

AMER GROUP | Interim Report



AMER GROUP INTERIM RESULTS FOR THE PERIOD 1 JANUARY TO 30 APRIL 1999

Amer Group's performance continued to improve, as expected. Net sales grew by 4%. Operating profit amounted to EUR 12.8 million (1998: EUR 3.6 million). Profit before extraordinary items totalled EUR 7.2 million (1998: loss 2.1 million), net profit EUR 5.7 million (1998: loss EUR 2.1 million) and earnings per share EUR 0.23 (1998: losses per share EUR 0.09). The positive trend in the Group's performance is expected to continue and the result for the financial year is estimated to improve significantly compared to last year.

Performance improved as planned

Consolidated net sales were up 4% at EUR 267.0 million (1998: 257.7 million). The Group's reorganisation has been completed and profitability improved according to plan. Profit before extraordinary items amounted to EUR 7.2 million, compared to losses of EUR 2.1 million during the corresponding period in 1998.

Wilson's net sales increased by 4%. All divisions improved their profitability due to higher sales of high margin premium products. Sales grew by 5% in North America and 4% in Europe but remained unchanged in Japan.

Atomic's losses reduced by approximately 50% compared to the corresponding period in 1998. Ski sales were brisk towards the end of the 1998-1999 season. The reorganisation measures, in the in-line skate business in particular, are beginning to be reflected in the company's financial performance. It should be noted, however, that due to seasonal fluctuations, Atomic's deliveries mainly take place in the last third of the year.

Amer Tobacco's profitability was unchanged from the same period in 1998.

The Group's net financing expenses declined slightly, totalling EUR 5.6 million.

The relative proportion of the estimated tax charge for the full financial year has been charged against the results for the period.

Capital expenditure

The Group's gross capital expenditure amounted to EUR 2.4 million.

R&D

A total of EUR 3.5 million was invested in research and development, i.e. 1.3% of the period net sales.

Finance

The equity ratio increased from 42% as at 30 April 1998 to 46% as at 30 April 1999 (49% as at 31 December 1998), while gearing declined from 65% to 45% (38% as at 31 December 1998).

The Group's net debt increased due to seasonal fluctuations and the appreciation of the US dollar, totalling EUR 157.5 million at the period end, compared to EUR 131.3 million as at 31 December 1998. Liquid assets amounted to EUR 48.5 million at the period end.

By 31 May 1999 the Group had purchased a total of USD 41.93 million of the convertible subordinated bonds issued in 1993, representing 1,885,502 Amer Group A shares, i.e. 8% of the total number of shares currently in issue. A total of USD 4.08 million worth of these bonds were purchased during the period from January to May, representing 183,469 shares. The amount of the loan currently outstanding is USD 31.82 million, representing 1,430,877 A shares.

Personnel

Amer Group employed 3,716 people at the end of the period under review compared to 3,595 at the year-end and an average of 3,670 during the period. A total of 2,029 were employed in the US, 517 in Austria, 411 in Finland and 759 in the Rest of the World.

Share price

A total of 26% of the Group's A shares in issue were traded during the period under review; approximately 5 million were traded on the Helsinki Exchanges and approximately 1.2 million on the London Stock Exchange, in total 6.2 million shares.

The share price low in Helsinki was EUR 8.50, the high EUR 14.10 and the average EUR 11.11 and in London GBP 6.00, 9.53 and 7.48, respectively.

There were 12,914 registered shareholders at the end of April. Nominees accounted for 44% of the shares in issue at the period end.

The Company's market capitalisation stood at EUR 284 million as at 30 April 1999.

The Board of Directors had no outstanding authorisations to issue shares at the end of the period under review.

AGM Resolutions

Based on a decision made by Amer Group Plc's Annual General Meeting on 11 March 1999, a dividend of FIM 1.00 (EUR 0.17) per share was distributed for the 1998 financial year. The dividend was paid on 23 March 1999.

The AGM also approved a proposal to authorise the Board of Directors to purchase and dispose of the Company's shares. The total amount of shares to be purchased by using distributable funds is limited to 5% of the total number of shares in issue and votes thereon, i.e. a maximum of 1,216,344 shares. The authorisation to dispose and sell the shares is also limited to a maximum of 1,216,344 shares. The authorisations are valid until 11 March 2000.

