



Game

improvement

AMER GROUP  
INTERIM REPORT 2/2000



# AMER GROUP INTERIM RESULTS

## 1 JANUARY TO 30 JUNE 2000

In the first half of 2000, Amer Group's net sales were up 29% at EUR 531.7 million (1999: EUR 410.8 million). Operating profit amounted to EUR 41.2 million (1999: EUR 24.3 million) and profit before extraordinary items EUR 32.6 million (1999: EUR 15.8 million). Earnings per share totalled EUR 1.14 (1999: EUR 0.62). For the second half of the year net sales are expected to grow at approximately the same rate as in the first half and the result for the financial year is forecast to improve significantly compared to last year.

### **Q2 net sales and results**

In the second quarter all business areas' net sales and operating profits developed as planned. The Group's core businesses' seasonal fluctuations were clearly reflected in both net sales and profits. At the Golf Division the second quarter is high season, whereas at Atomic this period is low season as deliveries mainly take place in the latter part of the year. Quarterly breakdowns of net sales and operating profits are presented at the end of this report.

### **Half year net sales and results**

During the first half of 2000 the Group's net sales and operating profit also developed as expected. Consolidated net sales were up 29% at EUR 531.7 million (1999: EUR 410.8 million). Of this growth 10% was attributable to exchange rate changes. Profitability improved considerably; profit before extraordinary items amounted to EUR 32.6 million compared to EUR 15.8 million during the first half in 1999.

Wilson's net sales increased by 21% or by 9% in local currency terms. Profitability improved and operating profit grew by 18%. Sales increased in major product categories world-wide, although at a slightly slower rate than in the first quarter.

Atomic's net sales grew by 9%. Sales of alpine skis increased by 36% and sales of bindings by 94% driven by good snow conditions at the end of the 1999/2000 season and Atomic's new ski/binding system. Profitability continued to improve.

Suunto's outdoor and sports instruments sales were up by 25% and profitability improved considerably; operating profit more than doubled. The strongest growth figures were again reported by diving instruments and wristop computers.

Amer Tobacco's net sales decreased by 5% and profitability decreased slightly compared to last year.

Teletekno's net sales grew by 9% and profitability remained at last year's level.

### **Capital expenditure**

The Group's gross capital expenditure amounted to EUR 30.6 million, of which EUR 23.8 million related to the acquisition of DeMarini Sports Inc.'s business operations.

### **R&D**

A total of EUR 7.8 million was invested in research and development, i.e. 1.5% of period net sales.

### **Finance**

During the second quarter the Group's equity ratio increased from 43.1% as at 31 March to 44.0% as at 30 June 2000, while gearing decreased from 56% to 47%.

During the second quarter the Group's net debt decreased by EUR 24.4 million to EUR 189.1 million at the period end, compared to EUR 151.7 million as at 31 December 1999. Liquid assets amounted to EUR 60.4 million at the period end.

### **Personnel**

Amer Group employed 4,431 people at the end of the period under review compared to 4,223 at the year-end and an average of 4,356 during the period. A total of 2,041 were employed in the US, 747 in Finland, 609 in Austria and 1,034 in the Rest of the World.

### **Shares and shareholders**

A total of 34.8% of the Group's A shares in issue were traded during the period under review; approximately 6.5 million were traded on the Helsinki Exchanges and approximately 2 million on the London Stock Exchange, in total 8.5 million shares.

The share price low in Helsinki was EUR 18.10, the high EUR 32.00 and the aver-

age EUR 27.27 and in London GBP 12.25, 19.13 and 16.87, respectively.

There were 11,356 registered shareholders at the end of June. Nominees accounted for 54% of the shares in issue at the period end.

The Company's market capitalisation stood at EUR 700.6 million as at 30 June 2000.

At the end of the period the Board of Directors had no share issue authorisation outstanding.

The authorisations given to the Board of Directors by the AGM in March to purchase and dispose of the Company's shares had not been exercised by the end of the period under review.

