AMER GROUP
1997

CONTENTS

ANNUAL SHAREHOLDERS' MEETING

Amer Group Plc's Annual Shareholders' Meeting will be held on Wednesday, 18 March 1998 at 1.00 p.m. at Amer Group's headquarters in Helsinki. The address is Mäkelänkatu 91.

DIVIDENDS

The Board of Directors propose that no dividend be distributed for the 1997 financial year. The Board of Directors' recommendation appears on page 37.

SHARE REGISTER

Amer Group Plc's shareholder register is administered by the Finnish Central Securities Depository Ltd.

Shareholders must inform the registrar (bank), who keeps their book-entry accounts, of any changes of address, pledges and other matters relating to their shareholdings.

FINANCIAL REPORTING

Results for 1997	*February 12, 1998*
Annual Report 1997	*March 2, 1998*
Interim Report for the period January 1 to April 30, 1998	*June 4, 1998*
Interim Report for the period January 1 to August 31, 1998	*October 1, 1998*

The reports are available in English and Finnish. These publications can be ordered by writing to:

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AMER GROUP

Global brands

Amer Group's operations are based on strong international brands. The Group focuses on sporting goods and other leisure time products, which represent about 90% of budgeted net sales in 1998. Wilson, Atomic and Oxygen are the best known of the Group's own brands. In addition to the Sports Division, the Group also includes Finland's largest cigarette manufacturer Amer Tobacco.

Game improvement products for average players

The core of Amer's strategy consists of strong reliable branded products that consumers wish to be identified with. The Sports Division manufactures innovative game improvement products for average players. Nonetheless, the role of top athletes is crucial for product development; they contribute their expertise and experience in the development of the best sporting goods products.

Portfolio strategy

Another essential element of the strategy is to cover a wide range of sports. The corporate portfolio includes summer and winter sports, indoor and outdoor sports, traditional and trend sports. While this variety offers consumers an enormous choice, it also ensures the position of the Group as a major supplier and promotes the establishment of lasting business contacts with the trade. This wide range of sports also benefits investors, as it balances the cyclicality of business, reducing, for example, dependency on the weather.

Investment in the future

Amer Group was established in 1950. The company was listed on the Helsinki Stock Exchange in 1977 and on the London Stock Exchange in 1984. In the United States, Amer's shares are available through an ADR facility. The Group's medium term goal is to achieve a significant improvement in its results.

THE YEAR IN BRIEF

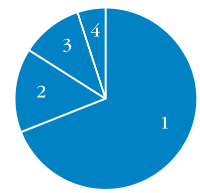
- *1997 was very significant for Amer Group's financial performance; operating profit was FIM 77 million compared with a loss of FIM 120 million in 1996. Losses before taxes and extraordinary items decreased to FIM 53 million, which is less than one quarter of 1996' losses. Losses per share were FIM 3.00 (1996: losses per share FIM 7.40).*

- *The profitability of Wilson's Golf Division improved significantly. The greatest disappointment was Oxygen in-line skate business; sales and profitability decreased significantly resulting in heavy losses at Atomic.*

- *The Group's ownership structure changed following the conversion of all the outstanding K shares into A shares. Now Amer Group has only one publicly listed class of shares, and all shares have the same voting and dividend rights.*

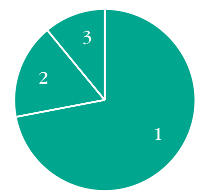
- *Changes planned to Amer Group's structure were completed following the divestment of Time/system.*

PERCENTAGES OF NET SALES 1997



1 Wilson 69 %
2 Atomic 15 %
3 Tobacco Division 11 %
4 Time/system 5 %

PERCENTAGES OF NET SALES 1998



1 Wilson 72 %
2 Atomic 17 %
3 Tobacco Division 11 %

KEY FIGURES
FIM million

	1997	1996	Change %
Net sales	**4,694**	4,958	−5
Overseas sales	**4,209**	4,055	4
Operating profit/loss	**77**	-120	
% of net sales	**2**	-	
Loss before taxes and extraordinary items	**-53**	-234	
Return on investment (ROI), %	**2.6**	-2.3	
Earnings per share, FIM	**-3.0**	-7.4	
Return on shareholders' equity (ROE), %	**-3.7**	-7.2	
Equity ratio, %	**43**	44	
Personnel at year end,	**4,096**	4,667	
outside Finland	**3,693**	4,251	

Calculation of key figures, see page 42

CEO'S REVIEW

The year 1997 was significant for Amer Group in many ways. The negative trend in results which started in 1995 was successfully broken, and the Company is again heading in the right direction.

The reorganisation program introduced in 1996 for Wilson together with the Group's result improvement plans both made relatively good progress over the past year. Wilson's improvement was in fact slightly faster than anticipated. On the other hand, Oxygen's in-line skates business disappointed due to the collapse of its market. Atomic's carving skis performed well and increased their market shares. As a whole, our portfolio strategy, which encompasses summer and winter sports, indoor and outdoor games as well as traditional and trend sports, proved effective and the Group's overall progress met expectations. The Tobacco Division also had a much better year than in 1996.

Changes planned to the Group's structure were completed along with the disposal of Time/system, focusing operations clearly on sporting goods. No more structural changes are planned. The current structure is working, and we are now ready to improve our remaining businesses.

Amer's long debated shareholder structure crystallised during the year. The core of Amer Group today consists of one class of shares both listed on the Helsinki and London Stock Exchanges and giving the same benefits to all shareholders. This will give us the peace of mind that we need to achieve improved results, the payment of dividends and to achieve an increasing share price.

It should also be noted that the foiled take-over attempt last summer was extremely significant for the future of the Group. The close co-operation and independent decisions of the Board will certainly become part of the Group's history.

Today Amer Group invests resources in global, innovative brands - sporting goods which improve the performance of average players. Several product innovations were launched last year and were well received by the market. These products form the foundation on which the future of the Group will be built, and I am convinced that each brand – Wilson, Atomic as well as Oxygen – will successfully introduce advanced innovative products to average consumers that give all of us the chance to improve our personal sporting performances.

For 1998 our common objective is to continue improving the Group's performance with a special focus on Atomic's profitability.

In the current year we will continue refining our global brand strategy. Our key priority is to develop an efficient distribution organisation to represent our products worldwide and provide optimal service to the trade.

Our strong balance sheet and improved results will also provide the preconditions needed to compete in an ever harsher competitive climate in the years to come.

However, the most important prerequisite is the will of our employees to do their utmost to ensure that Amer Group, Wilson, Atomic and Amer Tobacco will continue to provide excellent know-how and profitability at a better level than our competitors. I also wish to thank all the Group's personnel for their work and the progress that we have achieved together. I hope that the positive trend will continue so that we can generate added value for our shareholders and meet their expectations for Amer Group's future.

Roger Talermo

SPORTS DIVISION

KEY INDICATORS

FIM million	1997	1996	Change
NET SALES	3,940	3,517	12%
Wilson	3,229	2,775	16%
Golf	1,225	963	27%
Racquet Sports	1,235	1,132	9%
Team Sports	769	680	13%
Atomic	711	742	-4%
Atomic	440	424	4%
Oxygen	271	318	-15%
OPERATING PROFIT/LOSS	14	-138	-
Wilson	126	-84	-
Atomic	-112	-54	-
CAPITAL EXPENDITURE	105	113	-7%
Wilson	61	64	
Atomic	44	49	
PERSONNEL (average)	3,805	4,054	-249
Wilson	2,756	3,049	-293
Atomic	1,049	1,005	44

THE YEAR IN BRIEF

• *Wilson's profitability improved significantly in 1997 turning in a positive operating result due to a better performance by the Golf Division. The Team Sports Division's results also improved.*

• *Atomic's operating results deteriorated in 1997 and were heavily in the red primarily due to declining sales and profitability in Oxygen in-line skates.*

Mark McCumber

GENERAL HIGHLIGHTS

Wilson

With the exception of tennis, demand for sporting goods in Wilson's sports, golf, racquet sports, baseball, basketball and American football markets, grew slowly in North America, Asia Pacific region and Europe, while the Japanese market continued to decline. Wilson's sales trend also followed the global trend and improved in the same regions but remained flat in Japan. Wilson also increased its sales in South America.

Wilson's net sales, including royalty revenues, amounted to FIM 3,229 million (USD 622 million). Net sales increased by 5% in local currency terms and by 16% in Finnmarks. The Golf Division's net sales increased by 14% in local currency terms, the Team Sports Division's and the Racquet Division's net sales remained unchanged.

Wilson's profitability improved significantly with operating profit of FIM 126 million (compared to a loss of FIM 84 million in 1996).

Total worldwide sales of licensed Wilson branded products exceeded USD 250 million.

A significant part of Wilson's capital expenditure of FIM 61 million related to automation at the golf ball manufacturing plant in Humboldt, Tennessee, and to Wilson's and Atomic's new integrated MIS system.

Hermann Maier, two gold medals at the 1998 Nagano Winter Olympics.

Atomic

Atomic's net sales amounted to FIM 711 million (ATS 1,671 million). Net sales declined by 4% both in Finnmarks and in local currency terms.

The overall operating loss grew to FIM 112 million (1996: a loss of FIM 54 million) mainly due to the problems in the in-line skate business. The decline of the total in-line skate market was approximately 25%. In addition to Oxygen in-line skates' decreased sales volumes, there were also problems caused by weaker sales margins as a result of aggressive price competition as well as a rapid shift of demand to soft skates.

Although sales of Atomic branded products increased in volumes and profitability improved compared to 1996, its operations remained unprofitable. The new BetaCarv ski range performed well.

Atomic's German subsidiary's operations were heavily in the red. In addition to the difficult market situation in in-line skates, losses were caused by internal organisation problems relating to excessive inventories and high logistics' costs. Atomic's and Wilson's German operations were merged, and a new managing director was appointed in November.

The Köflach factory started to adapt production and organisation to the changed situation in the in-line skate market. Personnel numbers were reduced by approximately 100.

Atomic's capital expenditure amounted to FIM 44 million, with the main focus on rationalisation of production and moulds for new products.

PROSPECTS FOR 1998

Wilson

The modest growth in golf market is expected to continue. Traditional team sports markets will remain flat, and demand for tennis equipment is forecast to continue to decline.

Wilson's primary growth potential

is in golf. Consequently, the company is focusing on improving its Golf Division's profitability. This will be achieved through introducing new game improvement products. In addition, more attention will be directed to consistent branding focusing on Wilson brand. Marketing strategy will be based on grass-root programs addressed to active consumers and opinion leaders.

Wilson's net sales are expected to grow compared to last year, and profitability is expected to improve in 1998.

Atomic

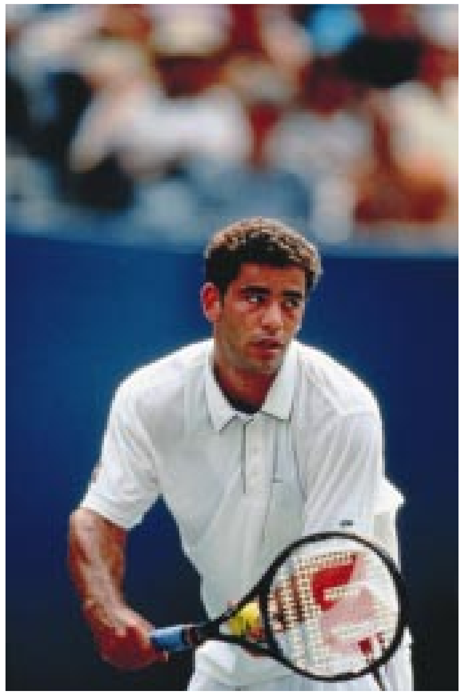
The alpine and cross-country ski market is expected to remain at its present level. Net sales of Atomic branded products are expected to remain stable. The main target for the current financial year is to improve Atomic's profitability. The focus will be on premium products with higher margins, and unprofitable product lines will be discontinued in all product categories.

Atomic intends to increase implementation of its Beta technology in both racing and carving skis. A new Atomic binding range will be launched during the current year as well as a new, second generation Atomic ski boot. In cross-country skis Atomic will launch a new light-weight cap technology for active skiers. The distribution and presence of Oxygen skis and snowboards will be enhanced in image conscious sports resorts in the United States.

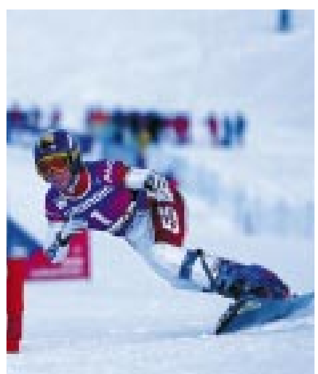
Oxygen's net sales are expected to decrease compared to 1997. The market for in-line skates is expected to continue to decline, and demand for snowboards is likely to be unstable because of considerable over-capacity. Oxygen will introduce a new soft skate in the fitness category.

In addition to the above-mentioned measures, Atomic's profitability will be improved through increasing its production efficiency and flexibility, and by increased sourcing and streamlining of its organisation.

Michael Jordan

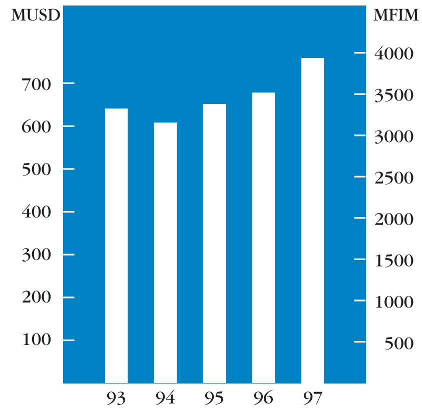


Pete Sampras

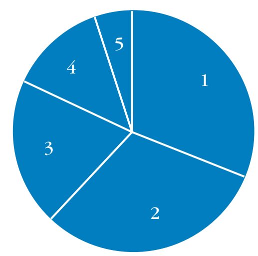


Karine Ruby, gold medallist in giant slalom at the Nagano Winter Olympics.

NET SALES

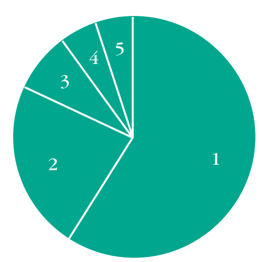


BREAKDOWN OF NET SALES 1997



1 Golf 31 %
2 Racquet Sports 31 %
3 Team Sports 20 %
4 Winter sports equipment 13 %
5 In-line skates 5 %

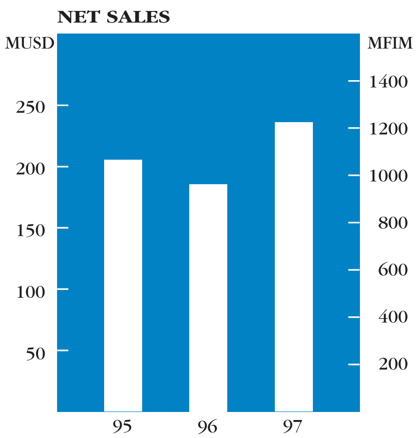
GEOGRAPHIC BREAKDOWN OF NET SALES 1997



1 North America 59 %
2 Europe 23 %
3 Japan 8 %
4 Asia/Pacific 5 %
5 Others 5 %

GOLF

Wilson Sporting Goods Co. is one of the leading global sporting goods companies producing and marketing golf, racquet and team sports equipment. The company's strategy is to develop innovative game improvement products for average sports participants.



The wholesale value of the global golf market exceeds USD 5 billion. Golf clubs account for slightly over half of this figure, balls around 20%, and other equipment 20%. The principal market is the United States with a 57% share, with Japan second largest with around 30% of the total market. Europe represents about 10% of the global golf market.

Demand for golf equipment grew in the United States and Europe but declined in Japan in 1997.