The number of members of the Board of Directors was resolved to be six. Mr Tauno Huhtala, whose term was scheduled to expire, was re-elected for a new term 1999-2001. A new Board member, Mr Felix Björklund, was elected for the term 1999-2001. The other Board members, Mr Timo Maasilta (term 1998-1999), Mr Pekka Kainulainen (term 1998-2000), Mr Antti Lehtinen (term 1998-1999) and Mr Roger Talermo (term 1998-2000) will continue as Board Members. At its first meeting the Board of Directors elected Mr Pekka Kainulainen as Chairman and Mr Tauno Huhtala as Vice Chairman.

SVH Pricewaterhouse Coopers Oy, Au-

thorised Public Accountants, were re-elected Auditors to the Company. The auditor in charge of the audit is Mr Göran Lindell, Authorised Public Accountant.

Y2K preparation

The measures taken to prepare information systems and machinery and equipment for Year 2000 have proceeded according to plan. Full compliance is expected to be achieved by autumn 1999.

1999 prospects

Sporting goods sales are still not expected to grow in any of the major markets. The North American and European markets are likely to remain flat compared to last year. The Japanese and Southeast Asian markets are forecast to remain soft, although these markets are believed to have bottomed out. The economic difficulties of the Latin American countries will have little impact on demand for sporting goods.

Despite the soft market situation, Amer Group's results are expected to continue to improve significantly from last year. Overall, the Group is expected to further strengthen its position in the sporting goods market.

The decline of the golf market in North America, which started in late 1998, is expected to continue throughout the year. The golf market is forecast to further decline in Japan and to remain flat compared to last year in Europe and other markets. In the golf ball market competition is expected to intensify as a result of new manufacturers entering the market. At this stage of the year it is too early to forecast progress in retail trade for the year as a whole.

The global tennis market is forecast to remain flat compared to last year or to grow slightly. Wilson's Racquet Division's net sales are expected to increase slightly and its profitability to improve. The new Hyper Carbon racquets are estimated to further strengthen the company's leading position in the performance racquet category.

The Team Sports Division's net sales are expected to increase slightly and its profitability to improve further.

Atomic's aim this year is to move into the black. The company's market shares in al-

pine and cross-country ski equipment are expected to increase and its profitability to improve. The impact of the recent reorganisation will be reflected in the current financial year's results. Although the in-line skates and alpine and mountaineering boot businesses will remain unprofitable this year, the risk associated with these products will be significantly smaller than before.

Amer Tobacco's results are expected to improve slightly.

Amer Group's interim report for the period 1 January to 31 August 1999 will be published on 5 October 1999.

Divisional highlights

Wilson Golf

The decline of the global golf equipment market, which started in late 1998, continued during the period. In 1999 the US market is forecast to continue to decline as a result of unstable market conditions due to the fact that trade and major manufacturers are still carrying high inventories. The European golf market is expected to remain flat compared to last year. In Japan, demand is estimated to decline further.

Wilson's Golf Division's net sales increased by 3% and its profitability improved. Driven by strong sales of Fat Shaft golf clubs, premium golf club sales grew by 45% from the corresponding period last year. Commercial club sales declined by approximately 17% from the corresponding period in 1998.

Premium golf ball sales declined slightly, whereas the Staff Titanium golf ball line maintained its share of the market. Commercial ball sales, on the other hand, grew by 20% due to new product introductions. However, new competitors have entered the declining ball market, keeping competition fairly intense.

Wilson Racquet

The US tennis market grew slightly compared to the corresponding period in 1998. In 1999 the global market is estimated to remain flat to last year or to grow slightly.

The Racquet Division's net sales increased by 6% and the company further strengthened its position as the worldwide

No. 1 tennis brand. Profitability improved significantly due to higher sales of premium racquets.

Wilson boosted its market share in all major markets. In the US and Japan market share growth was driven by the new Hyper Carbon racquet line, which was launched in the US market last September. In Europe the Hyper Carbon racquets, based on a breakthrough new material, were launched in late spring.

In the US, Wilson maintained its market leadership in tennis racquets, boosting its market share to 47% in the performance racquet category. Wilson's Hyper Sledge Hammer 2.0 Stretch was the market's best-selling racquet. In addition, Wilson had seven out of 10 best-selling racquets.

The Hyper Carbon product family was extended during the period under review. In the US Wilson introduced the Hyper Hammer 5.3 Stretch and the Hyper Pro Staff 5.0 Stretch. These and other new Hyper Carbon racquet models will be launched globally later this year.

Tennis ball sales were flat compared to the corresponding period in 1998.