## **DIVISIONAL HIGHLIGHTS**

### **Golf**

The Golf Division's net sales increased by 14%. The growth rate was slower than during the first quarter. Profitability remained at last year's level.

In local currency terms Wilson golf club sales remained at last year's level, as did sales of golf balls. Wilson continued to gain market share in the US, UK and Canada in its superstar product categories: Fat Shaft Hyper Carbon irons, Smart-Core and Staff Titanium golf balls.

The global golf equipment market stabilised during the latter part of 1999. This year the market is expected to remain flat compared to last year. Competition, however, continues to be extremely intense especially in the US golf ball market as a result of new competitors. Wilson's Golf Division's net sales are expected to increase slightly and profitability to remain at last year's level.

### **Racquet sports**

The Racquet Division's net sales increased by 19% and profitability further improved. Sales increased in all core product categories. The fastest growth was seen in pre-strung racquets with sales up by 19% in local currency terms. Sales

of tennis shoes increased by 12% and sales of tennis balls by 5%, respectively.

Increased market shares in all major markets strengthened Wilson's position as the No. 1 tennis brand. The fastest sales growth was seen in North America, Southern Asia Pacific and Latin America.

In June, Wilson introduced new Rollers technology performance tennis racquets and new Rally tennis balls, which are bigger than conventional tennis balls. These new game improvement products became available in either June or July depending on the market.

Wilson players dominated Wimbledon: Pete Sampras won the men's tournament for the seventh time; Venus Williams won the women's tournament for the first time. Mark Woodforde and Todd Woodbridge won the men's doubles and Venus and Serena Williams the women's doubles tournament.

Slight growth is expected to continue in the global tennis market. Wilson's Hyper Carbon racquets are forecast to increase their market shares. Net sales are expected to grow and profitability to improve compared to last year.

### **Team sports**

The Team Sports Division's net sales grew by 39% and its profitability improved driven by increased sales, the acquisition of DeMarini and better product mix.

Excluding baseball gloves, all product categories increased their sales. In local currency terms baseball sales increased by 3%, American football sales by 19%, basketball sales by 27% and apparel sales by 9%.

DeMarini, manufacturers and marketers of baseball and softball bats, was integrated into Wilson's operations during the period. In June, Wilson introduced a new flagship softball bat B-52 at a premium price point. The new bats will be shipped later this year.

Sales growth in traditional team sports categories is likely to remain modest. Wilson's Team Sports Division's net sales are, however, expected to continue to increase and its profitability to improve significantly compared to last year.

### **Winter sports**

Atomic's businesses continued to develop positively in the first half of the year. Net sales increased by 9% and there was a clear improvement in profitability. Alpine ski sales grew by 36%, binding sales by 94% and boot sales by 50%. A decrease in net sales in the second quarter compared with last year is attributable to the exit from the inline skate business. It should be noted that the second quarter is low season for Atomic and deliveries mainly take place in the latter part of the year.

Atomic's results for the year as a whole are expected to improve significantly compared to last year. A major part of pre-bookings for Atomic's alpine skis and bindings for the European and the US market have been received and they are clearly higher than last year. Pre-bookings for the new ski boot have also been higher than last year, obviously as a result of Atomic's new integrated ski/binding/boot system, which was well received in the market. Pre-bookings for Japan have also been slightly higher than last year.

The overall performance of the winter sports equipment market will be dependent on snow conditions at the beginning of the 2000/2001 season. The Atomic brand is, however, expected to grow more rapidly than the market in all its core product categories.

During the interim period the decision was made to develop Atomic's central warehouse in Altenmarkt, Austria.

### **Outdoor and sports instruments**

Suunto's net sales increased by 25% and profitability improved significantly.

Of the product categories, the fastest sales growth was seen in diving instruments;

sales nearly doubled. Sales of wristop computers increased by 60%. Sales also increased slightly in all other product groups. The most rapidly growing market area was Asia.

Sales of Suunto's outdoor and sports instruments are forecast to continue to grow but at a slightly slower rate than in the first half of the year. The most rapid growth in sales is expected to be in wristop computers and diving instruments. The diving product category, which was unprofitable last year, will be back in the black. Suunto's profitability is expected to improve significantly compared to last year.