Wilson Golf Division's net sales amounted to FIM 1,225 million (FIM 963 million), an increase of 14% in local currency terms and 27% in Finnmarks. Profitability improved significantly although its operations remained lossmaking. The improvement was attributable to lower fixed costs and the better than anticipated sales growth of premium Staff Titanium golf balls and commercial clubs. The Staff Titanium golf balls, launched in fall 1996, are marketed only through golf pro and specialty shops. Commercial clubs sales grew in the United States enhanced by new exciting professional players, who increased the game's popularity, thus attracting new players to take up the game.

In January 1997, Wilson introduced the Staff Fat Shaft irons at premium price points in the United States. Sales targets were met. The Staff Fat Shaft irons will be available for worldwide distribution this year. The irons are based on the new "Fat Shaft" shaft technology, which increases the torsional stability of the club head resulting in longer and straighter shots. The Staff Fat Shaft Titanium woods and new Double Cover Staff Titanium golf balls were introduced in January 1998. Shipments will start this spring.

In accordance with its strategy, Wilson's Golf Division continues to develop game improvement premium products for average players and to focus on profitable growth. Marketing is based on effective use of the Wilson brand and grass-root programs addressed to core consumers. The primary product focus is on golf balls where Wilson is a leading global manufacturer. Wilson's share of the global golf ball market is approximately 9%; its estimated market share in the United States is 15%.

R&D spending in premium golf balls and golf clubs will continue at a high level to ensure continuing flow of new innovative product introductions in the future.

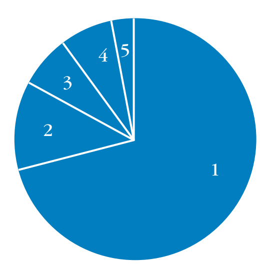
Such world famous touring pros as Vijay Singh, Mark McCumber and Costantino Rocca, among others, play with Wilson's products.

The Staff Titanium Double Ti is the newest ball in Wilson's titanium golf ball series. Deliveries of Double Ti will start in spring 1998.

Wilson Golf Advisory Staff members Mark McCumber, Costantino Rocca and Vijay Singh.

Wilson Staff Fat Shaft Irons have a thicker hosel, which makes the clubs less likely to twist thus improving stability and accuracy.

GEOGRAPHIC BREAKDOWN OF NET SALES 1997



1 North America 71 %
2 Europe 12 %
3 Japan 7 %
4 Asia/Pacific 7 %
5 Others 3 %

RACQUET SPORTS

The estimated global market for tennis racquets and balls at wholesale prices is USD 600 million, with racquets accounting for 60% and balls 40% of the total figure. The biggest market for tennis equipment is Europe with just under 40% share. The US comes second with approximately 30% and Japan third with 17% of the total market. The tennis industry declined worldwide in 1997. However, Wilson continued to strengthen its position as the number one global tennis brand; market shares increased, and new game improvement premium racquets were introduced.

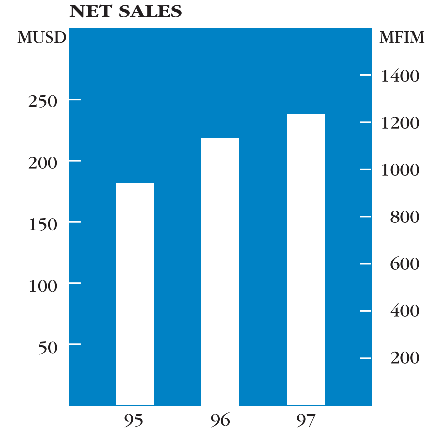
Divisional net sales totalled FIM 1,235 million (FIM 1,132 million). Net sales increased by 9% in Finnmarks but remained at the previous year's level in local currency terms. The Racquet Division's profitability continued to be good.

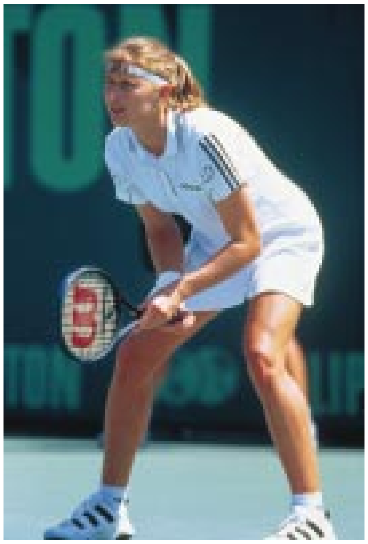
Globally, Wilson maintained its leading market position in tennis racquets and number two position in tennis balls. In the United States Wilson maintained its market share of 46% in tennis racquets and 42% in tennis balls. Wilson has six of the top ten selling performance racquets in the United States.

During the year, Wilson introduced a new "power hole" racquet technology, which increases string responsiveness and thus enlarges the sweet spot. New racquet introductions included among others the Sledge Hammer 3.8 Power Holes and the Pro Staff 4.7 EB. The Pro Staff Evolution tennis shoes were launched in September for the spring 1998 shipments.

Wilson top professional players Steffi Graf, Pete Sampras, Greg Rudeski, Jonas Bjorkman and Lindsay Davenport continued to dominate the major tournaments.

Wilson has been the official US Open tennis ball for almost 20 years. In the US, Wilson has a 42% tennis balls market share.

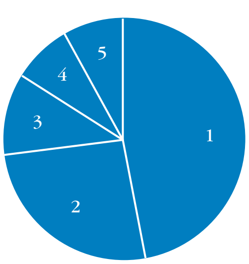




Steffi Graf

Todd Martin

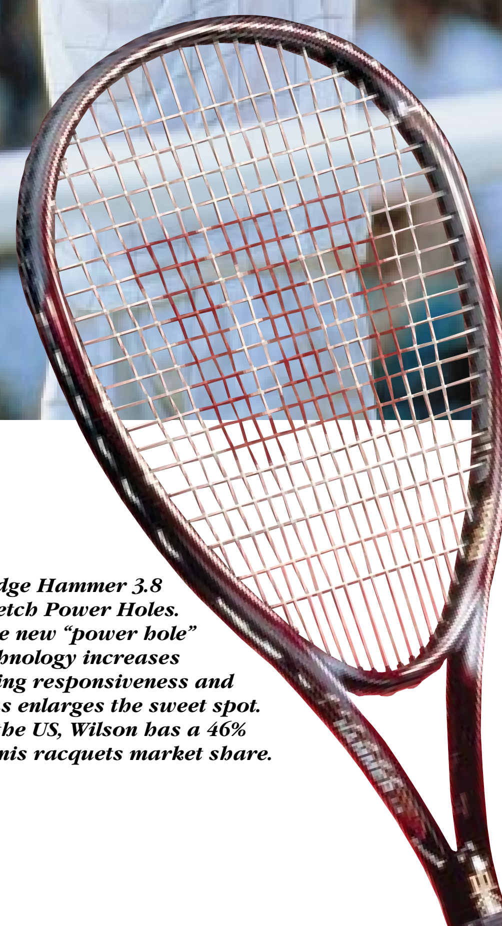
GEOGRAPHIC BREAKDOWN OF NET SALES 1997



1 North America 47 %
2 Europe 26 %
3 Japan 11 %
4 Asia/Pacific 8 %
5 Others 8 %

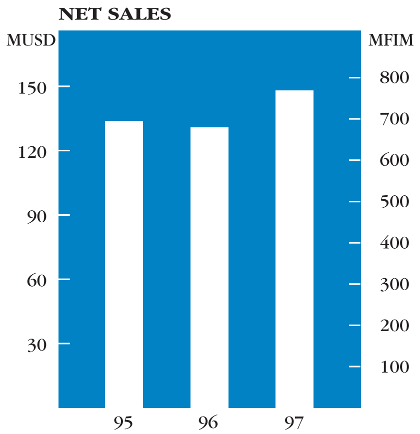
Pete Sampras

Lindsay Davenport

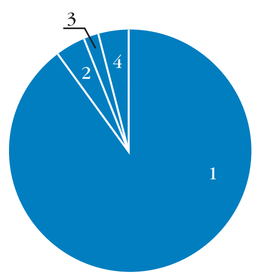


Sledge Hammer 3.8 Stretch Power Holes. The new "power hole" technology increases string responsiveness and thus enlarges the sweet spot. In the US, Wilson has a 46% tennis racquets market share.

TEAM SPORTS



GEOGRAPHIC BREAKDOWN
OF NET SALES 1997



1 North America 90 %
2 Japan 4 %
3 Europe 2 %
4 Others 4 %

The US basketball, American football and apparel markets continued to grow steadily. After several years of decline, the baseball market is now growing again. The total market for these team sports at wholesale prices is about USD 500 million. The principal market in Wilson's product groups is the United States with approximately 65% share, and Japan is second with slightly less than 20%. The third major market is Europe with a 7% share.

The Team Sports Division's net sales totalled FIM 769 million (FIM 680 million). In local currency terms, net sales were flat compared to 1996 but grew by 13% in Finnmarks. However, the Division's performance improved significantly due to higher margins and lower fixed costs.

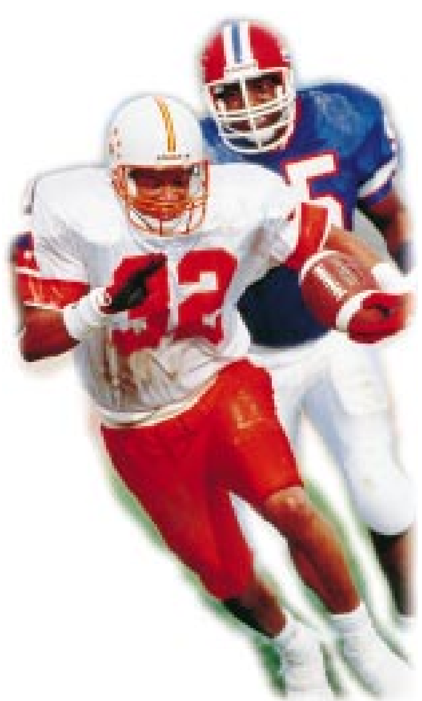
Thanks to an increased focus on R&D, Wilson was able to introduce several game improvement products including the TD Evolution football, Pro Select baseball glove, and the Jet Evolution composite leather and Jet Select synthetic leather basketballs.

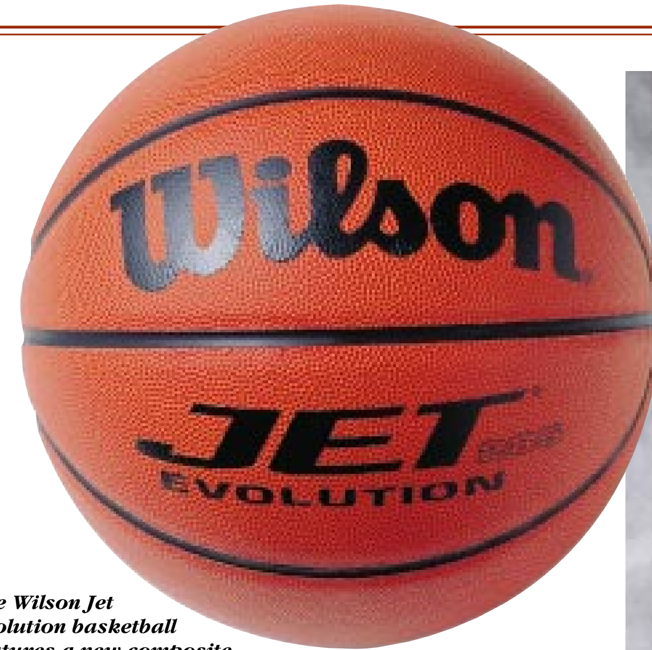
The Division's Sparta, Tennessee, apparel factory was downsized in November in conjunction with the decision to exit the unprofitable NFL jersey business.

Wilson maintained its strong market position in all team sports categories in the United States. The company's market share in American footballs is 68%, in basketballs 21% and in baseball gloves 22%.

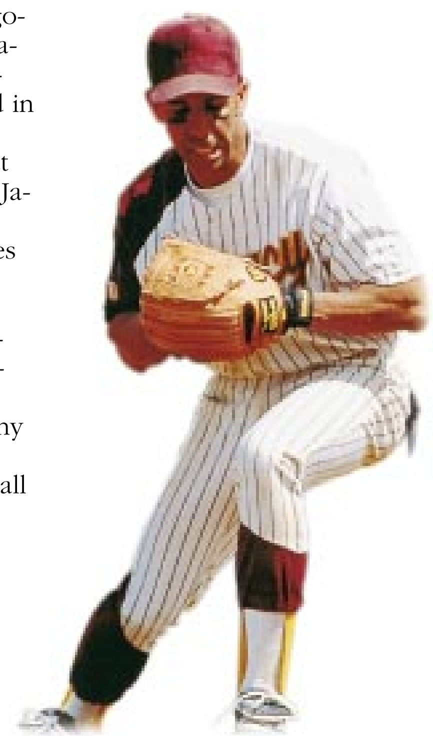
The new Nomo baseball product line was introduced successfully in Japan and the United States. The endorsement contract with Los Angeles Dodger pitcher Hideo Nomo was signed in late 1996.

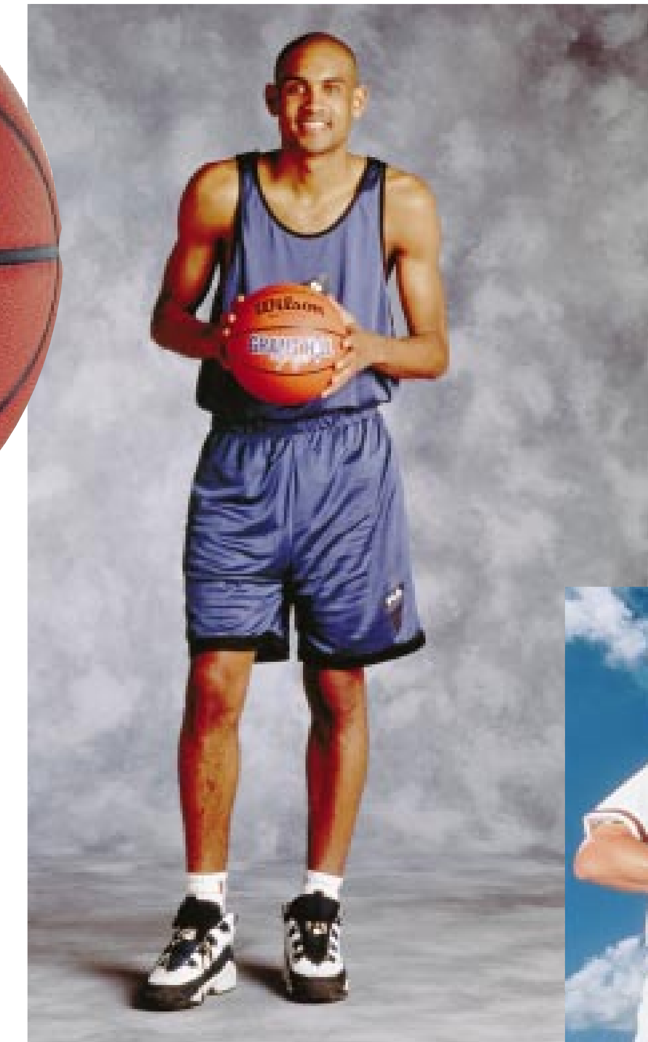
Wilson has team sports endorsement contracts with several top athletes including basketball players Michael Jordan, Grant Hill and Penny Hardaway, football players Emmit Smith and Barry Sanders and baseball professionals Gregg Maddux and Barry Larkin.