Wilson launched a new DST tennis footwear line, which was well received by consumers. Despite an overall soft market, Wilson footwear sales grew by 14%. The new DynoSphere Technology used by Wilson improves the tennis shoe's key features: comfort, cushioning and shock absorption.

Wilson Team Sports

Baseball and American football markets were flat compared to last year, while basketball and apparel sales declined slightly.

Wilson's Team Sports Division's net sales grew by 3%. Its profitability improved compared to the corresponding period last year due to sales growth and improved sourcing.

The company maintained its strong position in all team sports product categories in the US; American footballs' market share was 75% and basketballs' and baseball gloves' market share 26%.

New product introductions included new baseballs and softballs. American football sales were driven by a new ball featuring a composite material for improved gripability

and durability. A new Ultra Flex material with better stretch was introduced in uniforms.

Atomic

Atomic products' net sales grew by 29%, while Oxygen brands' net sales declined by 46%. Atomic's overall net sales fell by 5%. Atomic branded products accounted for 74% and Oxygen products for 26% of total net sales. The reorganisation measures have been completed; both the Altenmarkt and Köflach factories are now meeting current market conditions.

The global market for alpine skis declined slightly during the 1998-1999 season, primarily due to the market conditions in Asia. Sales of alpine skis based on Atomic's Beta Technology continued to be strong in key markets and sales increased by 19% compared to the corresponding period in 1998. Due to seasonal fluctuations sales mainly take place in the latter part of the year, however. The introduction of a new generation of Wide Body and Beta V skis has been successful. The pre-bookings for winter 1999-2000 are above last year's level in Europe and North America; in Japan they are similar to last year's level.

Alpine binding sales doubled from the corresponding period in 1998 and profitability improved due to lower production costs and a better mix of sales. Pre-bookings are clearly higher compared to the corresponding period in 1998.

Cross-country ski sales declined from the corresponding period in 1998. Despite declining sales, profitability improved, as retail prices were higher toward the end of the season than last year. Sales for the financial year as a whole are, however, expected to grow.

The global snowboard business is stabilising and fewer brands are now available in the marketplace. The Oxygen brand sold well in Europe and the objective is to gain market share in the US and Japan.

Market conditions for in-line skates continue to be unsatisfactory. The steps taken to source Oxygen in-line skates from the Far East have been completed and the risk associated with the business has been minimised.

Amer Tobacco

Amer Tobacco's deliveries to Finnish retailers grew in all product categories. Net sales increased by 7%. The growth was driven by a growth in market shares and an estimated decline in contraband trade.

Cigarette sales, up 3%, boosted the company's market share to a new record high of 76% (74%). Marlboro, L&M and Belmont continued to be the most popular cigarette brands in Finland with market shares of 32%, 31% and 13%, respectively.

In April Amer Tobacco raised its cigarette retail prices by approximately 2% and roll-your-own tobacco prices by 6%.

The forthcoming abolition of tax-free trade between the EU countries in the summer of 1999 is not expected to have an impact on Amer Tobacco's deliveries, as tax-free shopping will continue to be allowed on the Baltic sea crossings contributing the most to the company's sales.

In February the Finnish Parliament made a decision to amend tobacco legislation in order to restrict smoking in licensed premises. As the law will come into effect only gradually after 1 March 2000, the changes will not influence the company's business during the current financial year.

Helsinki, 1 June 1999

AMER GROUP PLC
Board of Directors

All forecasts and estimates mentioned in this report are based on management's current judgment of the economic environment and the actual results may be significantly different.