### **Amer tobacco**

Following the general market trend Amer Tobacco's net sales decreased by 5%. Sales decreased in all product categories the main reason being the extraordinary Y2K stock purchases made by the trade last December. There was also a slight decrease in profitability mainly due to the decrease in sales.

Amer Tobacco maintained its strong market position in spite of a one percent decrease in its market share to 75%. The company had avoided the keen price competition until April, when it launched Chesterfield cigarettes in the low price point category, which was first launched in the Finnish cigarette market last year.

The new distribution agreement with Swedish Match became effective on 1 August, and as a result of this agreement Amer Tobacco's market share is expected to increase to cover more than a half of the Finnish cigar market.

Amer Tobacco is expected to maintain its dominant market position. Net sales are expected to grow slightly. Its results are expected to decrease slightly compared to 1999 due to the sales decrease in the first half of 2000 and to the appreciation of the US dollar.

### **Teletekno**

Teletekno's net sales grew by 9%. Demand for telecommunications technology

products continued to be brisk throughout the period under review.

The most successful product groups were network technology and test and measurement technology. Sales of structured cabling system increased more than 30% and profitability remained stable. Sales of test and measurement technology more than doubled from last year. The most successful product categories were LAN, WAN and Internet testing products as well as network documentation software.

Teletekno's net sales are likely to increase slightly compared to last year. Profitability is expected to remain at last year's level or improve slightly.

### **Other main developments during the first half of 2000**

In January the licensing agreement with Philip Morris Products Inc. was renewed. The agreement, valid at least until year-end 2005, will continue thereafter by mutual agreement.

In January the Group redeemed the remainder of the convertible subordinated bonds of USD 75 million issued in 1993. The amount of the loan outstanding was USD 31.82 million, representing a total of 1,430,877 Amer Group A shares, i.e. 5.9% of the number of shares and voting rights currently in issue.

In March Lazard Frères & Co. LLC and Lazard Asset Management Ltd notified the Company that they together own 1,260,600 Amer Group Plc A shares, representing 5.182% of the Company's paid-up share capital and voting rights. Lazard's holding in Amer exceeded 5% on 27 March 2000.

In May The Arbitral Tribunal confirmed the Suunto minority shares' redemption price as EUR 11.50 per share. The price is the same as that offered by Amer Group in the public offer for Suunto Oyj's shares from 10 December 1999 to 10 January 2000 as well as in the redemption offer thereafter. An annual interest rate of 4.5% will be paid in respect of the redemption price from 21 March 2000

until the redemption price has gained legal force. All Suunto's shares were transferred to Amer Group Plc on 24 March 2000.

Effective 1 May Mr Kari Kauniskangas was appointed President of Amer Sports Europe, part of Amer Group's own global distribution organisation. Mr Dan W. Colliander was appointed President of Suunto Oy as of 1 August.

### **2000 prospects**

Prospects for the global sporting goods equipment market are somewhat more positive than before. The global golf market stabilised during the latter part of 1999. Globally both the racquet sports market and the winter sports equipment market are growing slightly.

Amer Group's net sales are expected to continue to grow almost at the same rate as during the first half of the year and its results to improve clearly from last year. We estimate that all the Group's divisions have opportunities available to increase net sales and market shares in their core product categories. The Group also has scope to improve its performance through further enhancing its supply chain management and sourcing.

