

- *Amer Group's performance was as expected in the period from January to August 1998. Operating profit amounted to FIM 74 million (1997: profit FIM 3 million).*

- *Losses before taxes and extraordinary items totalled FIM 8 million (1997: loss 72 million) and losses per share were FIM 0.40 (1997: losses per share FIM 3.20).*

- *Net sales amounted to FIM 3,000 million (1997: FIM 3,023 million).*

- *The result before taxes and extraordinary items for 1998 is expected to improve compared to 1997. The costs of reorganising Atomic are of some concern, however.*

## NET SALES

Comparable net sales for the January to August 1998 period remained unchanged compared to the corresponding period in 1997. Sales declined by 15% in Japan and by 52% in Asia Pacific due to the difficult economic situation in Asia. These markets accounted for FIM 264 million of the Sports Division's net sales (FIM 370 million). The Sports Division accounted for 88% and Amer Tobacco 12% of the Group's net sales, respectively.

## LOSSES REDUCED

Overall company performance improved according to plan. Losses before taxes and extraordinary items amounted to FIM 8 million (1997: FIM 72 million). The comparable losses for the January to August 1997 period were FIM 48 million.

The Golf Division's performance improved significantly and the operating result moved back into the black. The Racquet Division's sales declined in the US and Japan and profitability weakened, although remaining at a good level. The Team Sports Division's profitability continued to improve.

1998 has been a difficult year for the Atomic group of Companies due to major reorganisation undertaken and the in-line skate business' weak profitability. The Atomic Companies continued to trade clearly unprofitably in the period under review. However, the reorganisation is now near completion and the measures will be reflected in full in 1999's financial performance.

The Tobacco Division's profitability was unchanged compared to the same period in 1997.

The Group's net financing expenses increased due to high financing and hedging costs in Asia, totalling FIM 82 million. Net financing expenses include extraordinary interest income of FIM 7 million.

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

Extraordinary items include FIM 16 million in expenses related to divested businesses.

## CAPITAL EXPENDITURE

The Group's gross capital expenditure amounted to FIM 55 million during the period.

## R&D

A total of FIM 44 million was invested in research and development, i.e. 1.5% of period net sales.

## FINANCE

The equity ratio increased from 39% at the end of the corresponding period in 1997 to 44% at the end of August 1998 (43% as at 31 December 1997), while gearing declined from 83% to 49% (58% as at 31 December 1997).

The Group's net debt declined by FIM 200 million, totalling FIM 1.0 billion at the period end, compared to FIM 1.2 billion as at 31 December 1997. Liquid assets amounted to FIM 368 million at the period end.

In June a bond issue was launched in Finland. Scheduled to mature in 2001, the bond carries an annual coupon of 5%. Subscriptions totalled FIM 222 million.

By 30 September 1998 the Group has purchased a total of USD 25.5 million of the convertible subordinated bonds issued in 1993. The bonds represent 1,146,680 Amer Group A shares, i.e. 5% of the total number of shares currently in issue. The bonds purchased by Amer Group may not be reissued, resold or converted into shares.

## PERSONNEL

Due to seasonal fluctuations, Amer Group employed 3,999 people at the end of the period under review compared to 4,096 at the year-end and an average of 4,101 during the period. A total of 2,075 were employed in the US, 771 in Austria, 396 in Finland and 757 in the Rest of the World.

## SHARE PRICE

A total of 107% of the Group's A shares in issue were traded during the

period under review; 14 million were traded on the Helsinki Stock Exchange and approximately 12 million on the London Stock Exchange, in total 26 million shares.

The share price low in Helsinki was FIM 70, the high FIM 120 and the average FIM 104.74 and in London GBP 8.72, 13.28 and 11.78, respectively.

There were 13,039 registered shareholders at the end of August. Foreign shareholdings accounted for 52% of the shares in issue at the period end.

The Company's market capitalisation stood at FIM 1,984 million on 31 August 1998.

The Board of Directors had no outstanding authorisations at the end of the period under review. The authorisation to issue warrants, granted by the Annual General Meeting in the spring, has been exercised and the warrants were subscribed during summer.

