	Group		Parent Company	
	2002 EUR 1,000	2001 EUR 1,000	2002 EUR 1,000	2001 EUR 1,000
<b>15. CURRENT LIABILITIES</b>				
Liabilities to Group companies				
Trade payables			76	54
Liabilities to others				
Loans from financial institutions	4,570	4,152	4,155	3,496
Advance payments	122	37	122	37
Trade payables	2,868	3,207	2,451	2,813
Other liabilities	690	627	239	259
Accrued liabilities and deferred income	2,288	2,377	1,901	2,089
Total	10,538	10,400	8,868	8,695
Total current liabilities	10,538	10,400	8,944	8,749
Breakdown of accrued liabilities and deferred income				
Salaries, wages and holiday pay, including social security expenses	1,591	1,604	1,559	1,533
Deferred tax liabilities		6		
Other accrued liabilities and deferred income	697	767	343	555
Total	2,288	2,377	1,902	2,088
<b>16. CONTINGENT LIABILITIES</b>				
Liabilities for which a corporate mortgage and real estate mortgages have been provided as collateral				
Financial institution loans	10,231	11,673	10,231	11,673
Mortgages given on land and buildings	2,954	2,954	2,654	2,954
Corporate mortgages given	12,500	12,500	12,500	12,500
Collateral for Group companies				
Credit limit guarantee			389	140
The pension liabilities are covered via the insurance company as prescribed by legislation.				
<b>17. LEASING AND RENTAL LIABILITIES</b>				
Leasing liabilities				
Falling due in 2003	144	135	134	135
Falling due later	233	285	233	285
Rental liabilities				
Falling due in 2003	195	197	195	197
Falling due later	1,654	1,851	1,654	1,851
Other liabilities	468	327	468	327
<b>18. ORDER BOOK</b>				
Order book on Dec. 31	7,564	8,918	6,251	7,931

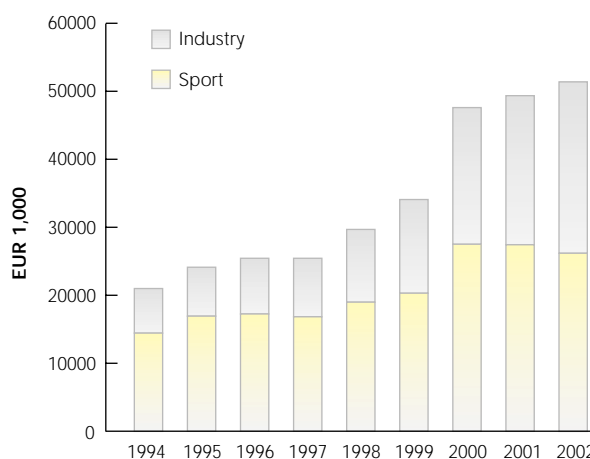
**19. DISTRIBUTION OF NET SALES, OPERATING PROFIT AND PERSONNEL BY DIVISION**

Group	Sport	Industry	Total
Net sales			
2002	26,091	25,112	51,203
2001	27,436	21,926	49,362
Operating profit			
2002	1,081	2,721	3,802
2001	2,023	3,276	5,299
Personnel on Dec. 31			
2002	206	153	359
2001	218	153	371
<b>Parent Company</b>	<b>Sport</b>	<b>Industry</b>	<b>Total</b>
Net sales			
2002	22,014	20,902	42,916
2001	23,256	20,827	44,083
Operating profit			
2002	908	2,648	3,556
2001	2,095	3,327	5,422
Personnel on Dec. 31			
2002	166	122	288
2001	189	123	312

**Net Sales by Market Area**



**Net Sales by Division**



## 20. SHARE OWNERSHIP

### Distribution of share ownership on December 30, 2002

	%
Private companies	29.3
Financial and insurance institutions	6.2
Public sector entities	16.0
Non-profit organizations	0.3
Households	15.1
Foreign	33.1
Of which, nominee registration	0.3

### Distribution of share ownership on December 30, 2002

Shares	Number of shareholders	Percentage of shareholders	Total number of shares	Percentage of total number of shares
1 - 1,000	797	83.89	276,582	5.22
1,001 - 10,000	116	12.21	312,635	5.90
10,001 - 50,000	24	2.53	580,630	10.97
over 50,000	13	1.37	4,125,053	77.91