Helsinki, 3 August 2000

AMER GROUP PLC  
Board of Directors

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

EUR million	Unaudited	Jan-June 2000	Jan-June 1999	Apr-June 2000	Apr-June 1999	Jan-Dec 1999	
<b>CONSOLIDATED RESULTS</b>							
NET SALES		531.7	410.8	29	265.4	215.2	23 825.7
Depreciation		17.3	15.0		8.8	7.8	33.0
OPERATING PROFIT		41.2	24.3	70	27.0	19.5	38 58.5
Net financing expenses		-8.6	-8.5		-4.4	-4.5	-15.0
PROFIT BEFORE EXTRAORDINARY ITEMS		32.6	15.8	106	22.6	15.0	51 43.5
Extraordinary items		-	-		-	-	-
PROFIT BEFORE TAXES		32.6	15.8		22.6	15.0	43.5
Taxes		-5.0	-0.7		-3.7	-0.6	-1.9
Minority interest		0.0	0.0		0.0	0.0	0.2
PROFIT		27.6	15.1		18.9	14.4	41.8
Earnings per share, EUR		1.14	0.62		0.78	0.59	1.72
Adjusted average number of shares in issue (million)		24.3	24.3		24.3	24.3	24.3
Adjusted equity per share, EUR		15.99	14.41		15.99	14.41	15.38
Average rates used: EUR 1.00 = USD		0.96	1.08		0.96	1.08	1.07
AVERAGE PERSONNEL		4,356	3,687				3,834
The relative proportion of the estimated tax charge for the full financial year has been charged against the results for the period.							
<b>NET SALES BY DIVISION</b>							
Golf		158.7	139.8	14	89.3	81.8	9 224.9
Racquet Sports		143.1	120.4	19	71.5	64.8	10 225.1
Team Sports		103.6	74.4	39	44.4	32.1	38 143.1
Wilson, total		405.4	334.6	21	205.2	178.7	15 593.1
Atomic		34.0	31.1	9	9.4	12.0	-22 139.1
Suunto		35.2	-		18.9	-	-
Amer Tobacco		43.0	45.1	-5	24.4	24.5	- 93.5
Teletekno		14.1	-		7.5	-	-
Net sales, total		531.7	410.8	29	265.4	215.2	23 825.7
Gross sales, total		796.2	679.9	17	411.0	360.9	14 1,395.5
<b>BREAKDOWN OF OPERATING PROFIT</b>							
Wilson		37.9	32.0	18	24.8	22.8	9 42.4
Atomic		-2.9	-7.5	61	-3.4	-3.7	8 15.1
Suunto		4.5	-		3.2	-	-
Amer Tobacco		4.6	4.9	-6	3.5	3.1	13 9.6
Teletekno		1.0	-		0.7	-	-
Headquarters		-3.9	-5.1		-1.8	-2.7	-8.6
Total		41.2	24.3	70	27.0	19.5	38 58.5
<b>GEOGRAPHIC BREAKDOWN OF NET SALES</b>							
North America		303.9	236.4	29	152.8	121.4	26 420.8
Finland		53.4	42.3	26	29.6	23.3	27 89.2
Rest of Europe		107.1	82.2	30	49.0	40.4	21 205.8
Japan		34.1	25.3	35	17.5	16.0	9 54.4
Asia Pacific		16.4	12.3	33	8.3	7.0	19 24.2
Other		16.8	12.3	37	8.2	7.1	15 31.3
Total		531.7	410.8	29	265.4	215.2	23 825.7

EUR million	Unaudited	Jan-June 2000	Jan-June 1999	Jan-Dec 1999
<b>CONSOLIDATED CASH FLOW STATEMENT</b>				
Net cash from operating activities		22.5	36.9	119.9
Net cash from investing activities		-29.2	-2.8	-70.7
Net cash from financing activities		-3.6	-22.9	-32.5
Net increase/decrease in cash and cash equivalents		-10.3	11.2	16.7
Cash and cash equivalents at 1 Jan		70.7	52.2	53.1
Cash and cash equivalents at 30 June /31 December		60.4	63.4	69.8
<b>CONSOLIDATED BALANCE SHEET</b>				
		30 June 2000	30 June 1999	31 Dec 1999
<b>Assets</b>				
Group goodwill		221.0	158.1	201.1
Other intangible fixed assets		19.6	21.1	20.4
Tangible fixed assets		163.9	159.9	163.2
Long-term investments		33.6	13.1	33.2
Inventories and work in progress		153.7	133.4	141.7
Receivables		254.4	211.0	245.8
Marketable securities		12.4	37.5	18.3
Cash and cash equivalents		48.0	25.9	51.5
<b>Assets</b>		<b>906.6</b>	<b>760.0</b>	<b>875.2</b>
<b>Shareholders' equity and liabilities</b>				
Shareholders' equity		389.1	350.6	374.2
Minority interest		10.1	10.0	10.1
Provision for contingent losses		2.9	2.8	4.1
Long-term interest-bearing liabilities		170.5	147.9	119.6
Other long-term liabilities		35.4	4.7	34.6
Short-term interest-bearing liabilities		79.0	46.5	101.9
Other short-term liabilities		219.6	197.5	230.7
<b>Shareholders' equity and liabilities</b>		<b>906.6</b>	<b>760.0</b>	<b>875.2</b>
Equity ratio		44.0 %	47.4 %	43.9 %
Gearing		47 %	36 %	39 %
EUR 1.00 = USD		0.96	1.03	1.00