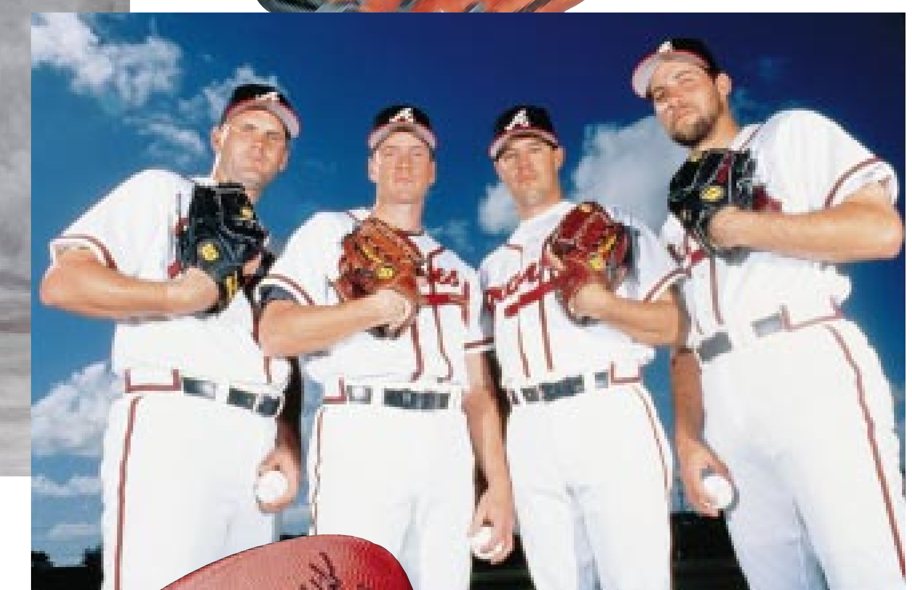
The Wilson Jet Evolution basketball features a new composite leather cover and cushion-core construction, which increases "gripability" and control.



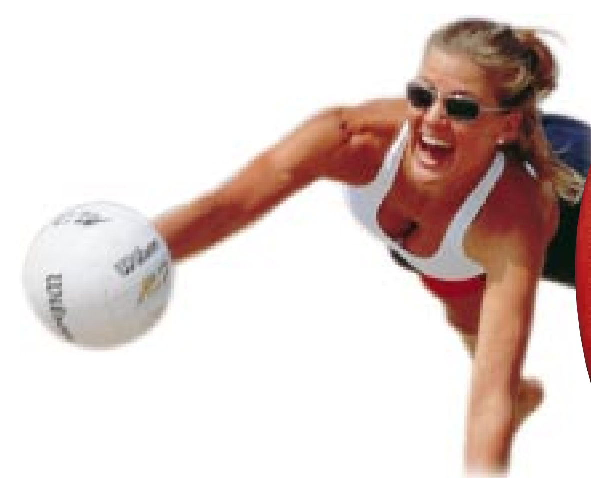


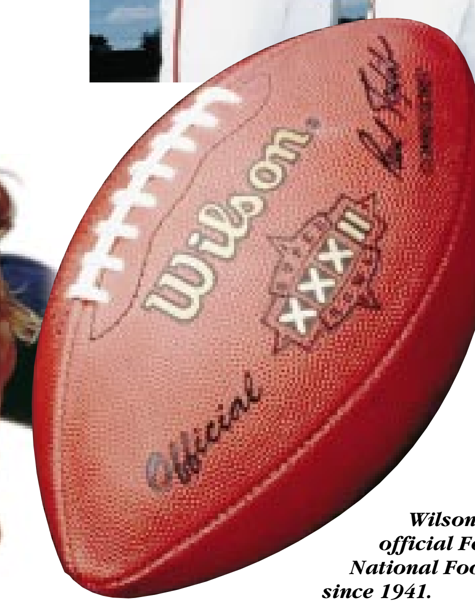
Grant Hill

The Pro Select ball gloves series are designed from the same patterns as the Wilson A2000 series - the best selling ball glove in the history of baseball.



The Atlanta Braves' line up of pitchers: Denny Neagle, Tom Glavine, Greg Maddux and John Smoltz.

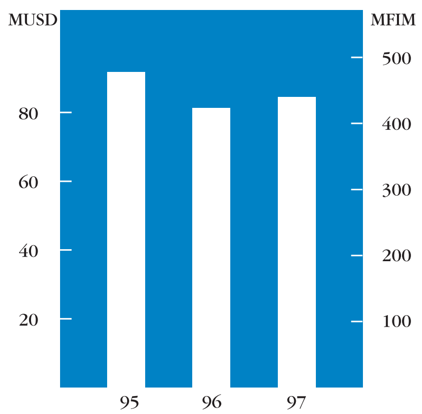




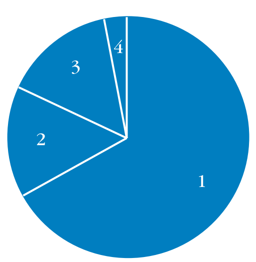
Wilson has been the official Football of the National Football League since 1941.

ATOMIC

Atomic manufactures and markets alpine and cross-country ski equipment under the Atomic and Dynamic brands, and snowboards and in-line skates under the Oxygen brand. The company also produces mountaineering boots under the Koflach brand and bindings under the Ess brand.



GEOGRAPHIC BREAKDOWN OF NET SALES 1997



1 Europe 67 %
2 North America 15 %
3 Japan 15 %
4 Others 3 %

ALPINE AND CROSS-COUNTRY SKIING

Worldwide sales of alpine skis exceed four million pairs. The principal market, with a 44% share, is Europe where demand for alpine skis was flat compared with 1996. In Europe, the leading skiing countries are Germany, France and Austria, while Japan is the largest single market accounting for one third of the global alpine ski market. The declining trend in Japan continued. North America's estimated alpine skis share is 24%.

Atomic branded products' net sales totalled FIM 440 million (FIM 424 million), an increase of 4% in both Finnmarks and local currency terms. Atomic branded products' profitability improved compared to 1996 but was still in the red. Atomic branded products' share represented 62% of total net sales.

The company strengthened its premium alpine ski range position supported by the new Beta technology and the carving ski range. Atomic, including its Dynamic branded ski line, holds about 13% of the global alpine ski market. In its home country Austria, Atomic is the number one ski brand.

Beta technology was also successfully applied to racing skis during the year. The company will introduce new generation carving ski models based on Beta technology in spring 1998.

Demand for cross-country skis remained stable. The global market for cross-country skis is approximately 1.5 million pairs, and Atomic's share is about 11%. During the year, manufacture of Atomic's cross-country skis began in Estonia for the lower price point segment. The company has previously not launched products in this price category. The new cap technology, which affects the weight of the ski, will be applied to cross-country skis designed for active skiers.

Deliveries of Atomic branded ski boots started in July - August, and sales met expectations. A new, second generation Atomic branded ski boot will be introduced this year.

Sales of Ess ski bindings met targets. A new Atomic branded ski binding will be launched in spring 1998.

In the 1996/97 season Atomic was the top brand in men's World Cup with superstar Luc Alphand winning the Overall, Downhill and Super G World Cups. Atomic's most famous names include alpinists Stefan Eberharter, Lasse Kjus, Hans Knauss, Steve Locher, Hermann Maier and cross-country skiers Michail Botvinov, Jari Isometsä, Erling Jevne, Mika Myllylä, Olga Danilova and Larissa Lazutina. Of ski jumpers Janne Ahonen, Espen Bredesen, Mika Laitinen and Andreas Widhölzl as well as Trond Einar Elden, Samppa Lajunen, Jari Mantila, Kenji Ogiwara and Mario Stecher in Nordic combined belong to Atomic's racing team.

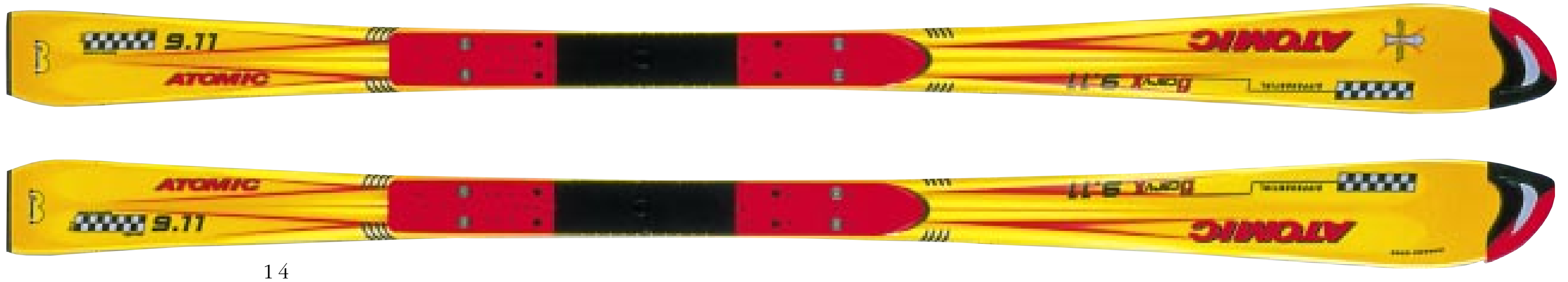
Koflach branded mountaineering boots maintained their global leading position in the plastic mountain boot segment, and sales and profitability met expectations.

Mika Myllylä, the men's 30 km cross country gold medallist in the 1998 Nagano Winter Olympics, pictured at the World Championship Games held in Trondheim, Norway, in 1997.

Atomic's racing team started the 97/98 season well (from left to right); Steve Locher, Stefan Eberharter, Hermann Maier, Hans Knauss and Josef Strobl ranking from 1st to 5th in downhill, Beaver Creek, USA.

Christian Mayer, bronze medallist in alpine combination at the Nagano Winter Olympics.

Atomic Race 9.10. A new second generation Atomic ski boot will be launched in 1998.

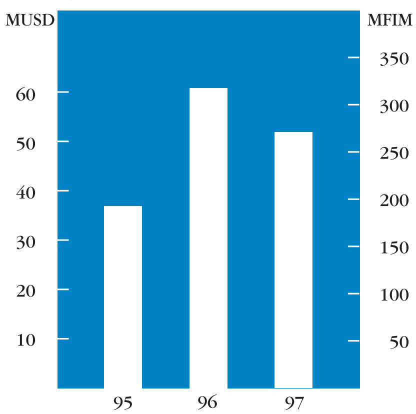


BetaCarv/X 9.11. Atomic's premium alpine ski market share strengthened in 1997 thanks to Beta technology and the Atomic carving skis range.

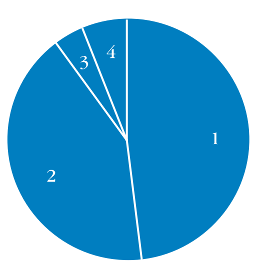
OXYGEN

Oxygen products' net sales totalled FIM 271 million (FIM 318 million), a decline of 15% in Finnmarks and 17% in local currency terms. Operations were heavily in the red, mainly because of the significant decrease in sales and profitability of Oxygen in-line skates. Oxygen branded products represented 38% of Atomic' total net sales.

NET SALES



GEOGRAPHIC BREAKDOWN OF NET SALES 1997



1 North America 48 %
2 Europe 42 %
3 Japan 4 %
4 Others 6 %

SNOWBOARDING

The total snowboard market continued to grow slightly with global sales volume of two million snowboards. Japan accounts for a half of the global market. Competition is very keen resulting from considerable over-capacity and excessive inventories, particularly in Japan.

Sales volumes of Oxygen snowboards were similar to 1996. On the other hand, the volume of snowboards manufactured by Atomic under subcontracts declined significantly and affected its overall results negatively.

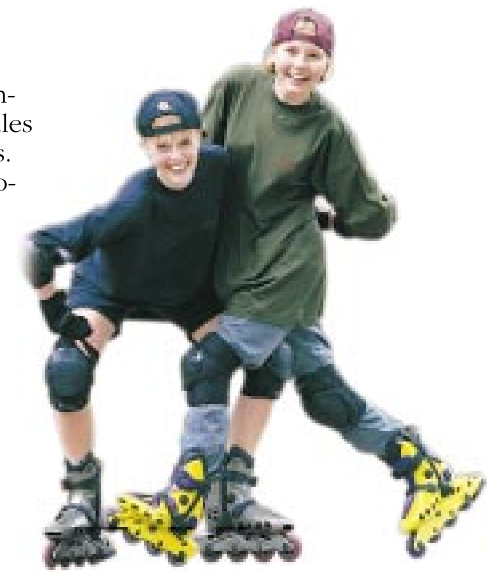
Oxygen's snowboard team continued to be successful. Jagna Marczulajtis, Maria Pfurtscheller, Karine Ruby, Felix Stadler in alpine and Stefan Gimpl, Christian Mayrhofer and Ine Pölzl in freeride/freestyle belong to Oxygen's competition team.

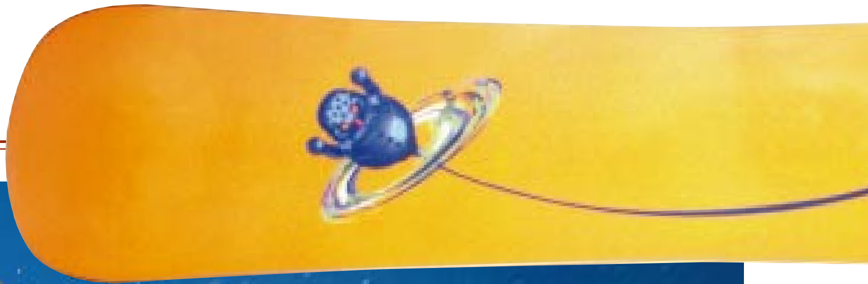
Oxygen is expected to maintain its position as number one snowboard brand in Austria. Oxygen's position will be strengthened during 1998 in the domestic European market and also in the United States and Japan, supported by a revitalised sales organisation.

IN-LINE SKATING

The overall in-line skate market declined by a quarter from the previous year to approximately 13 million pairs. The drop was particularly dramatic in the United States and Germany, which has been an important market for Oxygen in-line skates. Several new competitors entered the industry, price competition tightened both in retailing and among manufacturers. The poor weather conditions in the summer in Europe also resulted in higher inventories and early close-out sales at both supplier and retailer level, which led to a general decline in margins. Demand increasingly shifted towards soft boots.

Atomic started to adapt its Köflach production unit to this new market situation by streamlining its whole organisation.





Bernhard Köffler

OXYGEN

Stefan Gimbl

In 1998 the Oxygen brand will be introduced in the fitness sector which is the main market segment for in-line skates, and a prelaunch in a complete new soft skate sourced out of Asia will be presented to the consumers in late spring 1998.

TOBACCO DIVISION

KEY INDICATORS

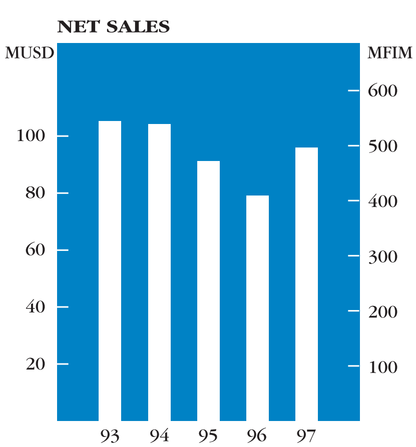
FIM million	1997	1996	Change
GROSS SALES	3,316	2,817	18%
EXCISE TAX	2,214	1,893	17%
NET SALES	496	409	21%
OPERATING PROFIT	45	27	67%
OVERSEAS SALES	52	38	37%
CAPITAL EXPENDITURE	6	5	20%
PERSONNEL (average)	355	362	-7

Amer Tobacco Ltd is Finland's leading cigarette manufacturer. The major part of its production consists of cigarettes manufactured under licence from Philip Morris Products Inc. Besides licensed products, Amer Tobacco also manufactures its own cigarette brands, pipe and roll your own tobacco, and also imports Rizla smoking accessories and Schimmelpenninck cigars.