## 21. SHAREHOLDERS

Information on shareholders on December 30, 2002

Shareholder	Number of shares	Percentage of shares and votes
Nordstjernan AB	1,748,253	33.0
Metso Capital Oy	650,000	12.3
Ilmarinen Mutual Pension Insurance Company	503,000	9.5
Varma-Sampo Mutual Pension Insurance Company	256,800	4.9
Aktia Secura Investment Fund	201,000	3.8
Oy Lindell Ab	160,800	3.0
Renkkeli Oy	140,400	2.7
Sumato Oy	111,700	2.1
Suomi Mutual Life Assurance Company Ltd.	100,000	1.9
Jokelainen Ari	81,700	1.5
Nominee registration	17,250	0.3
Other	1,323,997	25.0
	5,294,900	100.0

During the financial period Exel Oyj received no notifications under chapter 2, section 9, of Finland's Securities Market Act.

## 22. MANAGEMENT INTERESTS

The aggregate holding of the members of the Board of Directors and the President was 98,100 shares on December 31, 2002. This accounts for 1.9% of corporate shares and 1.9% of the votes carried by all shares. Apart from this, the warrants held by them account for 17.0% of the total number of warrants issued by Exel Oyj. If all warrants entitling holders to subscription are used, the members of the Board of Directors and the President will hold 3.6% of the total number of shares.

### 23. SHARE ISSUE AND OPTION PROGRAMMES

On April 3, 2002, the Annual General Meeting authorized the Board to decide to raise the share capital through a new issue by April 3, 2003, up to a maximum of EUR 325,500.00. 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 a 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 subscribed on Dec. 31, 2002	59,300			
Number of shares not subscribed under warrants	82,700	142,000	185,000	185,000
Maximum increase in share capital EUR	28,945	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 A warrants related to Exel Oyj's 1998 warrant bond have been quoted on Helsinki Exchanges Main List from November 5, 2001 and the B warrants from October 1, 2002. The A warrants related to Exel Oyj's warrant programme have been quoted on Helsinki Exchanges Main List from October 7, 2002.

\* 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.

### 24. SHARE PRICE AND TRADING

Share price (EUR)	1998	1999	2000	2001	2002
Average price	4.30	5.19	9.33	10.87	8.00
Lowest price	3.87	4.40	5.51	7.65	5.25
Highest price	5.38	6.20	11.00	12.26	10.05
Share price at end of financial year	5.13	5.75	10.80	9.90	6.38
Market capitalization, EUR million	26.9	30.1	56.6	52.1	33.8
Share trading					
Number of shares traded	305,000	914,092	6,872,437	1,396,691	686,996
% of total	6.0	17.4	131.2	26.6	13.1
Number of shares adjusted for share issues					
Average number	5,050,630	5,240,000	5,240,000	5,252,099	5,261,549
Number at end of financial year	5,240,000	5,240,000	5,240,000	5,257,900	5,294,900

## 25. INDICATORS

### Indicators illustrating financial trends

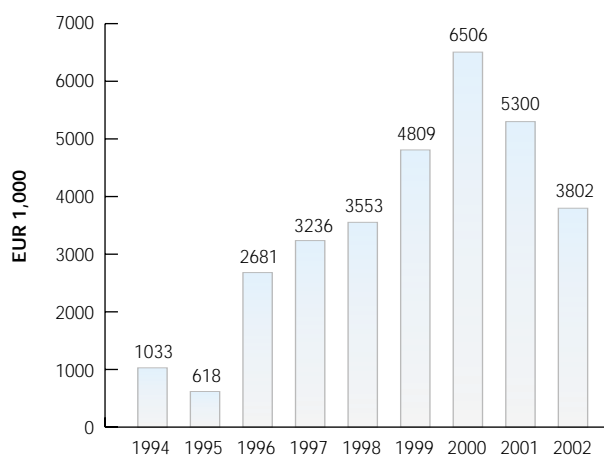
Figures given in EUR 1,000 unless otherwise specified