	Share capital	Premium fund	Revaluation fund	Retained earnings	Total
<b>SHAREHOLDERS' EQUITY</b>					
Balance at 31 Dec 1998	82.7	183.7	3.0	68.7	338.1
Dividend				-4.1	-4.1
Translation differences				1.5	1.5
Net profit				15.1	15.1
Balance at 30 June 1999	82.7	183.7	3.0	81.2	350.6
Balance at 31 Dec 1999	82.7	183.7	2.9	104.9	374.2
Dividend				-14.3	-14.3
Translation differences				1.6	1.6
Other increase/decrease	14.6	-14.6		0.0	0.0
Net profit				27.6	27.6
Balance at 30 June 2000	97.3	169.1	2.9	119.8	389.1

#### CONTINGENT LIABILITIES AND SECURED ASSETS,

CONSOLIDATED	30 June 2000	30 June 1999	31 Dec 1999
Charges on assets	16.8	18.6	22.1
Mortgages pledged	25.2	21.2	39.0
Guarantees	2.5	2.7	2.6
Liabilities for leasing and rental agreements	45.3	40.9	42.9
Other liabilities	44.5	21.2	46.0

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

Foreign exchange forward contracts	290.4	337.6	330.7
Forward rate agreements	-	338.9	100.0

## QUARTERLY BREAKDOWNS

EUR million								
	II	I	IV	III	II	I	IV	III
	2000	2000	1999	1999	1999	1999	1998	1998
NET SALES								
Golf	89.3	69.4	38.1	47.0	81.8	58.0	35.5	39.6
Racquet Sports	71.5	71.6	45.9	58.8	64.8	55.6	41.6	46.0
Team Sports	44.4	59.2	35.8	32.9	32.1	42.3	30.6	29.9
Wilson total	205.2	200.2	119.8	138.7	178.7	155.9	107.7	115.5
Atomic	9.4	24.6	60.6	47.4	12.0	19.1	46.7	40.0
Suunto	18.9	16.3	-	-	-	-	-	-
Amer Tobacco	24.4	18.6	23.7	24.7	24.5	20.6	22.3	23.8
Teletekno	7.5	6.6	-	-	-	-	-	-
Total	265.4	266.3	204.1	210.8	215.2	195.6	176.7	179.3

EUR million								
	II	I	IV	III	II	I	IV	III
	2000	2000	1999	1999	1999	1999	1998	1998
OPERATING PROFIT								
Wilson	24.8	13.1	1.9	8.5	22.8	9.2	0.3	5.3
Atomic	-3.4	0.5	14.3	8.3	-3.7	-3.8	4.6	-0.2
Suunto	3.2	1.3	-	-	-	-	-	-
Amer Tobacco	3.5	1.1	2.4	2.3	3.1	1.8	1.8	1.9
Teletekno	0.7	0.3	-	-	-	-	-	-
Headquarters	-1.8	-2.1	-2.8	-0.7	-2.7	-2.4	-0.3	-1.4
Total	27.0	14.2	15.8	18.4	19.5	4.8	6.4	5.6



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