Amer Tobacco's own cigarette brands are also manufactured under licence in St. Petersburg for the Russian market, whilst in Estonia Amer Tobacco's brands are imported and distributed by its own subsidiary.

THE YEAR IN BRIEF

- *Amer Tobacco's share of the Finnish cigarette market reached a record level of 74%.*
- *Net sales and operating profits improved significantly.*



The declining trend of Finnish market deliveries was interrupted. Total cigarette deliveries amounted to 4,714 million cigarettes (4,522 million in 1996). Pipe tobacco deliveries and cigar deliveries decreased.

Contraband trade seems to have stabilised at around 20% of total consumption. Following the economic recovery, the roll your own segment stopped growing, and there are some signs of a shift back to consumption of manufactured cigarettes.

Amer Tobacco's net sales grew by 21%. Domestic cigarette deliveries increased by 15% to 3,477 million cigarettes. The growth in cigarette market share was 7% reaching a record 74% (67%). Cigar sales increased whilst pipe tobacco sales declined.

The growth in cigarette market share was supported by strong brands, which increased their market shares across the board. Marlboro continued to be the most popular cigarette brand with a 32% market share (30%). L&M improved its second position with a 28% market share, and Belmont retained its position as the third placed cigarette brand in Finland with a 13% market share. The emerging trend in the trade to apply space management systems to their operations boosted the success of Amer Tobacco's strong brands.

No new cigarette brands were launched in the domestic market during the year, and efforts were focused on improving distribution and the utilisation of space management programs in retailing. The product novelty Duet Plus introduced in the Schimmelpenninck cigar line was well received by the market.

Retail prices of all tobacco products were increased on 1 January 1997, and pipe tobacco and cigar prices again on 1 September 1997. The 18-packet sizes for Belmont and L&M products were replaced by the normal 20-packet size.

Amer Tobacco's sales organisation introduced laptop computers as tools for field work to be able to offer customers quick service in designing their product offerings and optimising the use of their available selling space. Timely follow-up of the market and competitive situation and the manageability of information improved considerably as a result.

Cigarette tar and nicotine levels were altered to comply with the new lower EU requirements in the latter part of the year. In 1998, the permitted maximum tar level is 12 mg, reduced from 15 mg.

In its export markets, Amer Tobacco's Estonian subsidiary increased sales by 80% achieving net sales of FIM 8 million. The company's operations were profitable and its market share was about 5%. A decision was taken towards the end of the fiscal year to expand its sales organisation and to enhance wholesaling operations partly by own distribution. This is expected to increase market shares in 1998.

Licensed production started in Russia under an agreement with the St. Petersburg based Nevo factory. Amer Tobacco's products are manufactured in St. Petersburg as the Form and Trend brands.

Export sales including deliveries of Philip Morris products to Sweden and the duty free market grew by 37% to FIM 52 million.

The Division's capital expenditure of FIM 6 million related to rationalisation and productivity improvements.

PUBLIC DEBATE CONTINUES

Public debate on smoking continued during the year. Amer contributed to the discussion noting that the proposed settlement negotiated by several US attorneys general and tobacco manufacturers should not have any legal precedence in Finland, given the different legal and judicial systems of the two countries, whilst the levels of tax on tobacco products in Finland are considerably higher than in the United States. In these discussions, Amer also reiterated its view that smoking is a health risk factor for certain diseases such as lung cancer and heart diseases.

The objective of Amer Tobacco's activities is to safeguard domestic tobacco manufacture and the requirements for a Finnish tobacco industry.

Marlboro, the world's most popular brand, is also the best selling brand in Finland with a 32% market share.

PROSPECTS FOR 1998

Total Finnish deliveries are expected to decline gradually. Amer Tobacco's cigarette market share is expected to remain stable. Growth is anticipated in product categories where Amer Tobacco's market share is low, i.e. in roll your own tobacco and cigars.

Amer Tobacco's main growth potential is in exports, principally to Estonia and Russia. A model is currently being developed for Russia to improve distribution to the different regions, and simultaneously to increase Amer's local manufacture.

Amer Tobacco's net sales are expected to remain around last year's level, and its results are expected to remain good.

Marlboro

REPORT OF THE BOARD OF DIRECTORS

Pictured (from left to right): Roger Talermo, Pekka Paalanne, Timo Maasilta, Pekka Kainulainen, Chairman; Tauno Huhtala, Vice Chairman and Olle Koskinen.

During 1997, Amer Group's performance improved significantly; operating profits were FIM 77 million compared with an operating loss of FIM 120 million in 1996. This positive development was mainly attributable to the reorganisation measures introduced at Wilson and especially in Wilson's Golf Division.

Uncertainty caused by the K shares ownership situations and relating negative publicity towards the Company continued virtually throughout the whole year. Finally, the ownership and shareholder structure was settled at the end of August after conversion of the two classes of shares.

Changes planned to the Group's structure were completed during the year. Following the disposal of Time/system in December the Group now focuses more and more on sporting goods. In addition to the Sports Division, the Group's other remaining business is Amer Tobacco.

GROSS AND NET SALES

The Group's gross sales totalled FIM 7,814 million (1996: FIM 7,777 million). The Group paid FIM 2,214 million in excise tax on tobacco products to the State of Finland.

The Group's net sales totalled FIM 4,694 million (1996: FIM 4,958 million). After adjusting for disposals, comparable net sales increased by 11% in Finnmarks and by 4% in local currency terms. The Sports Division's net sales increased by 12% in Finnmarks and by 3% in local currency terms. Wilson's sales increased by 16% in Finnmarks and by 5% in local currency terms. Atomic's net sales decreased by 4% in both Finnmarks and in local currency terms. The Tobacco Division's net sales increased by 21%. Time/system's net sales for the eleven months of the year that it was part of the Group totalled FIM 258 million.

Geographically, 50% of net sales

were generated in North America, 10% in Finland, 25% in the Rest of Europe and 15% in the Rest of the World.

IMPROVED RESULTS

A clear improvement in Wilson's operating results had a significant impact on the Group's performance resulting in a major reduction in losses and an operating profit of FIM 77 million compared to the loss of FIM 120 million reported in 1996.

The Sports Division's operating profit totalled FIM 14 million (1996: losses of FIM 138 million). Wilson's operating profit was FIM 126 million, whilst Atomic's operating loss was FIM 112 million.

Wilson's profitability improved significantly due to the Golf Division's improved gross profit and lower operating expenses. The Racquet Division's profitability remained good, and Wilson maintained its status as the number one worldwide tennis brand. The Team Sports Division's profitability also improved.

Atomic's profitability deteriorated compared to 1996. Oxygen in-line skates' operations were clearly loss-making. The in-line skate market declined in the major markets, namely the US and especially Germany. In addition, there was a general decline in in-line skate margins due to overstocking and keen price competition. The profitability of Atomic branded products improved but was still in red. The Group's consolidated results include a provision for costs relating to measures introduced in order to improve Atomic's profitability.

Amer Tobacco's operating profit increased to FIM 45 million (1996: FIM 27 million). Cigarette deliveries increased by 15%, and Amer Tobacco's share of the Finnish cigarette market reached a record level of 74%.

Time/system's profitability remained at a good level with operating profits of FIM 59 million (1996: FIM 46 million).

Depreciation totalled FIM 206 million (1996: FIM 253 million) and includes goodwill amortisation of FIM 37 million (1996: FIM 40 million), FIM 29 million of which (1996: FIM 25 million) relates to Wilson.

The Group's losses before taxes and extraordinary items totalled FIM 53 million (1996: a loss of FIM 234 million).

Net financial expenses increased by 14% to FIM 130 million due to the strengthening of the US-dollar. The Group's net financial expenses remained at last year's levels, representing 3% of net sales and included FIM 17 million of currency losses (1996: currency losses of FIM 2 million) due to Amer's South East Asian subsidiaries being financed in US dollars. Towards the year end, financing of these subsidiaries was changed to local currencies.

Taxes for 1997 totalled FIM 27 million.

Losses before extraordinary items were FIM 73 million (1996: losses of FIM 176 million).

The results were improved by extraordinary items of FIM 76 million, including a profit of FIM 174 million relating to the divestment of Time/system. Other extraordinary items, totalling FIM 98 million, related to reorganisation measures at Atomic as well as to costs incurred by divested businesses.

Return on investment was 3% (negative in 1996). Return on equity was a negative 4% compared to a negative 7% in 1996.

Losses per share were FIM 3.00 (1996: losses per share FIM 7.40).

DIVIDEND

The Board of Directors propose that no dividend be paid for the 1997 financial year. Although the Group's results improved significantly, it is the Board's opinion that the payment of a dividend is not justifiable yet. No dividend was paid for the 1996 financial year due to the losses incurred in that year.

CHANGES IN CORPORATE STRUCTURE

MacGregor Golf Company's operations were sold to MGC Holding Inc., owned by Masters International Ltd and Apax Partners on 3 February 1997.

Time/system, the producer and marketer of personal planning systems, was sold to a group of institutional investors led by CVC Capital Partners, and to its management on 22 December 1997.

During the year, Amer's shares in WA-Kuori Oy were sold, and Korpivaara Oy and Finnsea Oy were merged within Amer Group Plc.

CAPITAL EXPENDITURE

The Group's gross capital expenditure totalled FIM 126 million, representing 3% of net sales. The major part, FIM 75 million, related to Wilson's and Atomic's production.

Income from disposals of fixed assets totalled FIM 323 million.

RESEARCH AND DEVELOPMENT

Of the FIM 76 million R&D expenditure, representing 2% of the Group's net sales, FIM 47 million related to Wilson and FIM 23 million to Atomic.

FINANCE

Financing from operations was positive by FIM 209 million.

The Group's equity ratio was 43% (1996: 44%) at the end of the financial year. Gearing was 58% (1996: 60%). The Group's year end net debt decreased to FIM 1.2 billion (1996: FIM 1.3 billion). As a result of its credit facilities, the Group's liquidity remained good with liquid assets totalling FIM 329 million at the end of the year.

PERSONNEL

The number of Amer Group employees decreased by 571 during the financial year to 4,096. Of the decrease, 192 related to MacGregor Golf Company's operations divested in February and 332 to Time/system, divested in December. The average number of employees during 1997 was 4,536 (1996: 5,115). The number of parent company employees was 48 at the end of the year (1996: 47), the average for the year being 49 (1996: 52).

The number of personnel employed in the Group's US units was

2,190, with 842 in Austria, 403 in Finland and 661 elsewhere.

MANAGEMENT CHANGES

Mr Antti Lagerroos, Chairman of the Board of Directors, resigned on 3 June 1997 in connection with the proposed new shareholder structure arrangements. Mr Pekka Kainulainen, Vice Chairman, adopted his duties until 29 July when he was elected Chairman by the Supervisory Board. Simultaneously Mr Tauno Huhtala was elected Vice Chairman.

On 26 August, Mr Pekka Paalanne, the Group's Senior Vice President and CFO, was elected a member of the Board until the next Annual General Meeting.

Mr Jari Melgin was appointed as Corporate Treasurer as of 1 June 1997.

Mr Barry J. Ryan was appointed Vice President/General Manager of Wilson's Golf Division as of 1 October 1997.

AMER GROUP SHARES

The Company had 13,109 A shareholders at the year end. Foreign shareholdings remained around last year's level and represented approximately 60% of the total shares in issue at the end of 1997.

The shareholder structure proposals had an impact on the performance of Amer's shares during 1997. As a result, Amer's stock was heavily traded during the year with a total turnover of 102% of the shares in issue. 16 million shares representing 64% of the A shares in issue were turned over on the Helsinki Stock Exchange and 9 million shares on the London Stock Exchange representing 38% of the A shares in issue.

In Helsinki, the lowest Amer share price was FIM 86.10 in July and the highest FIM 120 in October, with the average price for 1997 being FIM 102.12. In London, the prices were GBP 9.84, 13.91 and 12.49 respectively.

The market capitalisation of the Company was FIM 2,516 million at the year end.

At the year end, the Board of Directors did not have any share issue authorisations outstanding.

K SHARES' CONVERSION

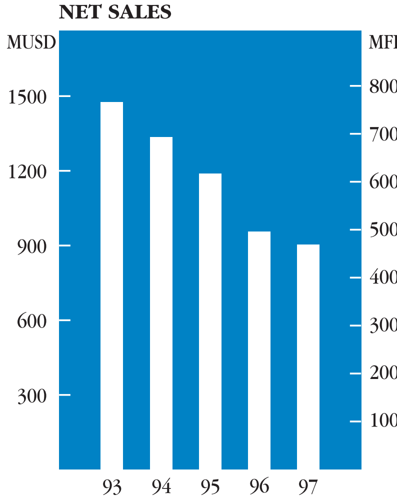
Following the resolutions passed by the Extraordinary General Meeting held on 26 August 1997, the Group's K shares were exchanged for A shares at a ratio of 1:1.5.

The Company now has only one publicly listed class of shares, and all shares rank pari passu. The registered and fully paid share capital of the Company is FIM 492,037,900 composed of 24,326,895 shares in issue with a nominal value of FIM 20 each.

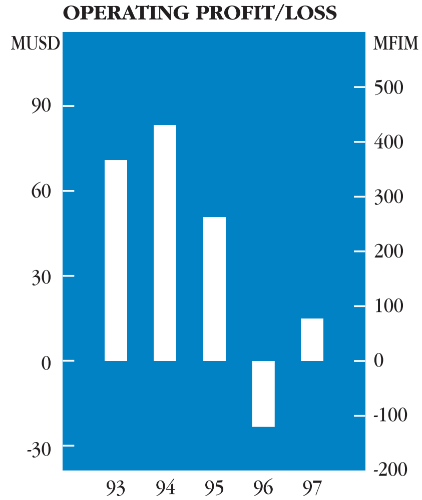
The K shares exchange was carried out by decreasing the Company's share capital by FIM 34,313,120 through redemption of the outstanding 1,715,656 K shares and by increasing the Company's share capital by FIM 51,469,680 through a private placement of 2,573,484 A shares with the former K shareholders, namely The Finnish Association of the Graduate Engineers TEK, The Finnish Association of Graduates of the Schools of Economics and Business Administration SEFE, The Student Union of the Helsinki School of Economics and Business Administration KY, and the Land and Water Technology Foundation. The new shares, which were admitted to listing on the Helsinki Stock Exchange as of 28 August 1997 and on the London Stock Exchange as of 1 September 1997, rank pari passu in all respects for the 1997 financial year and thereafter.

According to the Board's opinion, the K shares' poor liquidity had led to uncertainty both for A shareholders and for the Company. The share exchange, in making the K shareholders' holdings liquid has reduced the risk of sudden major changes in the Group's ownership. Combining two

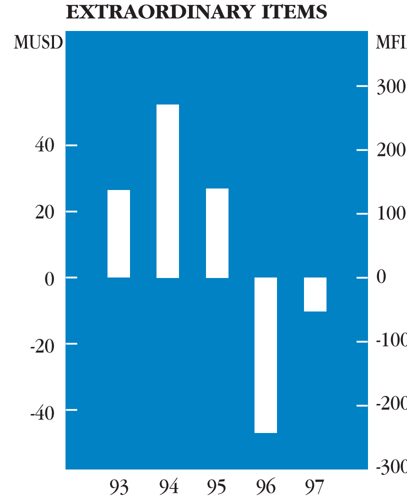
NET SALES



OPERATING PROFIT/LOSS



LOSS/PROFIT BEFORE TAXES AND EXTRAORDINARY ITEMS



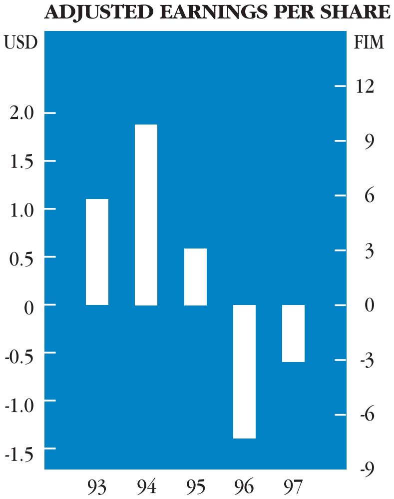
classes of shares also ended the uncertainty and speculation surrounding the Company's ownership.