	1998	1999	2000	2001	2002
Net sales	29,675	34,072	47,609	49,362	51,203
Operating profit	3,553	4,809	6,506	5,300	3,802
% of net sales	12.0	14.1	13.7	10.7	7.4
Profit before extraordinary items	2,842	4,554	6,024	4,780	3,147
% of net sales	9.6	13.4	12.7	9.7	6.1
Profit before provisions and income taxes	2,397	4,554	6,024	4,780	3,147
% of net sales	8.1	13.4	12.7	9.7	6.1
Total assets	18,938	21,173	29,285	33,306	31,807
Return on equity, %	29.9	36.6	36.5	24.6	15.2
Return on investment, %	22.6	31.8	34.6	21.9	14.3
Solvency ratio, %	41.4	48.6	44.3	43.3	47.2
Gearing, %	72.2	41.5	66.3	73.3	55.3
Gross investment in fixed assets	2,558	2,288	5,561	5,474	2,014
% of net sales	8.6	6.7	11.7	11.1	3.9
R&D expenses	764	1,179	1,367	1,216	1,113
% of net sales	2.6	3.5	2.9	2.5	2.2
Average personnel	240	247	350	356	374
Personnel at year end	229	268	378	371	359
<b>Share data</b>					
Earnings per share (EPS), EUR	0.38	0.63	0.81	0.64	0.42
Adjusted earnings per share (EPS), EUR*					0.41
Equity per share, EUR	1.48	1.94	2.45	2.72	2.82
Dividend per share, EUR**	0.17	0.30	0.38	0.35	0.20
Payout ratio, %	42.6	47.4	47.2	54.4	47.3
Effective yield of shares, %	3.3	5.2	3.52	3.51	3.13
Price/earnings (P/E), %	13.0	9.1	13.41	15.48	15.09

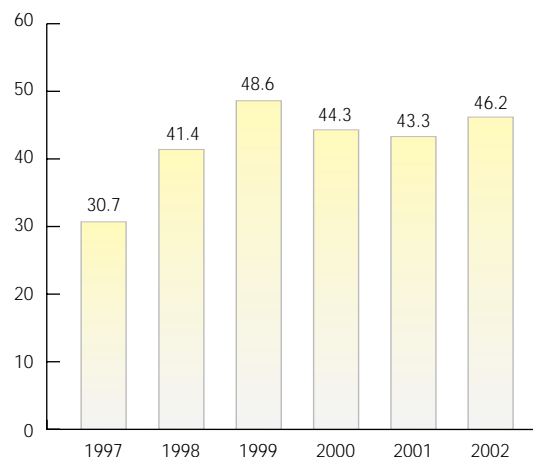
\* Adjusted for the dilution of option rights.

\*\* Board of Directors' proposal for 2002.

### Operating Profit



### Solvency Ratio, %





**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 %**

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

**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 %**

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

**Price/earnings (P/E) %**

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



On December 31, 2002 the Group's distributable funds totalled EUR 9,928,750.88. Exel Oyj's distributable funds totalled EUR 10,479,367.48, of which profit for the financial period accounted for EUR 2,387,583.96.

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

- a dividend of 47.6% of earnings per share, i.e. EUR 0.20 per share	EUR 1,059,860.00
- carried over as equity	EUR 9,419,507.48
	EUR 10,479,367.48

Helsinki, February 18, 2003

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, February 18, 2003

PricewaterhouseCoopers Oy  
Authorized Public Accountants

Christian Savtschenko-Alexandroff  
Authorized Public Accountant

Johan Kronberg  
Authorized Public Accountant



### 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, 2002. 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, February 18, 2003

PricewaterhouseCoopers Oy  
Authorized Public Accountants

Christian Savtschenko-Alexandroff  
Authorized Public Accountant

Johan Kronberg  
Authorized Public Accountant



#### **Environment, health and safety**

Exel's production units have been systematically developing their EHS (Environment, Health and Safety) operations. Exel is also committed to Responsible Care, a Chemical Industry Federation of Finland programme covering environmental and occupational health and safety issues.

For Exel, this means pursuing the principle of continuous development 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.