## 1998 PROSPECTS

The Group's 1998 net sales are expected to total FIM 4.4 billion at current exchange rates. The Board of Directors expects the result before taxes and extraordinary items for the financial year to improve compared to last year. The costs of Atomic's reorganisation are of concern, however.

Wilson's net sales are forecast to decline slightly, while profitability is expected to improve from last year. The Golf Division's net sales and market shares are expected to grow and profitability to improve. The Racquet Division's net sales and profitability are forecast to decline. The Team Sports Division's performance is expected to improve compared to 1997. All Wilson divisions will report an operating profit in 1998.

For Atomic, the key objective this year is to improve performance. While the financial year's operating result is expected to improve from last year due to the reorganisation measures taken, the company will continue to

trade in the red due to the unprofitability of the in-line skate business. The Atomic Companies' net sales are estimated to decline slightly; the Atomic brands' net sales, comprising mainly alpine skis, are expected to grow, whereas the Oxygen brands' net sales will continue to decline.

Amer Tobacco is expected to maintain its strong position in the Finnish market as well as to meet its export targets. Net sales are expected to grow in 1998 and profits to remain at last year's level.

Amer Group's 1998 results will be published on 11 February 1999.

## DIVISIONAL HIGHLIGHTS

### SPORTS DIVISION

#### WILSON

Wilson's net sales grew by 4% in Finnmarks and by 1% in local currency terms. Sales were affected by a decline in the Racquet Division's sales mainly in the US and Japan as well as the exit from the unprofitable NFL jersey business in the US. On the other hand, performance improved due to growing net sales and margins as well as cost-cutting measures in the Golf and Team Sports Divisions.

Wilson's net sales were up 15% in Europe, 32% in Canada, and 13% in Latin America. Net sales were flat in the US, and declined by 15% in Japan and by 54% in Southern Asia Pacific.

#### Golf

Global golf equipment sales continued to grow in the first half of the year, but slowed down later in the year. The market is currently forecast to decline slightly in the US, where trade and major manufacturers are carrying high inventories, which will have a negative impact on market conditions. In Europe and Canada, the market is forecast to remain flat compared to last year, whereas in Japan and Southern Asia Pacific demand is esti-

mated to continue to decline.

Wilson's Golf Division's worldwide net sales grew by 8% in local currency terms. Profitability improved significantly due to higher gross profits, and the operating result moved back into the black.

Golf ball sales declined slightly in line with the market. Nevertheless Wilson successfully boosted Staff Titanium golf balls' market share in the key US, UK and Canadian markets. In August the company launched the Staff Titanium Straight Distance golf ball which enhances high handicap players' game by reducing slicing and hooking.

Driven by strong sales of Fat Shaft irons in the US, Canada and Europe, premium golf club sales grew by 40%. On the other hand, commercial club sales, brisk in the first half of the year, have slowed down later in the year. Overall, commercial club sales were 13% higher than in the corresponding period last year, however.

The Fat Shaft technology, which reduces twisting of the club head and results in longer and straighter shots, was expanded to comprise a full range of golf clubs with irons, drivers, fairway woods, putters and special clubs. The shipments of Fat Shaft metal woods, started in the US in April, will start worldwide in 1999.

#### Racquet Sports

The world tennis market continued to decline. In the US, where competition is particularly intense, sales fell by approximately 10% from the corresponding period last year. Wilson's market share also declined in performance racquets in the US. However, in Europe, the biggest market in the world, Wilson gained market share despite the fact that the popularity of tennis continued to decline in the major tennis countries, France and Germany. The company maintained its position as the number one worldwide brand in tennis.

The Racquet Division's net sales declined by 8% in local currency terms compared to the corresponding period last year. The Division's profitability

declined, while remaining at a good level.

In the US, Wilson maintained its position as the number one brand in tennis racquets, supplying 43% of all performance tennis racquets. In this category, new product introductions included the Hammer 6.4 Power Holes, the Hammer 3.0 Titanium Stretch and the Hammer 3.2 Titanium, the first two of which rapidly became two of the Top Five sellers in the industry for the year to date.