The Board of Directors argued in favour of updating the share structure with regard to future share price performance. Investors' preference has for some time been for a clearly structured share capital. International institutional investors also value a structure which is transparent and in which no shareholder nor any one group of shareholders has a dominant position. It is expected that the clearer ownership and share structure will increase investors' interest in Amer and thus the liquidity of the shares. The increased liquidity and the clearer ownership structure have also improved the Company's ability to use the A shares to raise equity finance and as a payment for any potential acquisitions.

The share conversion has had a very modest diluting affect on A shareholders' ownership of the Company as compared to their voting rights. As a result the percentage holdings of all shareholders other than the former K shareholders, has been reduced from 89.5 per cent to 86.3 per cent. In contrast, their voting power has risen from 10.9 per cent to 86.3 per cent.

When considering the subscription price the Board found it was justified

ADJUSTED EARNINGS PER SHARE



NET SALES AND GROSS SALES

FIM million	**1997**	**%**	1996	%	Change %
Golf	**1,225**		963		27
Racquet Sports	**1,235**		1,132		9
Team Sports	**769**		680		13
Wilson	**3,229**		2,775		16
Atomic	**440**		424		4
Oxygen	**271**		318		– 15
Atomic	**711**		742		– 4
Sports Division	**3,940**	**84**	3,517	71	12
Tobacco Division	**496**	**11**	409	8	21
Time/system	**258**	**5**	297	6	– 13
Intercompany sales	**–**		– 2		
	4,694		4,221		11
Discontinued Operations	**–**		737	15	
Net sales, total	**4,694**	**100**	4,958	100	– 5
Excise tax	**2,212**		1,890		17
Sales taxes	**798**		805		– 1
Gross sales, total	**7,814**		7,777		–

GEOGRAPHIC BREAKDOWN OF NET SALES

FIM million	**1997**	**%**	1996	%	Change %
North America	**2,343**	**50**	2,168	44	8
Finland	**485**	**10**	903	18	– 46
Rest of Europe	**1,154**	**25**	1,210	24	– 5
Others	**712**	**15**	677	14	5
Group, total	**4,694**	**100**	4,958	100	– 5

OPERATING PROFIT/LOSS BY DIVISION

FIM million	**1997**	1996
Wilson	**126**	– 84
Atomic	**–112**	– 54
Sports Division	**14**	–138
Tobacco Division	**45**	27
Time/system	**59**	46
Corporate Headquarters	**– 41**	– 47
	77	–112
Discontinued Operations	**–**	– 8
Group, total	**77**	–120

in setting the redemption price and subscription price for the issuance of the new A shares, respectively, as low as possible in order to protect the Company's balance sheet and unrestricted equity. Consequently, the lowest possible price, i.e. the nominal value of the shares, FIM 20, was taken as the subscription price. The K shares on the other hand were redeemed for FIM 30 per share, which was considerably below their market value at the time.

The Board of Directors also argued that disapplying shareholders' preemptive subscription rights would considerably strengthen A shareholders' influence over the decision-making of the Company. Decisions on corporate administration, strategy, dividend policy and management will now be taken on the basis of A shareholders' votes not K shareholders' votes.

Originally, the Board of Directors had proposed a share conversion to the Extraordinary General Meeting convened on 2 June 1997 at a ratio of 1:1.2. The proposal was, however, not approved at that meeting due to an announcement on the day by the K shareholders that they had offered their K shares to Lord Moyne (Jonathan Bryan Guinness), and that Lord Moyne had accepted their offer under certain conditions. Subsequently, on 19 June 1997, the agreement was cancelled by three of the K shareholders. On 30 June, Lord Moyne agreed to buy 275,000 K shares on the basis of The Student Union's offer, in the name of a Dutch company, Dirk Hus Beheer BV, which was announced on 3 July 1997.

On 29 July 1997, the Company redeemed those shares from KY on the basis of paragraph 8 of the Articles of Association. The redemption price, FIM 273.64 per share, was equal to the price offered by Lord Moyne/Dirk Hus Beheer. The conversion executed subsequently required the redemption of those shares to the Company.

In relation to the K shares redemption, two Amer shareholders, namely Eternelli Oy and Mr Ari Neuvonen representing in total approximately 0.02% of the shares in issue, filed an application for summons to the Circuit Court of Helsinki based on an allegation that the majority of Amer's shareholders would have abused their majority position when approving the redemption and the conversion of the Company's shares. Amer Group Plc deemed that the claim lacked all foundation, and contested the summons in all respects.

AMENDMENT OF THE ARTICLES OF ASSOCIATION

The Extraordinary General Meeting also approved a comprehensive amendment to the Articles of Association including, inter alia, abolition of the K shares' regulations, dissolution of the Supervisory Board, and an obligation of redemption by any shareholder whose total holding in the Company's shares or his voting rights reaches or exceeds 33 and one third per cent or 50 per cent respectively. The amended Articles of Association are published on pages 46-47 in this report.

In addition, the name of the Company has been changed to Amer-yhtymä Oyj (Amer Group Plc), as necessitated by the new Companies Act effective as of 1 September 1997.

INVESTIGATION REQUEST BY THE FINANCIAL SUPERVISION

The Financial Supervision Authority has requested the Helsinki City Police Department to investigate whether Amer Group's Board of Directors were guilty of a securities market offence in failing to issue a trading update until 6 June 1996, the publication date of the first interim report, rather than after the Board meeting on 25 April 1996. The investigation request refers to the same matter regarding which the disciplinary committee of the Helsinki Stock Exchange issued a statement and imposed a penalty on the Company on 23 September 1996. The preliminary investigation was completed in December 1997, and, at the time of writing this report, the public prosecutor's decision is awaited as to whether charges will be raised or not.

PROSPECTS FOR 1998

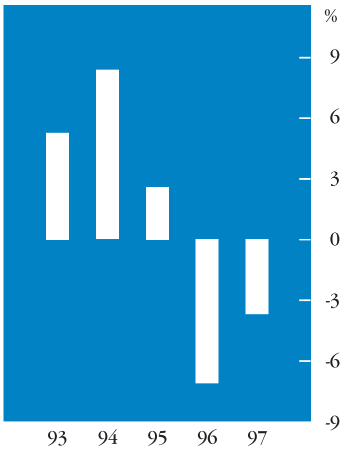
The Group's net sales are expected to total FIM 4.5 billion in the current financial year.

Capital expenditure is budgeted at FIM 107 million. R&D is budgeted at FIM 79 million, representing approximately 2% of net sales.

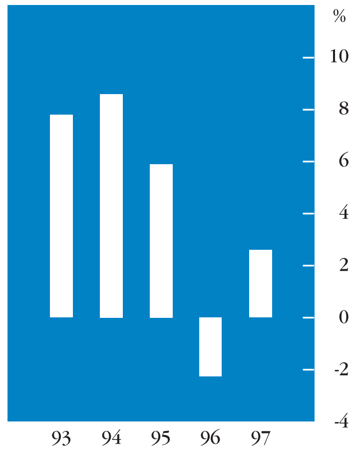
Net financial expenses are expected to decrease as a result of lower net debts. Because of its credit facilities, the Group's liquidity is expected to remain good.

Measures introduced to improve Wilson's profitability have already resulted in better results during the 1997 financial year. Consequently, conditions are in place for a further improvement in Wilson's performance. Equally, measures which have been planned and already partly introduced to improve Atomic's profitability should create the preconditions for an improvement in its performance. Amer Tobacco's results are expected to remain at a good level. Given these circumstances, Amer Group's overall results are expected to further improve in 1998, although it is very difficult to estimate the affect of the Asian economic crisis on demand and the pricing of the Group's products.

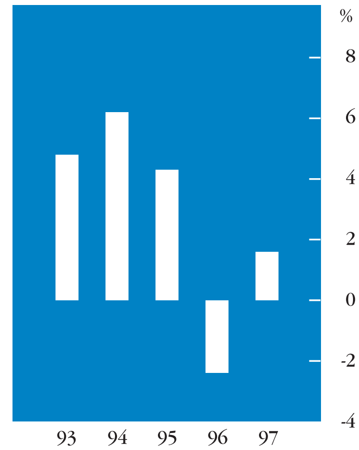
RETURN ON SHAREHOLDERS' EQUITY



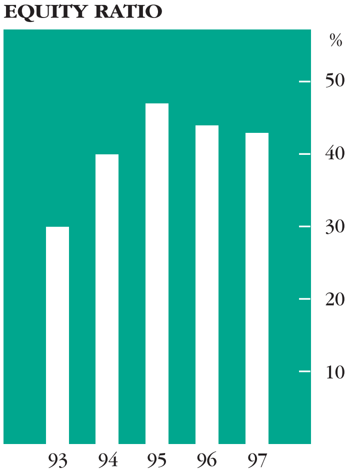
RETURN ON INVESTMENT



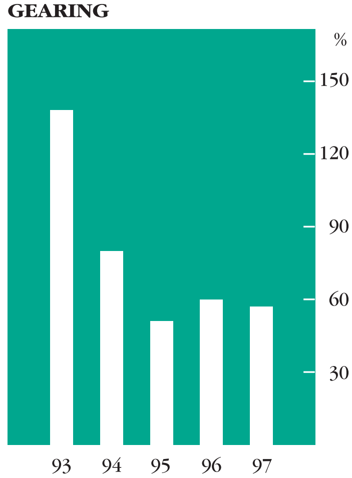
OPERATING PROFIT/LOSS % OF NET SALES



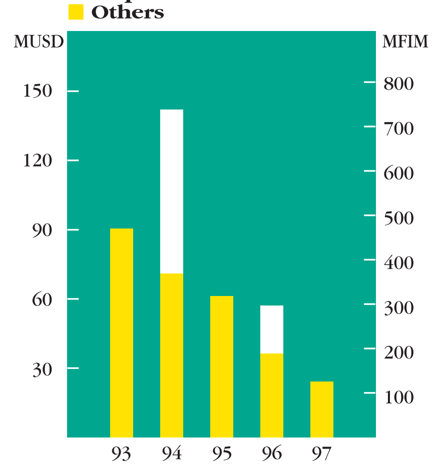
EQUITY RATIO



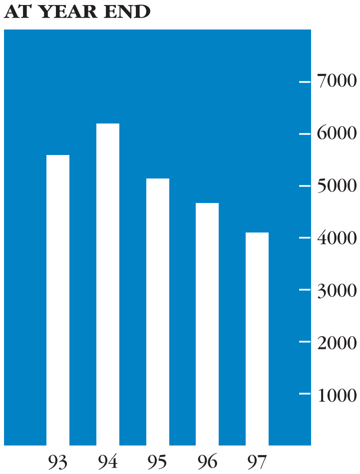
GEARING



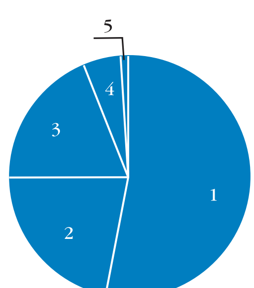
CAPITAL EXPENDITURE
☐ Acquisitions
Others



PERSONNEL AT YEAR END



PERCENTAGES OF CAPITAL EMPLOYED 1997 *



1 Wilson 53 %
2 Corporate Headquarters 22 %
3 Atomic 19 %
4 Time/system 5 %
5 Tobacco Division 1 %
* Divisional capital employed includes goodwill.

GEOGRAPHIC BREAKDOWN OF NET SALES 1997

1 North America 50 %
2 Finland 10 %
3 Rest of Europe 25 %
4 Japan 7 %
5 Asia/Pacific 4 %
6 Others 4 %

STATEMENT OF INCOME

FIM million		CONSOLIDATED 1997	%	1996	%	PARENT COMPANY 1997	1996
Gross sales		**7,814**		7,777		**–**	–
Adjustments to gross sales							
Excise tax		**2,212**		1,890		**–**	–
Sales taxes		**798**		805		**–**	–
Discounts		**110**		124		**–**	–
Total adjustments to gross sales		**3,120**		2,819		**–**	–
Net sales		**4,694**	**100**	4,958	100	**–**	–
Change in inventories of finished goods increase (+), decrease (–)		**– 39**		– 56		**–**	–
Production for own use (+)		**90**		84		**–**	–
Share of the associated companies' profit		**–**		– 9		**–**	–
Other operating income		**36**		41		**34**	30
Expenses							
Materials and supplies							
Purchases during the period		**2,237**		2,740		**–**	–
Increase (-) or decrease (+) in inventories		**25**		– 18		**–**	–
External charges		**31**		52		**–**	–
Wages, salaries and social expenditure	1)	**1,013**		1,002		**18**	18
Rent		**63**		71		**21**	21
Other expenses		**1,129**		1,038		**27**	17
Total expenses		**4,498**	**96**	4,885	99	**66**	56
Depreciation	2)	**206**	**4**	253	5	**8**	9
Operating profit/loss		**77**		– 120		**– 40**	– 35
Financing income and expenses	3)	**– 130**	**3**	– 114	2	**– 4**	–538
Loss before taxes and extraordinary items		**– 53**		– 234		**– 44**	–573
Taxes	4)	**– 27**		61		**– 1**	–
Minority interest		**7**		– 3		**–**	–
Loss before extraordinary items		**– 73**		– 176		**– 45**	–573
Extraordinary items	5)	**76**		– 150		**228**	– 36
Group contribution		**–**		–		**55**	316
Increase (-) or decrease (+) in untaxed reserves		**–**		–		**4**	73
Net profit/loss for the period		**3**		– 326		**242**	–220

SOURCES AND APPLICATIONS OF FUNDS

FIM million	CONSOLIDATED 1997	1996	PARENT COMPANY 1997	1996
Funds from operations				
Loss before taxes and extraordinary items	**– 53**	– 234	**– 44**	– 573
Depreciation	**206**	253	**8**	9
Taxes	**– 33**	– 24	**– 1**	–
Extraordinary items	**– 30**	– 72	**282**	934
Total from operations	**90**	– 77	**245**	370
Change in working capital				
Increase (-) or decrease (+) in inventories	**172**	102	**–**	–
Increase (-) or decrease (+) in short-term trade receivables	**132**	446	**270**	– 218
Increase (+) or decrease (-) in interest-free short-term liabilities	**27**	– 326	**– 1**	– 9
Total	**331**	222	**269**	– 227
Total funds from operations	**421**	145	**514**	143
Change in fixed assets and other investments				
Company acquisitions	**–**	– 108	**–**	–
Purchases of fixed assets	**– 124**	– 189	**– 1**	– 1
Sales of fixed assets	**19**	332	**–**	2
Purchases of investments	**– 2**	–	**– 4**	– 1
Sales of investments	**304**	–	**34**	–
Other change in fixed assets	**55**	27	**313**	2
Change in other shareholders' equity and valuation items	**– 69**	1	**– 76**	– 107
	183	63	**266**	– 105
Surplus in financing	**604**	208	**780**	38
Financing activities				
Dividends to shareholders	**–**	– 71	**–**	– 71
Long-term financing, net	**29**	– 107	**167**	– 111
Short-term financing, net	**– 604**	147	**– 927**	325
Total	**– 575**	– 31	**– 760**	143
Change in liquid funds	**29**	177	**20**	181
Liquid funds				
Liquid funds at year end	**329**	299	**227**	207
Liquid funds at year beginning	**300**	122	**207**	26
Change in liquid funds	**29**	177	**20**	181

The above figures cannot be directly traced from the balance sheet due to acquisitions/divestments of subsidiaries and changes in rates of exchange.