In recent years, we have paid particular attention to improving occupational safety and finding safer alternative raw materials.

We have analysed and documented the environmental aspects of our operations and have set our environmental goals and targets on this basis. In the past year, we focused especially on monitoring and reducing



materials waste, and waste has indeed been reduced in a number of product groups.

We monitor the progress made towards achieving our quality, environmental and safety goals and introduce both corrective and preventive measures on this basis. Through these measures, we have succeeded in reducing the number of occupational accidents significantly and reducing the costs involved in maintaining our quality targets.

**Exel has defined the following quality and environmental principles:**

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**

Exel has a certified quality system complying with the ISO 9001 standard. The system has been audited several times by Det Norske Veritas. We have also been developing our environmental system, with the aim of ISO 14001 certification in spring 2003.





Exel delivered 200 approach light masts to Helsinki-Vantaa Airport's third runway.

#### Exel's corporate governance principles

Exel's corporate governance complies with the Companies Act, the legislation covering the securities markets and other official regulations related to the governance of public joint stock companies. The principles set out here complement what is laid down by law. Furthermore, Exel follows the recommendations issued by the Central Chamber of Commerce and the Confederation of Finnish Industry and Employers on the governance of listed companies.

#### Annual General Meeting

The highest decision-making power in the company is exercised by shareholders at the Annual General Meeting. The function of the Annual General Meeting is to deal with the matters laid down for its attention in the Articles of Association. These include approving the financial statements, deciding on the distribution of dividends, amending the Articles of Association and electing the members of the Board and the auditors. The AGM is convened by the Board of Directors and held annually either in Mäntyhärju or Helsinki, on a date before the end of June, as determined by the Board. The AGM invitation is published no earlier than two months and no later than 17 days before the AGM, in the newspapers designated by the Board.

In order to attend the AGM, shareholders must notify the company of their intention to attend the meeting at the latest on the date given in the notice of the AMG. The date in the invitation must not be earlier than ten days before the meeting.

#### Board of Directors

##### Composition and term

The Board comprises at least three and at most eight full members. The Board is elected by the Annual General Meeting for a year at a time. The AGM nominates a Chairman from among the Board members.

Board meetings are attended by the President and the CFO, who acts as the meeting secretary.

##### Duties

The function of the Board is to duly arrange the company's management and activities. It is responsible for the duties laid down for it in the Companies Act and the company's Articles of Association. The Board's principal duties include confirmation of the corporate strategy and function-specific budget and decisions on funding agreements, major investments and purchase or sale of assets. The Board approves the interim reports, the financial statements and the report on operations, appoints the President and the Vice President and decides on the President's salary. The Board monitors the company's financial situation with the help of information provided by the Management Group.

##### Meetings, remuneration and other benefits

The Board meets approximately 10 times a year. The AGM decides on the remuneration payable to the members of the Board. In 2002 this was:

Chairman: EUR 1,500 per month  
Member: EUR 1,000 per month  
Remuneration per meeting: EUR 260 per capita