In September, Wilson launched a breakthrough material for use in tennis racquets, so far used mainly in the aerospace and aviation industries. Tests show that Hyper Carbon is the lightest, stiffest and strongest material ever used in tennis racquets. The new material has been incorporated into the new Hyper Sledge Hammer 2.0. Shipments of these new racquets will start later in the autumn.

In tennis balls, Wilson maintained its US market share at 40%. A titanium tennis ball was launched in September. The combination of titanium and a higher quality felt will both improve the ball's performance and make it more durable than conventional tennis balls.

### Team Sports

Team sports product and apparel sales remained flat compared to the corresponding period in 1997.

The Team Sports Division's net sales grew by 2% in local currency terms. Apparel sales declined as a result of the exit from the unprofitable NFL jersey business early this year. Moreover, sales in Japan declined in line with market conditions.

However, the division's profitability improved compared to the corresponding period in 1997, driven by higher gross profit and the reorganisation of the apparel business.

Wilson maintained its strong position in all team sports product categories in the US. American footballs' market share grew to 75% (70%) and basketballs' to 26% (24%), while the baseball gloves market share remained unchanged at 23%.

New product introductions included

the Solution, a new moisture absorbing basketball, and the Pro Select, a composite leather basketball.

### ATOMIC COMPANIES

Atomic brands' net sales grew by 26% in local currency terms, while Oxygen brands' net sales declined by 40%. Total net sales fell by 9% in Finnmarks and by 10% in local currency terms. Atomic brands accounted for 63% and Oxygen brands for 37% of the total net sales.

Atomic's carving ski sales were strong, driven by Beta technology and a successful range of products. Sales were up 32% in local currency terms compared to the corresponding period in 1997. Moreover, the order book is significantly higher than last year. Overall, the alpine ski market in North America and Europe is forecast to remain flat. The Asian market continues to decline and the Korean market is almost non-existent.

The ski boot market is expected to be softer than last year mainly due to weak demand in Japan and Korea. Moreover, Atomic branded ski boot sales are expected to be lower than last year.

During the period under review decisions were made to complete the reorganisation of the in-line skate business. The Köflach factory will continue to operate as a production facility fully integrated into Atomic, producing alpine ski boots, snowboarding boots and mountaineering boots as well as certain hard-boot skate models. By the year-end the plant will employ approximately 60 people instead of 350.

The shift into soft models continues in all key markets. Oxygen introduced its first full range of soft boots at a trade fair this summer and shipments to the markets will begin at the beginning of 1999. Furthermore, Oxygen Shockz, a new range of models featuring a full-suspension system, exclusively used by Oxygen, will be launched. Fast Fix, another new range of models with a new type of lacing system, was launched recently. In the future all new models will be sourced

from Asia in order to minimise the company's industrial risk.

Sales of Oxygen branded snowboards are declining in line with the worldwide snowboard market. Oxygen aims to maintain its dominant market position in Austria and to expand distribution in the US.

### AMER TOBACCO

Total cigarette deliveries to Finnish retailers grew by 4%. Consumption is estimated to be unchanged, while growth has mainly been accounted for by a decline in contraband trade.

Amer Tobacco's net sales increased by 8%, driven by an increase in delivery volumes as well as a price increase at the beginning of the year. The company maintained its dominant Finnish market position with a share of 74% (74%). Marlboro, L&M and Belmont continued to be the most popular cigarette brands in Finland with market shares of 31%, 30% and 13%, respectively. Market share increased in the cigars category, while falling slightly in the roll-your-own tobacco category.

Export sales grew by 8%. As a result of difficult economic conditions in Russia, net sales increased more slowly than budgeted and the situation is not expected to improve during the current year. However, Russian exports only account for a small share of Amer Tobacco's net sales and have only a marginal impact on the company's financial performance.

The restructuring of the Finnish tobacco industry continues: by the end of the year Amer Tobacco will be the only producer of tobacco products in Finland. By producing in Finland the company expects to gain distribution benefits as well as to enhance delivery reliability compared to competitors.