Unaudited.	Jan-Apr 99	Jan-Apr 98	Change	Jan-Dec 98
CONSOLIDATED RESULTS	EUR million	EUR million		EUR million
NET SALES	267.0	257.7	4%	745.5
Depreciation	10.2	10.5		29.5
OPERATING PROFIT	12.8	3.6		22.3
Net financing expenses	-5.6	-5.7	2%	-16.9
PROFIT/LOSS BEFORE EXTRAORDINARY ITEMS	7.2	-2.1		5.4
Extraordinary items	-	-		-2.7
PROFIT/LOSS BEFORE TAXES	7.2	-2.1		2.7
Taxes	-1.5	-		-2.8
Minority interest	-	-		0.2
PROFIT/LOSS	5.7	-2.1		0.1
Adjusted earnings per share, e	0.23	-0.09		0.11
Adjusted equity per share, e	14.00	14.05		13.90
Adjusted average number of shares in issue (million shares)	24.3	24.3		24.3
Average rates used: USD 1.00 = EUR	1.11	1.08		1.11
AVERAGE PERSONNEL	3,670	4,092		3,990
NET SALES BY DIVISION				
Golf	86.6	83.7	3%	210.3
Racquet Sports	76.8	72.6	6%	196.3
Team Sports	51.1	49.4	3%	129.2
Wilson	214.5	205.7	4%	535.8
Atomic products	17.9	13.9	29%	90.4
Oxygen products	6.3	11.6	-46%	31.0
Atomic	24.2	25.5	-5%	121.4
Tobacco	28.3	26.5	7%	88.3
Net sales, total	267.0	257.7	4%	745.5
Gross sales, total	436.0	422.4		1,290.4
BREAKDOWN OF OPERATING PROFIT				
Wilson	18.5	14.1	31%	31.4
Atomic	-4.9	-10.1	51%	-11.8
Tobacco	2.1	2.0	5%	8.0
Corporate Headquarters	-2.9	-2.4		-5.3
Total	12.8	3.6		22.3
GEOGRAPHIC BREAKDOWN OF NET SALES				
North America	154.1	147.8	4%	386.3
Finland	26.4	25.6	3%	85.2
Rest of Europe	57.4	55.4	4%	178.0
Japan	14.4	14.9	-3%	47.2
Asia Pacific	7.5	5.3	42%	18.1
Other	7.2	8.7	-17%	30.7
Total	267.0	257.7	4%	745.5

Unaudited.	Jan-Apr 99	Jan-Apr 98	Jan-Dec 98		
CONSOLIDATED CASH FLOW STATEMENT	EUR million	EUR million	EUR million		
Net cash from operating activities	12.0	-13.4	50.1		
Net cash from investing activities	-1.7	-3.5	-1.8		
Net cash from financing activities	-13.8	-4.3	-52.5		
Net increase in cash and cash equivalents	-3.5	-21.2	-4.2		
Cash and cash equivalents at 1 Jan	52.1	55.3	54.7		
Cash and cash equivalents at 30 Apr/31 Dec	48.6	34.1	50.5		
CONSOLIDATED BALANCE SHEET					
Assets	30 Apr 99	30 Apr 98	31 Dec 98		
Group goodwill	155.0	156.9	143.6		
Fixed assets and other long-term investments	200.6	240.7	202.0		
Inventories and work in progress	130.6	169.1	132.5		
Financial assets	267.7	267.1	236.7		
Assets	753.9	833.8	714.8		
Shareholders' equity and liabilities					
Shareholders' equity	340.5	341.9	338.1		
Minority interest	10.0	10.2	10.0		
Provision for contingent losses	2.8	12.7	3.4		
Long-term liabilities	144.4	157.4	125.7		
Short-term liabilities	256.2	311.6	237.6		
Shareholders' equity and liabilities	753.9	833.8	714.8		
Equity ratio	46.5 %	42.2 %	48.7 %		
USD 1.00 = EUR	1.06	1.09	1.17		
CONTINGENT LIABILITIES AND SECURED ASSETS, CONSOLIDATED 30 APR / 31 DEC					
Charges on assets	18.6	18.5	18.2		
Mortgages pledged	23.3	31.3	23.3		
Guarantees	2.9	3.3	2.9		
Liabilities for leasing and rental agreements	40.0	43.4	35.1		
Other contingent liabilities	19.6	34.5	26.1		
There are no guarantees or contingencies given for the management of the company, the shareholders or the associated companies.					
NOTIONAL AMOUNTS OF DERIVATIVE FINANCIAL INSTRUMENTS 30 APR / 31 DEC					
Foreign exchange forward contracts	349.9	541.9	454.8		
Forward rate agreements	660.6	549.1	471.4		
SHAREHOLDERS' EQUITY	Share capital	Premium fund	Revaluation fund	Retained earnings	Total
Balance at 31 Dec 97	82.7	183.7	3.0	74.9	344.3
Dividend				-	-
Exchange differences				-1.1	-1.1
Other increase/decrease				-5.2	-5.2
Net profit				0.1	0.1
Balance at 31 Dec 98	82.7	183.7	3.0	68.7	338.1
Dividend				-4.1	-4.1
Exchange differences				0.8	0.8
Other increase/decrease				-	-
Net profit				5.7	5.7
Balance at 30 Apr 99	82.7	183.7	3.0	71.1	340.5