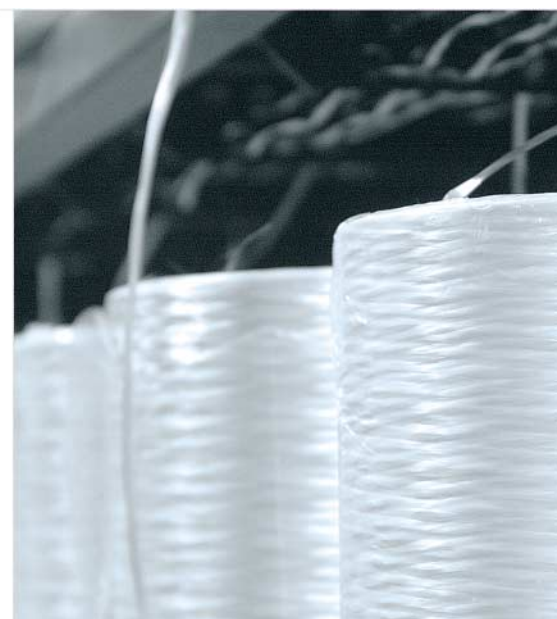
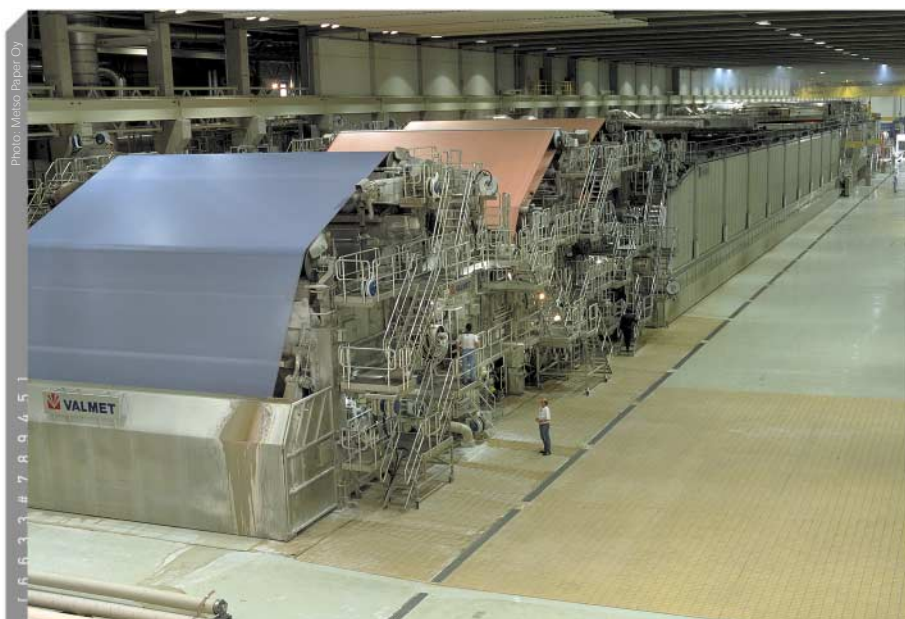
Remuneration paid to the Board members in 2002 for their duties in the Group totalled EUR 39,748. Board members are also entitled to per diem and travel allowances in accordance with Exel's general travelling compensation regulations.

##### President and Management Group

The President is appointed by the Board to run the company on a day-to-day basis in compliance with instructions and orders given by the Board. The areas of responsibility of the President & CEO include sales and market share, profitability and efficiency, and investments within the limits defined by the Board.

The President has a managing director contract which defines the responsibilities, powers, remuneration and termination procedure applying to the position. The President has no separate pension agreement.

The President is aided by the Management Group and is also a member of it. The Management Group also includes the Senior Vice President of the Industry division, the



Doctor blades, which have been developed in cooperation with Metso are used to transfer paper webs and clean paper machine rolls.

Senior Vice President of the Sport division, the CFO, the Senior Vice President of Manufacturing and the Senior Vice President of R&D. The President chooses the members of the Management Group and directs its activities. The Group meets 6-10 times a year. Its duties include drawing up business and strategic plans and implementing them.

#### Option rights programme

The company has an incentive option rights system, which comprises two programmes. The first consists of a warrant bond repaid in a single sum in October 2001. A total of 284 bonds at EUR 168.19 were issued, each with 1,000 warrants, 500 of them marked with the letter A and 500 with the letter B.

The second option rights programme comprises 370,000 option rights, of which half are marked with the letter A and half with the letter B. The option rights have been issued to the key personnel of the Group and to Exel Oyj's fully-owned subsidiary.

#### Insider regulations

As of March 1, 2000, Exel adopted insider regulations complying with the general insider trading guidelines issued by Helsinki Exchanges. The Board has further confirmed insider guidelines for Exel that give instructions for permanent and project-specific insiders, and defined the administrative organization and procedures regarding insiders.

Exel's statutory insiders include the members of the Management Group, the corporate communications officer and the executive assistant. Exel's insider register is maintained by the Finnish Central Securities Depository.

Ownership data on insiders is available from HEXGate and Exel's website at [www.exel.net](http://www.exel.net).

Trading by permanent insiders in securities issued by the company is forbidden 14 days before interim reports and financial statement bulletins are issued.