Helsinki, 1 October 1998

AMER GROUP PLC  
Board of Directors

*All forecasts and estimates mentioned*

**CONSOLIDATED RESULTS**

(Unaudited. Figures in FIM million)

	Jan-Aug 98	Jan-Aug 97	Change %	Jan-Dec 97
NET SALES	3,000	3,023	- 1	4,694
Depreciation	123	137		206
OPERATING PROFIT	74	3		77
Net financing expenses	- 82	- 75		- 130
LOSS BEFORE TAXES AND EXTRAORDINARY ITEMS	- 8	- 72		- 53
Taxes	- 2	- 2		- 27
Minority interest	1	- 2		7
LOSS BEFORE EXTRAORDINARY ITEMS	- 9	- 76		- 73
Extraordinary items	- 16	-		76
LOSS/PROFIT	- 25	- 76		3
Adjusted losses per share, FIM	-0.40	-3.20		-3.00
Adjusted losses per share, diluted, FIM	-	-		-
Adjusted equity per share, FIM	83.30	80.70		84.30
Adjusted average number of shares (million shares)	24.3	23.7		23.9
Average rates used:				
USD 1.00 = FIM	5.47	5.13		5.19
AVERAGE PERSONNEL	4,101	4,532		4,536

**NET SALES BY DIVISION**

(Figures in FIM million)

	Jan-Aug 98	Jan-Aug 97	Change %	Jan-Dec 97
Golf	975	876		1,225
Racquet	825	873		1,235
Team Sports	545	504		769
Wilson	2,345	2,253	4	3,229
Atomic	195	154		440
Oxygen	113	183		271
Atomic	308	337	- 9	711
Sports Division	2,653	2,590	2	3,940
Tobacco Division	347	322	8	496
	3,000	2,912	3	4,436
Discontinued operations	-	111		258
Net sales, total	3,000	3,023	- 1	4,694
Gross sales, total	5,110	5,038		7,814

**GEOGRAPHIC BREAKDOWN OF NET SALES**

(Figures in FIM million)

	Jan-Aug 98	Jan-Aug 97	Change %	Jan-Dec 97
North America	1,693	1,627	4	2,343
Finland	331	309	7	485
Rest of Europe	604	614	- 2	1,154
Japan	198	232	- 15	325
Asia Pacific	66	138	- 52	196
Other	108	103	5	191
Group, total	3,000	3,023	- 1	4,694

**CONSOLIDATED BALANCE SHEET**

(Figures in FIM million)

<b>Assets</b>	31 Aug 98	31 Aug 97	31 Dec 97
Group goodwill	912	1,018	940
Fixed assets and other long-term assets	1,309	1,577	1,460
Inventories and work in progress	978	1,073	937
Financial assets	1,529	1,554	1,587
<b>Assets</b>	<b>4,728</b>	<b>5,222</b>	<b>4,924</b>
<b>Shareholders' equity and liabilities</b>			
Shareholders' equity	2,026	1,964	2,050
Minority interest	60	71	61
Provision for contingent losses	24	25	91
Long-term liabilities	1,019	1,049	1,074
Short-term liabilities	1,599	2,113	1,648
<b>Shareholders' equity and liabilities</b>	<b>4,728</b>	<b>5,222</b>	<b>4,924</b>
<b>Equity ratio</b>	<b>44%</b>	<b>39%</b>	<b>43%</b>
USD 1.00 = FIM	5.38	5.39	5.42

**CONTINGENT LIABILITIES AND SECURED ASSETS,  
CONSOLIDATED**

	31 Aug 98	31 Aug 97	31 Dec 97
Charges on assets	110	111	111
Mortgages pledged	184	187	186
Guarantees	19	21	22
Liabilities for leasing and rental agreements	234	353	247
Other contingent liabilities	230	403	277

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**

	31 Aug 98	31 Aug 97	31 Dec 97
Foreign exchange forward contracts	3,261	2,105	3,241
Interest rate contracts	3,226	539	4,337
Interest options, call	-	539	-