BALANCE SHEET

FIM million		CONSOLIDATED				PARENT COMPANY			
ASSETS		**31 Dec. 97**	**%**	31 Dec. 96	%	**31 Dec. 97**	**%**	31 Dec. 96	%
FIXED ASSETS AND OTHER LONG-TERM INVESTMENTS	6), 7)								
Intangible fixed assets	8)								
Intangible rights		**117**		127		**1**		1	
Group goodwill		**940**		913		**–**		–	
Other capitalised expenditure		**30**		33		**1**		2	
		1,087	**22**	1,073	21	**2**	**–**	3	–
Tangible fixed assets	8)								
Land and water		**143**		147		**16**		9	
Buildings		**599**		649		**147**		150	
Machinery and equipment		**343**		354		**4**		3	
Other tangible fixed assets		**3**		3		**3**		3	
Advances paid and construction in progress		**35**		41		**–**		–	
		1,123	**23**	1,194	24	**170**	**4**	165	4
Other long-term investments	9)								
Investments in subsidiaries		**–**		–		**924**		1,246	
Investments in associated companies		**33**		70		**7**		39	
Other bonds and shares		**44**		24		**21**		22	
Loans	10), 11)	**109**		40		**93**		31	
Other investments		**4**		3		**–**		–	
		190	**4**	137	3	**1,045**	**26**	1,338	30
TOTAL FIXED ASSETS AND OTHER LONG-TERM INVESTMENTS		**2,400**	**49**	2,404	48	**1,217**	**30**	1,506	34
CURRENT ASSETS									
Inventories									
Raw materials and consumables		**207**		180		**–**		–	
Work in progress		**35**		47		**–**		–	
Finished goods		**695**		779		**–**		–	
		937	**19**	1,006	20	**–**	**–**	–	–
Receivables	11)								
Accounts receivable		**1,083**		1,142		**1**		4	
Receivables from subsidiaries		**–**		–		**2,615**		2,655	
Loans receivable		**10**		5		**8**		3	
Prepaid expenses and accrued income		**102**		111		**16**		19	
Other receivables		**63**		52		**–**		–	
		1,258	**25**	1,310	26	**2,640**	**65**	2,681	61
Cash and cash equivalents		**329**	**7**	299	6	**227**	**5**	207	5
ASSETS		**4,924**	**100**	5,019	100	**4,084**	**100**	4,394	100

BALANCE SHEET

FIM million **SHAREHOLDERS' EQUITY AND LIABILITIES**		**CONSOLIDATED** **31 Dec. 97**	**%**	31 Dec. 96	%	**PARENT COMPANY** **31 Dec. 97**	**%**	31 Dec. 96	%
SHAREHOLDERS' EQUITY	12)								
Restricted equity									
Share capital		**492**		475		**492**		475	
Capital surplus		**1,092**		1,092		**1,092**		1,092	
Revaluation surplus		**21**		21		**–**		–	
Total restricted equity		**1,605**	**33**	1,588	32	**1,584**	**39**	1,567	35
Unrestricted equity									
Retained earnings		**442**		856		**162**		480	
Net profit/loss for the period		**3**		– 326		**242**		– 220	
Unrestricted equity		**445**	**9**	530	10	**404**	**10**	260	6
TOTAL SHAREHOLDERS' EQUITY		**2,050**	**42**	2,118	42	**1,988**	**49**	1,827	41
MINORITY INTEREST		**61**	**1**	67	2	**–**	**–**	–	–
UNTAXED RESERVES									
Accumulated depreciation in excess of plan	13)	**–**	**–**	–	–	**25**	**–**	27	1
Provision for contingent losses		**91**	**2**	80	2	**3**	**–**	–	–
LIABILITIES	14)								
Long-term liabilities	15)								
Convertible bonds		**400**		343		**400**		343	
Loans from financial institutions		**461**		321		**461**		302	
Pension loans		**116**		100		**116**		100	
Other long-term debt	18)	**97**		128		**–**		4	
		1,074	**22**	892	17	**977**	**24**	749	17
Short-term liabilities	17), 18)								
Interest-bearing liabilities	16)	**533**		806		**439**		686	
Accounts payable		**314**		295		**2**		2	
Payables to subsidiaries		**–**		–		**617**		1,069	
Accrued liabilities		**403**		359		**32**		31	
Other interest-free short-term liabilities		**398**		402		**1**		3	
		1,648	**33**	1,862	37	**1,091**	**27**	1,791	41
TOTAL LIABILITIES		**2,722**	**55**	2,754	54	**2,068**	**51**	2,540	58
SHAREHOLDERS' EQUITY AND LIABILITIES		**4,924**	**100**	5,019	100	**4,084**	**100**	4,394	100

NOTES TO FINANCIAL STATEMENTS

ACCOUNTING POLICIES

The financial statements are presented in Finnish markka under the historical cost convention as modified by the revaluation of certain fixed assets.

Principles of consolidation

The consolidated financial statements include all Finnish and foreign subsidiaries in which the Parent Company owns directly or indirectly more than 50 % of the voting rights of the shares. The results of companies acquired during the financial period are included in the Group accounts from the date of acquisition. The results of divested operations are included up to the date of divestment. All intercompany transactions have been eliminated. The financial statements of subsidiary companies have been consolidated using the acquisition method. The difference between the acquisition cost and the underlying value of net assets of subsidiaries acquired is partly written off against the subsidiaries' fixed assets. The proportion exceeding current values is stated as a separate goodwill item. The goodwill on acquisitions is amortised over 10 years except for the goodwill of Wilson Sporting Goods Co. which is amortised according to American principles over a period of 40 years. Associated companies (being those in which the Group holds 20 to 50% of the voting rights) are accounted for in the consolidated financial statements under the equity method.

Net sales

Net sales represents the invoiced value of goods sold and services provided, less excise tax, sales taxes and discounts. Net sales are stated in accordance with EU guidelines and US-GAAP rules.

Inventories and work in progress

Inventories and work in progress are stated at the lower of cost and realisable value. Cost is determined on a first-in-first-out basis. Cost of manufactured products includes direct labour and an appropriate proportion of production overhead.

Realisable value is the amount which can be realised in the normal course of business after allowing for the costs of sale.

Foreign currencies

The Group's exchange rate losses on foreign denominated liabilities which represent a hedge against overseas subsidiaries' net assets have been matched against each subsidiary's translated equity.

Assets and liabilities denominated in foreign currencies and those of foreign subsidiaries are translated into Finnish markka at the rates of exchange in effect at the balance sheet date.

The income statements of foreign subsidiaries have been translated into Finnish markka using the average rates of exchange during the financial year. Exchange rate differences on the translation of the opening equity of foreign subsidiaries are charged to retained earnings.

Other exchange rate differences are credited or charged net to the statement of income.

The following exchange rates have been used in the Group consolidation:

	Statement of Income		Balance Sheet	
	1997	1996	31 Dec. 97	31 Dec. 96
USD	5.1911	4.5935	5.4207	4.6439

Fixed assets

Depreciation is calculated on a straight line basis so as to write off the cost or revalued amounts of fixed assets over their expected useful lives.

The principal annual rates used are as follows:

Intangible rights	10-15	years
Buildings	40	years
Machinery and equipment	3-10	years

The acquisition cost of the trademarks and patents of Atomic is depreciated over 15 years.

Land is not depreciated.

Under Finnish tax legislation, the maximum depreciation rates permitted, using the declining balance method, are:

Buildings	4-7%
Machinery and equipment	30%

In the financial statements, additional depreciation has been charged by Finnish companies in order to reflect the maximum rates permitted by the Business Income Tax Act.

Fixed assets are stated at cost, except for certain land and buildings which are stated at revalued amounts, less accumulated depreciation.

Amer Group revalues land, buildings and other investments periodically. The Directors determine the extent of such revaluations by reference to estimates of the market values of such assets provided by independent appraisers. The most recent such valuation for accounting purposes was carried out in 1995.

Leasing

The Group has neither significant finance nor operating leasing agreements. Leasing payments are treated as rentals.

Research and development

Research and development costs are charged as an expense in the statement of income in the period in which they are incurred.

Pension liabilities

The Parent Company's and its domestic subsidiaries' employees pension and related fringe benefit arrangements are administered by a pension insurance company.

A minor part of the cost of supplementary pensions is borne directly by the Parent Company. Such costs have been expensed; pension liabilities are included in provision for contingent losses.

Foreign subsidiaries administer their pension schemes according to local practice.

Tax

The tax provision is calculated in accordance with the tax legislation of each company's domicile. Deferred tax liabilities arising from timing differences between the fiscal and commercial net profit are calculated by applying the tax rate at the balance sheet date or at the estimated date of tax payment.

Changes in deferred tax liabilities are charged to the statement of income.

Accumulated depreciation in excess of plan

The accumulated depreciation in excess of plan of the independent companies has been transferred to shareholders' equity.

Official financial statements

The accounts to be registered by the Trade Registrar have been prepared in the format prescribed by the Bookkeeping Act and the Companies'Act.

NOTES TO THE STATEMENT OF INCOME

FIM million	Consolidated 1997	Consolidated 1996	Parent Company 1997	Parent Company 1996
1. Wages and salaries, statutory and other benefits				
Wages and salaries	**757**	778	**13**	11
Vacation, leave and sick pay	**75**	74	**2**	2
Pensions and pension fees	**51**	51	**2**	4
Other statutory and contractual benefits and social security	**112**	86	**1**	1
Voluntary benefits and social security	**18**	13	**–**	–
	1,013	1,002	**18**	18
Fringe benefits	**6**	8	**1**	1
Remuneration of the Supervisory Board, the Board of Directors and the Presidents,	**18**	19	**5**	4
including bonuses	**5**	1	**1**	–

Members of the Board excluding the CEO do not have contractual retirement benefits with the Company. The President of the Parent Company and the President of the Finnish subsidiary have supplemental retirement benefits with 60 years retirement age.

FIM million	Consolidated 1997	Consolidated 1996	Parent Company 1997	Parent Company 1996
2. Depreciation				
Depreciation according to plan				
Intangible rights	**13**	13	**–**	–
Group goodwill	**37**	40	**–**	–
Other capitalised expenditure	**4**	5	**1**	1
Buildings	**34**	33	**6**	6
Machinery and equipment	**118**	162	**1**	2
	206	253	**8**	9
Statutory depreciation	**196**	160	**4**	1
Depreciation in excess of plan	**– 10**	– 93	**– 4**	–8

	Consolidated 1997	Consolidated 1996	Parent Company 1997	Parent Company 1996
3. Financing income and expenses				
Dividends received from subsidiaries	**–**	–	**–**	40
Other dividends	**–**	–	**3**	3
Interest income on long-term investments	**8**	2	**7**	2
Interest income, intercompany	**–**	–	**151**	140
Other interest income	**18**	21	**13**	13
Exchange rate gains	**–**	–	**–**	83
Other financial income	**1**	1	**–**	–
Interest expenses, intercompany	**–**	–	**– 19**	– 48
Interest expenses	**–138**	–132	**–121**	–115
Exchange rate losses	**– 17**	– 2	**– 36**	–
Other financing expenses	**– 2**	– 2	**– 2**	– 2
Value adjustments	**–**	– 2	**–**	–654
	–130	–114	**– 4**	–538
4. Taxes				
Estimated taxes for the period	**– 33**	–26	**– 1**	–
Taxes for prior periods	**–**	2	**–**	–
Change in deferred tax liability	**6**	85	**–**	–
	– 27	61	**– 1**	–
5. Extraordinary items				
Gains on sale of operations	**174**	15	**–**	–
Gains on mergers	**–**	–	**234**	–
Costs of divesting operations	**– 52**	– 41	**– 6**	– 36
Restructuring of operations	**– 46**	– 124	**–**	–
	76	– 150	**228**	– 36

NOTES TO THE BALANCE SHEET

	Consolidated 1997	Consolidated 1996	Parent Company 1997	Parent Company 1996
6. Revaluation included in fixed assets				
Land and water	**10**	10	**1**	1
Buildings	**25**	25	**14**	14
Investments	**11**	11	**11**	11
	46	46	**26**	26
7. Tax values of fixed assets				
Land and water	**111**	115	**10**	3
Buildings	**440**	480	**89**	91
Investments in subsidiaries	**–**	–	**1,059**	1,728
Other investments	**115**	143	**34**	67

The above comprises the tax values of Finnish companies and book values of foreign companies.

8. Fixed assets
FIM million

Group

	Intan-gible rights	Group goodwill	Other capital-ised expen-diture	Intan-gible assets, total	Land and water	Buildings and con-structions	Machin-ery and equip-ment	Other tangible fixed assets	Advances paid and construc-tion in progress	Tangible assets, total	Total
Initial cost or revaluation, 1 January 1997	157	1,127	70	1,354	147	902	926	3	41	2,019	3,373
Additions	4	–	1	5	–	2	71	–	45	118	123
Company acquisitions	–	–	–	–	–	3	–	–	–	3	3
Disposals	– 7	– 96	– 7	–110	– 6	– 54	–136	–	– 2	–198	–308
Transfers	–	–	–	–	–	2	29	–	–53	– 22	– 22
Exchange differences	3	174	7	184	2	34	87	–	4	127	311
Balance, 31 December 1997	157	1,205	71	1,433	143	889	977	3	35	2,047	3,480
Accumulated depreciation, 1 January 1997	30	214	37	281	–	253	572	–	–	825	1,106
Depreciation during the period	13	37	4	54	–	34	118	–	–	152	206
Disposals	– 4	– 21	– 3	– 28	–	– 6	–103	–	–	–109	–137
Exchange differences	1	35	3	39	–	9	47	–	–	56	95
Balance, 31 December 1997	40	265	41	346	–	290	634	–	–	924	1,270
Balance sheet value, 31 December 1997	117	940	30	1,087	143	599	343	3	35	1,123	2,210
Fire insurance value						1,342	966	6			

Parent Company

	Intan-gible rights	Goodwill	Other capital-ised expen-diture	Intan-gible assets, total	Land and water	Buildings and con-structions	Machin-ery and equip-ment	Other tangible fixed assets	Advances paid and construc-tion in progress	Tangible assets, total	Total
Initial cost or revaluation, 1 January 1997	1	–	15	16	9	208	23	3	–	243	259
Additions	–	–	–	–	–	–	1	–	–	1	1
Disposals	–	–	–	–	–	–	–	–	–	–	–
Transfers	–	–	–	–	7	4	2	–	–	13	13
Balance, 31 December 1997	1	–	15	16	16	212	26	3	–	257	273
Accumulated depreciation, 1 January 1997	–	–	13	13	–	58	20	–	–	78	91
Depreciation during the period	–	–	1	1	–	6	1	–	–	7	8
Disposals	–	–	–	–	–	–	–	–	–	–	–
Transfers	–	–	–	–	–	1	1	–	–	2	2
Balance, 31 December 1997	–	–	14	14	–	65	22	–	–	87	101
Balance sheet value, 31 December 1997	1	–	1	2	16	147	4	3	–	170	172
Fire insurance value						282	19	6			