#### Auditors and audit system

The company has two auditors elected by the Annual General Meeting for an indefinite period. At least one of these auditors must be an Authorized Public Accountant.

Ultimate responsibility for accounting and financial management lies with the Board. The auditors give a statutory report to the shareholders in connection with the closing of the company accounts each year. The purpose of the auditing process is to ensure that the financial statements give a true and fair view of the Group's financial performance and status during the financial period.

The Board meets the auditors at least once a year.

Apart from this, the auditors carry out supervisory audits as they deem necessary and as agreed on with the company.

#### Environment and quality

Exel complies with the ISO 14001 environmental standard and is committed to the principles of the European chemical industry's Responsible Care programme in all its operations.

Exel complies with the ISO 9001 quality system. Its units in Finland have been certified by Det Norske Veritas.



Front row from left: Vesa Kainu, Peter Hofvenstam and Kari Haavisto. Back row from left: Mika Sulin and Juhani Sammasmaa.

## Board of Directors

Chairman

**Kari Haavisto**, born 1941, Lc.Sc. (Econ.)  
Director of Finances, Metsäliitto Corporation  
Chairman of the Board, Tunturi Oy Ltd  
Vice Chairman of the Board, Finland Post Corporation  
Vice Chairman of the Board, Suominen Corporation  
Member of the Board, Aspo plc  
Member of the Board, EVLI Bnk Plc  
Member of the Board, Neomarkka Plc  
Member of the Supervisory Board, Tapiola General Insurance Company

Owns 16,400 Exel shares.

**Peter Hofvenstam**, born 1965, MBA  
Vice President, Nordstjernan AB  
Chairman of the Board, Nordstjernan Ventures AB

Owns no Exel shares.

**Vesa Kainu**, born 1947, B.Sc. (Eng.)  
Vice President, Metso Minerals, Inc.  
Member of the Board, Metso Automation, Inc.  
Member of the Board, Metso Minerals, Inc.

Owns no Exel shares.

**Juhani Sammasmaa**, born 1940, M.Sc. (Eng.)

Owns no Exel shares.

**Mika Sulin**, born 1958  
Managing Director, JHC Arena Holding 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 81,700 Exel shares.

**Vesa Korpimies**  
born 1962, M.Sc. (Econ.)  
Vice President  
Director of Industry division  
In the employ of the company since 1987  
Owns 34,000 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.  
Senior Vice President, Product Development  
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, Production  
In the employ of the company 1992-1998 and 2001 onwards  
Owns 2,500 Exel shares.



## Managing Directors of subsidiaries

**Harald Bierbaumer**  
Exel GmbH

**Joacim Bergström**  
International Gateway AB





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**Annual General Meeting**

The Annual General Meeting of Exel Oyj will be held on Thursday, April 10, 2003 at 10.00 a.m. in the Marski room of the World Trade Center, Aleksanterinkatu 17, Helsinki, Finland.

To attend the Annual General Meeting, shareholders must inform the Company of this intention by 4.00 p.m. on March 31, 2003 at the latest, either in writing to Exel Oyj, P.O. Box 29, 52701 Mäntyharju, Finland, by telephone +358 15 3461 233/Soile Parta, y fax +358 15 3461 215, or by e-mail soile.parta@exel.fi. In the case of written registration of attendance, the letter must arrive 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 Annual General Meeting that a dividend of EUR 0.20 be paid for 2002. Shareholders registered in the list of shareholders maintained by the Finnish Central Securities Depository on the record date of April 15, 2003 are entitled to the dividend. The dividend will be paid on April 24, 2003.

**Change of address**

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

**Financial reports 2003**

In addition to this Annual Report for 2002, Exel will issue three interim reports during the year: on May 12, July 22, and November 4, 2003. The annual report, interim reports and stock exchange releases will be available in Finnish and English on the Internet at [www.exel.net](http://www.exel.net). The interim reports will not be available in print, but paper copies can be ordered from Exel's Corporate Communications. Stock exchange releases and annual/interim reports can be obtained by joining our mailing list on the Exel website.

**Financial reports can also be ordered from Exel's 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](mailto:sari.huoso@exel.fi)







**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