9. Investments in subsidiaries and Group holdings in associated or other companies
31 December 1997

Amer Group Plc subsidiaries	Number of shares	Percentage of shares owned		Nominal value, thousands	Book value, FIM thousands	Net profit/loss for the period, FIM thousands
Amer Holding Company, Chicago, USA	–	100.0	USD	227,435	331,695	22,119
Albany Sport Co.						
Wilson Sporting Goods Co.						
Amer Sports Canada Inc.						
Wilbras LTDA.						
Wilson France S.A.R.L.						
Wilson Japan, Inc.						
Wilson Sporting Goods Asia Pacific Pte Ltd						
Wilson Sporting Goods Australia Pty Ltd						
Wilson Sporting Goods Company Limited						
Wilson Sporting Goods Co. de Mexico						
Wilson Sporting Goods Espana, S.A.						
Wilson Sporting Goods GmbH						
Wilson Sporting Goods CS Ltd.						
Wilson Sporting Goods Korea Ltd.						
Wilson Sporting Goods Malaysia Sdn Bhd						
Wilson Sporting Goods (Thailand) Inc.						
Amer Sport AG, Littau, Switzerland	200	100.0	CHF	200	726	243
Amer Sport Oy, Helsinki, Finland	50	100.0		5,000	5,000	–142
Amer Tobacco Ltd, Tuusula, Finland	10	100.0		10,000	12,362	–403
Amer Tobacco As, Tallin, Estonia						
Amera Oy, Helsinki, Finland	165	100.0		165	165	10
Amernet Holding B.V., Rotterdam, The Netherlands	–	100.0	NLG	25,841	91,621	241,190
Atomic Austria GmbH, Altenmarkt, Austria	–	90.0	ATS	405,000	178,476	–28,696
Atomic Deutschland GmbH, Munich, Germany	–	100.0	DEM	1,000	3,050	– 39,558
Atomic France S.A., St. Etienne De Saint-Geoirs, France	–	100.0	FRF	2,200	1,585	– 294
Atomic Realty Corp., Amherst, USA	10	100.0	USD	–	2,887	270
Atomic Ski USA Inc., Amherst, USA	10,000	100.0	USD	10,910	46,652	–17,089
Autotalo Autoprint Oy Koivuhaka, Vantaa, Finland	30,000	100.0		30,000	30,000	–2,704
Dynamic S.A., St. Etienne De Saint-Geoirs, France	164,994	100.0	FRF	41,249	–	–6,548
Farming Oy, Helsinki, Finland	3	100.0		–	–	–69
Keskinäinen Kiinteistö Oy Marikko, Helsinki, Finland	15,000	100.0		15,000	15,000	0
Kiinteistö Oy Autoprint, Helsinki, Finland	1,455	100.0		145,500	1,330	121
Kiinteistö Oy Maistraatinportti 4, Helsinki, Finland	4,443	50.8		9	44,704	25
Kiinteistö Oy Mannerheimintie 40, Helsinki, Finland	81,672	52.8		11,434	32,747	0
Koflach Sport GmbH, Köflach, Austria	–	100.0	ATS	1,000	892	–31,360
Konalan Hankasuo Oy, Helsinki, Finland	500	100.0		500	7,894	9
Merinas Oy, Helsinki, Finland	30	100.0		3	1,829	307
Konemuovi Oy, Rymättylä, Finland						
Moottorialan Luotto Oy, Vantaa, Finland	100,000	100.0		100,000	103,424	2
VARPAT Patentverwertungs AG, Littau, Switzerland	2,000	100.0	CHF	200	12,188	401
Non-operating companies					33	
Total					924,260	

Investments in associated company, Amer Group Plc	Number of shares	Percentage of shares owned		Nominal value, thousands	Value, FIM thousands	Net profit for the period, FIM thousands
Amerpap Oy, Helsinki, Finland	1,400	25.0		7,000	8,453	17,145
Investments in associated company, subsidiary						
Stronghold Paper Group B.V., Amersfoort, The Netherlands	9,853	35.0	NLG	99	24,826	
Investments in associated companies, total					33,279 1)	
Other bonds and shares						
Keskinäinen Kiinteistö Oy Weegee, Helsinki, Finland	5,833	16.7		11,667	20,000	
Asunto Oy Simonlinna, Helsinki, Finland	2,947	14.7		3	10,694	
Other property shares	–	–		–	9,367	
Länsi-Pasilan Autopaikat Oy, Helsinki, Finland	38	1.2		–	1,831	
Helsinki Telephone Company, Helsinki, Finland	136	–		–	295	
Other stocks and shares	–	–		–	1,648	
Total					43,835	

1) Share of the associated companies' shareholders' equity FIM 29 million.

	Consolidated 1997	1996	Parent Company 1997	1996
10. Loans receivable				
Loans receivable from the Directors and the Presidents of the companies	**–**	–	**–**	–
11. Receivables from subsidiaries/associated companies				
Accounts receivable	**–**	–	**–**	1
Loans	**–**	–	**2,560**	2,337
Prepaid expenses	**–**	–	**55**	317
Receivables from subsidiaries	**–**	–	**2,615**	2,655
Loans	**8**	10	**8**	10
Receivables from associated companies	**8**	10	**8**	10

	Consolidated 1997	1996	Parent Company 1997	1996
12. Shareholders' equity				
Share capital at beginning of period				
K shares	**40**	40	**40**	40
A shares	**435**	435	**435**	435
	475	475	**475**	475
Decrease, K shares	**– 34**	–	**– 34**	–
Redemption without decreasing share capital, K shares	**– 6**	–	**– 6**	–
Targeted share issue, A shares	**51**	–	**51**	–
Redemption without decreasing share capital, other share capital	**6**	–	**6**	–
Share capital at end of period				
K shares	**–**	40	**–**	40
A shares	**486**	435	**486**	435
Other share capital	**6**	–	**6**	–
	492	475	**492**	475
Capital surplus at beginning/end of period	**1,092**	1,092	**1,092**	1,092
Revaluation surplus at beginning/end of period	**21**	21	**–**	–
Total restricted equity at end of period	**1,605**	1,588	**1,584**	1,567
Unrestricted equity at beginning of period	**530**	925	**260**	552
Dividends	**–**	– 71	**–**	–71
Redemption without decreasing share capital, K shares	**– 81**	–	**– 81**	–
Targeted share issue, A shares	**– 17**	–	**– 17**	–
Exchange differences	**–**	8	**–**	–
Write-down of revaluation	**–**	– 1	**–**	– 1
Other	**10**	– 5	**–**	–
Net profit/loss for the period	**3**	–326	**242**	–220
Unrestricted equity at end of period	**445**	530	**404**	260
Shareholders' equity at end of period	**2,050**	2,118	**1,988**	1,827
Distributable earnings	**435**	504	**404**	260

	Consolidated 1997	Consolidated 1996	Parent Company 1997	Parent Company 1996
13. Accumulated depreciation in excess of plan				
Buildings	**–**	–	**22**	24
Machinery and equipment	**–**	–	**3**	3
	–	–	**25**	27

14. Currency mix

The currency mix of the Group loans at 31 December 1997 with annual repayments

USD	ATS	DEM	CAD	FRF	GBP	Others
61 %	21 %	4 %	4 %	3 %	3 %	4 %

15. Long-term liabilities (interest-bearing)

	Outstanding 31 Dec. 97	Repayment dates 1998	1999	2000-2002	2003 and after
Convertible bonds	400	–	–	–	400
Loans from financial institutions	555	94	298	163	–
Pension loans	132	16	16	31	69
Other long-term debt	39	–	1	-	38
	1,126	110	315	194	507

The 1993 USD 74 million 6.25% convertible subordinated bonds: The loan period is 15 June 1993 to 15 June 2003. The bonds constitute subordinated debenture bonds. The company can prepay the loan starting from 6 July 1998 at their principal amount. The 1994 FIM 0.5 million bonds with equity warrants: The loan period is 2 May 1994 to 2 May 1999 and the interest rate is 5%. Further details on the loans: see page 38.

	Consolidated 1997	Consolidated 1996	Parent Company 1997	Parent Company 1996
16. Interest-bearing short-term liabilities				
Commercial Papers	**113**	198	**113**	198
Current repayments of long-term loans	**110**	47	**110**	47
Other short-term debt	**310**	561	**216**	441
	533	806	**439**	686
17. Payables to subsidiaries/associated companies				
Short-term liabilities	**–**	–	**617**	1,069
Payables to subsidiaries	**–**	–	**617**	1,069
Payables to associated companies	**–**	–	**–**	–
18. Interest-free liabilities				
Long-term interest-free liabilities	**149**	175	**3**	3
Short-term interest-free liabilities	**1,115**	1,056	**35**	36
	1,264	1,231	**38**	39
Other long-term debt				
Deferred tax liability	**17**	21	**–**	–
Other interest-free short-term liabilities				
Excise tax	**218**	201	**–**	–
Sales taxes	**111**	126	**–**	–
Income tax	**–**	3	**–**	–
Other interest-free liabilities	**69**	72	**1**	3
	398	402	**1**	3

CONTINGENT LIABILITIES AND SECURED ASSETS FIM million	Consolidated 1997	Consolidated 1996	Parent Company 1997	Parent Company 1996
Charges on assets				
Group companies	**108**	102	**80**	63
Others	**3**	5	**3**	5
	111	107	**83**	68
Mortgages pledged, Group companies	**186**	202	**138**	141
Guarantees				
Subsidiaries	**–**	–	**196**	260
Others	**22**	14	**16**	12
	22	14	**212**	272
Liabilities for leasing and rental agreements				
Business premises in 1998/1997				
Subsidiaries	**–**	–	**1**	–
Others	**38**	20	**6**	9
Others in 1998/1997	**12**	9	**1**	1
Business premises for later years				
Subsidiaries	**–**	–	**6**	–
Others	**183**	233	**29**	52
Others for later years	**14**	11	**–**	–
	247	273	**43**	62
Other contingent liabilities				
Group companies	**263**	274	**1**	–
Others	**14**	63	**12**	–
	277	337	**13**	–

There are no guarantees or contingencies given for the management of the Company, for the shareholders or for the associated companies.

PERSONNEL AT YEAR END

	1997	1996	Change
Wilson	**2,758**	2,710	
Atomic	**938**	1,029	
Sports Division	**3,696**	3,739	– 43
Tobacco Division	**348**	354	– 6
Corporate Headquarters	**52**	50	2
	4,096	4,143	– 47
Discontinued Operations	**–**	524	–524
	4,096	4,667	–571

FINANCIAL RISK MANAGEMENT

Amer Group's treasury function is responsible for arranging finance at competitive terms using appropriate equity and debt instruments. Foreign exchange and interest rate risks are managed so that they do not unintentionally risk shareholder value, profitability or the equity ratio. Group Treasury is also responsible for Group insurance.

Decision making regarding treasury functions is concentrated in the parent company. Group Treasury agrees with all divisions and subsidiaries on how its principles are being applied to each unit´s needs.

Group Treasury is not a profit center with an annual targeted income. The performance of Group Treasury is assessed through management accounting systems.

In principle Group debt is raised through the parent company, and because of this the Group maintains a limited number of core financing relationships. The Group's intention is to build longterm relationships over the business cycle, which enable the Group to react rapidly to short term funding requirements.

The Group aims to sustain a balanced and varied financial structure. Excessive loan maturity concentrations are avoided. Financing is raised from various sources, and Amer Group's visibility in capital markets is maintained by regularly issuing commercial papers. The Group's financial agreements include various terms and conditions, including the use of pledges, equal treatment of each financier and certain financial covenants. The Group's financial costs are optimised in relation to the goals stated for its financial structure and risks management.

Liquidity risk

Short term liquidity is managed through commercial paper programs and short-term bank facilities. Extra liquidity is placed according to defined counterparty limit policy. In order to manage liquidity risk, the Group has to maintain a sufficient reserve for short term funds in order to finance unexpected short term needs.

Currency risk

The Group aims to protect shareholder value from currency volatility. In addition the Group aims to protect the Group's equity ratio from currency volatility. The Group's foreign exchange position consists of domestic and external currency denominated assets and liabilities, forward foreign exchange and option contracts, the share capital of various subsidiaries, currency accounts and other currency denominated items. The risk involved in subsidiaries' equity is fully hedged and the effect of hedges is booked in unrestricted equity. All forward foreign exchange contracts are valued at year-end rates and booked to the profit and loss account.

The Group's foreign exchange management is concentrated in the parent company. Subsidiaries' balance sheet risks are eliminated by financing in their domestic currency. Subsidiaries hedge their forecast currency flows with Group Treasury. Hedge maturities may vary case by case, but most subsidiaries use forward foreign exchange contracts on a rolling 12 month basis. Every significant subsidiary has a foreign exchange policy. The Board's risk guidelines are followed daily. The Group is not allowed to write uncovered currency or interest rate options.

Most payments between subsidiaries are executed through internal netting.

Interest rate risk

The Group's interest rate position is calculated by estimating a maturity for all balance sheet items either based on their contractual maturity or their intended or estimated economic lifetime. A position's risk is estimated by calculating the duration of assets and liabilities and calculating their sensitivity to a 1 per cent interest rate change.

Insurance

Amer Group's insurance is covered by global property and liability insurances. Local insurance arrangements are used to cover local needs that arise from, for example, country specific legal requirements.

NOTIONAL AMOUNTS OF DERIVATIVE FINANCIAL INSTRUMENTS

FIM million	Consolidated		Parent Company	
	1997	1996	1997	1996
Nominal value				
Foreign exchange				
forward contracts	3,241	2,339	3,211	2,300
Forward rate agreements	4,337	1,858	4,337	1,858
Interest options	–	464	–	464
Fair value				
Foreign exchange				
forward contracts [1]	–26	4	–26	4
Forward rate agreements [2]	– 1	–	– 1	–
Carrying amount				
Foreign exchange				
forward contracts	–26	4	–26	4
Forward rate agreements	–	–	–	–

1) In the income statement the result of foreign exchange forward contracts and other currency denominated financial items are booked to exchange rate profits and losses.

2) Forward rate agreements' effect will be accrued on interest income or expenses during the lifetime of the contracts.

PARENT COMPANY, PROPOSAL OF THE BOARD OF DIRECTORS CONCERNING THE DISPOSITION OF THE UNRESTRICTED SHAREHOLDERS' EQUITY

Unrestricted shareholders' equity as stated in the consolidated balance sheet as at 31 December 1997 totals FIM 445,015,000.00 of which distributable earnings total FIM 435,423,000.00. Unrestricted shareholders' equity as stated in the Parent Company balance sheet as at 31 December 1997 totals FIM 403,926,432.17. The Board of Directors propose to the Annual General Meeting that no dividend be declared and that FIM 403,926,432.17 be carried over to the profit and loss account.

Should the Annual General Meeting approve the above proposals, the shareholders' equity of the Parent Company will be as follows:

Shareholders' equity		
Restricted equity		
Share capital	FIM	492,037,900.00
Capital surplus	FIM	1,092,452,955.00
	FIM	1,584,490,855.00
Unrestricted equity		
Retained earnings	FIM	403,926,432.17
Total shareholders' equity	FIM	1,988,417,287.17

Helsinki, 12 February 1998

P. Kainulainen *Tauno Huhtala* *Olle Koskinen*

Timo Maasilta *Pekka Paalanne* *Roger Talermo*
President and CEO

REPORT OF THE AUDITOR

To the Shareholders of Amer Group Plc

We have audited the accounts, the accounting records and the corporate governance of Amer Group Plc for the 1997 financial year. The accounts prepared by the Board of Directors and the President and CEO include, both for the Group and the Parent Company, a report on operations, an income statement, a balance sheet and notes to the accounts. Based on our audit we express an opinion on these accounts and on corporate governance.

We have audited, in accordance with Finnish auditing standards, the accounting records and the accounts, the disclosures and the presentation of information, including the accounting policies, in the accounts. The purpose of this audit is to obtain assurance about whether the accounts are free from material misstatements. The purpose of the audit of corporate governance is to examine that the Supervisory Board, the members of the Board of Directors and the President and CEO have legally complied with the rules of the Companies' Act.

In our opinion the accounts have been prepared in accordance with the regulations of the Accounting Act and other legislation and regulations relevant to the preparation of the accounts, and give a true and fair view of the Parent Company's and the Group's results from operations and financial position in accordance with such legislation and regulations. The profit of the Parent Company for the 1997 financial year is FIM 242,148,296.97 and the profit of the Group FIM 2,984,000.00. The accounts including the Group accounts may be approved, and the Supervisory Board, the members of the Board of Directors and the President and CEO of the Parent Company may be discharged from liability for the financial year examined by us. The proposal of the Board of Directors concerning the disposition of the unrestricted shareholders' equity according to the balance sheet is in accordance with the Companies' Act.

The interim reports published during the financial year have been prepared in accordance with the relevant regulations.

Helsinki, 12 February 1998

SVH Coopers & Lybrand Oy
Authorised Public Accountants

Göran Lindell
Authorised Public Accountant

SHARES AND SHAREHOLDERS

SHARES AND VOTING RIGHTS

Amer Group Plc has one publicly listed class of shares, A shares, and all shares rank pari passu. At the end of the financial year, the number of shares in issue was 24,326,895. The nominal value of each share is FIM 20.

Previously the Company had two classes of shares, the publicly quoted A shares and the K shares held by the Company's founding shareholders. The A shares had preferential rights to receive dividends, but in practice, the K shares carried a hundred-fold vote in relation to A shares. Following the resolutions passed by Amer Group's Extraordinary General Meeting held on 26 August 1997, the two classes of shares were combined and all K shares were exchanged for A shares at a ratio of 1:1,5.

Technically the K share exchange was carried out by decreasing the Company's share capital by FIM 34,313,120 through redemption of the outstanding 1,715,656 K shares from the K shareholders (The Finnish Association of Graduate Engineers TEK, The Finnish Association of the Graduates of the Schools of Economics and Business Administration SEFE, The Student Union of the Helsinki School of Economics and Business Administration KY and The Land and Water Technology Foundation) and by increasing the Company's share capital by FIM 51,469,680 through a private placement with the K shareholders of 2,573,484 A shares. The new shares are entitled to dividends for the financial year that started on 1 January 1997.

Amer Group shares are entered in the Finnish automated book-entry securities system.

SHARE CAPITAL

At the year end, the Company's paid up and registered share capital amounted to FIM 492,037,900. The Articles of Association set the minimum share capital at FIM 290 million and the maximum at FIM 1,160 million.

At the year end, the Board of Directors did not have any share issue authorisations.

CONVERTIBLE SUBORDINATED BONDS 1993

The remaining amount of the USD 75 million convertible subordinated bonds issued in June 1993 is USD 73.75 million. The Convertible bonds carry an annual coupon of 6.25% and they are listed on the London Stock Exchange. The conversion price of the A shares is FIM 122.85. In determining the conversion price, the US dollar nominated bonds are translated into Finnish markka at a fixed rate of FIM 5.5243. If all the remaining bonds are converted during the period of conversion 26 July 1993 - 8 June 2003, the number of A shares would increase by 3,316,379 and the share capital by FIM 66,327,580.

The Company can prepay the loan starting from 6 July 1998 at their principal amount.

Adjusted for the effect of the bonds with warrants on the share capital, the shares which could still be converted from the convertible subordinated bonds, represent 11.8% of the share capital and the total number of votes.

ISSUE OF BONDS WITH WARRANTS TO AMER GROUP MANAGEMENT IN 1994

The loan principal of the bonds with warrants issued to Amer Group's management in 1994 is FIM 555,000. The loan period is 5 years from 2 May 1994 to 2 May 1999 with 5 per cent annual interest. At the end of 1997, the incentive scheme covered 17 individuals.

Following exercise of these warrants, the number of shares in issue would increase by a maximum of 555,000 new A shares, and the share capital by a maximum of FIM 11,100,000 during the exercise period 1 December 1998 to 31 January 2001. The subscription price is FIM 146.

Adjusted for the effect of the issue of the convertible bonds on the share capital, the shares subscribed for by exercise of the warrants would represent 2.0% of the share capital and the total number of votes. The total amount of warrants subscribed for by the President represented 0.3% of the shares and the votes.

SHARE PRICES

During 1997, the Helsinki Stock Exchange's HEX index increased by 32%, whilst the London Stock Exchange's FTSE 100 index rose by 17%.

In Helsinki, Amer Group A shares ended 1997 at a price of FIM 104.50, representing an increase of 10% during the calendar year. The Helsinki 1997 share price high/low was FIM 120.00/FIM 86.10. The average share price was FIM 102.12.

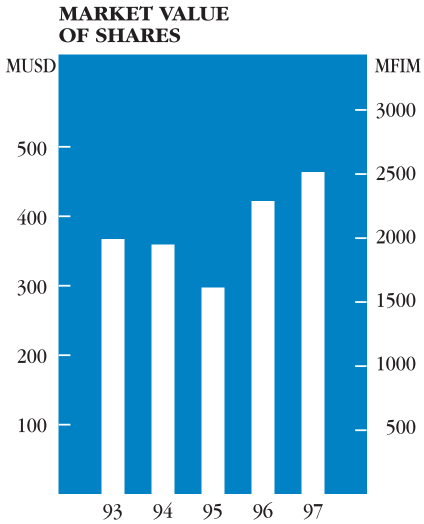
On the London Stock Exchange Automated Quotation System (SEAQ), Amer Group's shares ended 1997 at GBP 11.63. The London share price high/low was GBP 13.91/GBP 9.84.

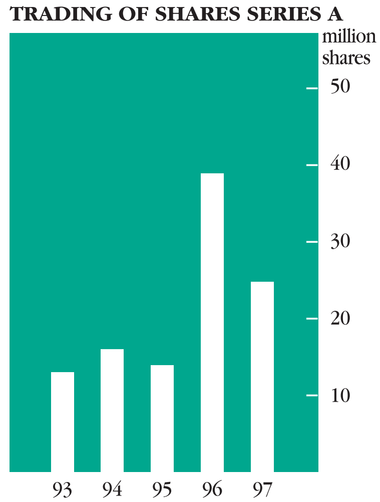
In the United States, the Company has established an American Depositary Receipt (ADR) facility, in which two depositary receipts equal one Amer share. During 1997, the highest price paid for a depositary receipt was USD 11.26 and the lowest USD 8.07.

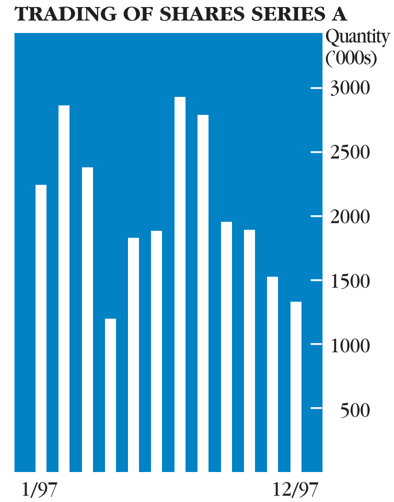
LISTINGS AND TRADING

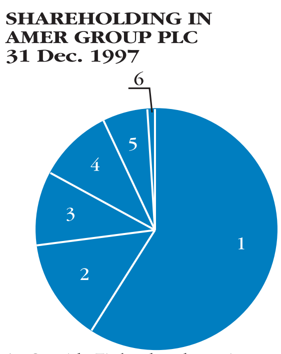
Amer Group A shares have been listed on the Helsinki Stock Exchange since 1977 and on the London Stock Exchange since 1984. The Group's shares have been quoted on London's SEAQ International since 1990. The ISIN code under the international system of numbering listed shares is FI0009000285 and the RIC code AMER.HE.

During 1997, 15,585,120 Amer Group A shares with a value of FIM 1,591.5 million were traded on the Helsinki Stock Exchange. On the London Stock Exchange the trading volume was 9,241,948 shares. The trading volume in Helsinki represented 64%, and London 38%, respectively (overall 102%), of the total number of shares in issue. The number of ADRs in issue was 2,589,872 at the year end.

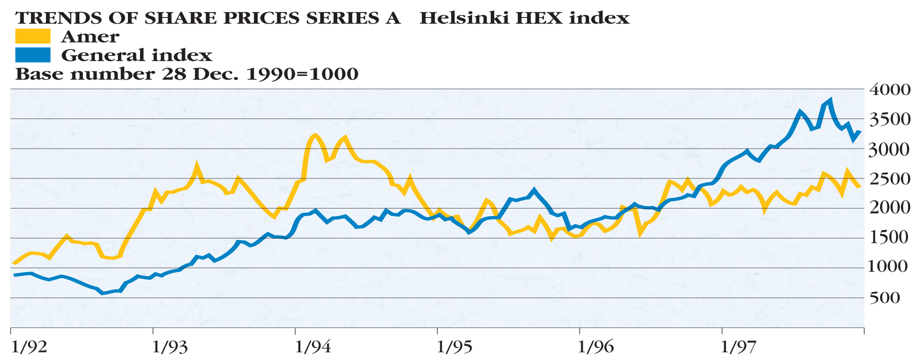








1 Outside Finland and nominee reg. 59 %
2 Households 14 %
3 Non-profit organisations 10 %
4 Private companies 10 %
5 Banks and insurance companies 6 %
6 Public sector entities 1 %



Number of shares per shareholder	Shareholders	Percentage of shareholders	Shares	Percentage of shares
1– 100	6,311	48.1	303,519	1.2
101– 1,000	6,181	47.2	1,901,926	7.8
1,001– 10,000	559	4.3	1,281,740	5.3
10,001–100,000	41	0.3	1,320,429	5.4
over 100,000	11	0.1	5,127,669	21.1
Nominee registrations	6		14,391,612	59.2
Total	13,109	100.0	24,326,895	100.0

MAJOR SHAREHOLDERS ON 31 DECEMBER 1997

	A shares	% of shares and votes
The Finnish Association of Graduate Engineers TEK	1,015,192	4.2
The Finnish Association of Graduates in Economics and Business Administration SEFE	938,416	3.9
The Land and Water Technology Foundation	754,339	3.1
Tukinvest Oy	569,000	2.3
The Student Union of the Helsinki School of Economics and Business Administration KY	404,372	1.7
Pension-Varma Mutual Insurance Company	344,300	1.4
Paavo Korpivaara	310,250	1.3
The Pension Insurance Company Ilmarinen Ltd	295,000	1.2
Oy Selective Investor Ab	200,000	0.8
Merita Delta Ltd	192,400	0.8
Finnish National Fund for Research and Development	104,400	0.4
Amer Cultural Foundation	99,257	0.4
Kaleva Mutual Insurance Company	93,000	0.4
Pension Foundation Polaris	90,000	0.4
Partita Oy	75,000	0.3
LEL Employment Pension Fund	60,800	0.2
Hannu Korpivaara	58,297	0.2
FIM Forte Unit Trust	56,500	0.2
Aurum – OKOBANK Life Insurance Ltd	51,600	0.2
Mutual Fund Diana Equity	51,400	0.2
Nominee registrations	14,391,612	59.2

SHAREHOLDERS

The Company had 13,109 registered shareholders at the year end. Foreign shareholdings remained stable and represented approximately 60% of the total shares in issue at the end of 1997.

The total number of shares owned by members of the Board of Directors as at 31 December 1997 was 2,543 A shares, representing 0.01% of the issued share capital and the total number of votes.

SHARE CAPITAL AND PER SHARE DATA

FIM million	**1997**	1996	1995	1994	1993
Share capital	**492**	475	475	475	379
K shares	**–**	40	40	40	40
A shares	**486**	435	435	435	339
Other share capital	**6**	–	–	–	–
Market value of shares	**2,516**	2,288	1,612	1,947	1,990
Number of shares in issue, million	**24**	24	24	24	19
K shares	**–**	2	2	2	2
A shares	**24**	22	22	22	17
Adjusted number of shares in issue, million	**24.3**	23.7	23.7	23.7	20.3
Adjusted average number of shares in issue, million	**23.9**	23.7	23.7	22.2	20.3
Share issues					
New issue	**–**	–	–	96	–
Premium on share issue	**–**	–	–	385	–
Targeted share issue	**51**	–	–	–	–
Decrease of share capital	**34**	–	–	–	–
Total dividends	**–**[1]	–	71	71	38
Dividend per share, FIM	**–**	–	3.00	3.00	2.00
Avoir fiscal tax allowance per share, FIM	**–**	–	1.00	1.00	0.67
Adjusted dividend per share, FIM	**–**	–	3.00	3.00	1.87
Adjusted earnings before taxes per share, FIM	**–1.91**	–9.98	5.98	12.26	6.74[2]
Adjusted earnings per share, FIM	**–3.03**[3]	–7.39	3.13	9.90	5.85[2]
Adjusted cash flow earnings per share, FIM	**5.60**	3.24	13.16	21.43	21.18[2]
Dividend % of earnings	**–**	–	96	32	32[2]
Dividend margin	**–**	–	1.0	3.3	3.1[2]
Effective yield, %	**–**	–	4.4	3.7	1.9[2]
P/E ratio	**– 34.5**	–12.8	21.7	8.3	16.9[2]
Share value, FIM					
Nominal value	**20.00**	20.00	20.00	20.00	20.00
Shareholders' equity per share, adjusted	**84.26**	89.20	105.83	120.10	109.95
Share price at closing date	**104.50**	95.00	67.90	82.00	106.00
Adjusted share price	**104.50**	95.00	67.90	82.00	99.03
Trading volume					
A shares	**2,557**	3,626	1,100	2,011	1,304[2]
1,000s	**24,827**	38,923	13,921	16,041	13,023[2]
Number of shareholders	**13,109**	14,827	17,968	19,329	19,260

[1] Proposal of the Board of Directors for 1997.
[2] Period 1 January to 31 December 1993.
[3] Adjusted earnings per share diluted for the exercise of convertible bonds and bonds with equity warrants FIM –1.85.
Calculation of key indicators, see page 42.

FIVE YEAR SUMMARY

FIM million	1997	Change %	1996	1995	1994	1993 12 months
Gross sales	**7,814**	**–**	7,777	9,456	10,195	11,289
Excise tax	**2,212**	**17**	1,890	2,081	2,042	2,026
Sales taxes	**798**	**– 1**	805	1,106	1,100	1,162
Net sales	**4,694**	**– 5**	4,958	6,166	6,931	7,658
Overseas sales	**4,209**	**4**	4,055	3,952	4,596	5,227
Depreciation	**206**	**–19**	253	238	256	311
Operating profit	**77**	**–**	– 120	263	430	366
% of net sales	**2**		–	4	6	5
Net financing expenses	**–130**	**–14**	– 114	– 123	– 159	– 229
% of net sales	**3**		2	2	2	3
Result before taxes and extraordinary items	**– 53**	**–**	– 234	140	271	137
% of net sales	**–**		–	2	4	2
Taxes	**27**	**–**	– 61	67	52	18
Result before extraordinary items	**– 73**	**–**	– 176	75	220	119
% of net sales	**–**		–	1	3	2
Financing from operations	**209**	**–**	– 71	240	441	417
% of net sales	**4**		–	4	7	5
Capital expenditure	**126**	**–58**	297	318	725	470
Divestments	**323**	**– 3**	332	737	268	315
Fixed assets	**2,400**	**–**	2,404	2,644	3,779	4,010
Inventories and work in progress	**937**	**– 7**	1,006	1,063	1,381	1,261
Financial assets	**1,587**	**– 1**	1,609	1,831	2,062	2,329
Shareholders' equity and minority interest	**2,111**	**– 3**	2,185	2,578	2,923	2,274
Interest-bearing liabilities	**1,549**	**– 3**	1,603	1,425	2,471	3,458
Interest-free liabilities	**1,264**	**–**	1,231	1,535	1,828	1,868
Balance sheet total	**4,924**	**– 2**	5,019	5,538	7,222	7,600
Return on investment (ROI), %	**2.6**		– 2.3	5.9	8.6	7.8
Return on shareholders' equity (ROE), %	**– 3.7**		– 7.2	2.6	8.4	5.3
Equity ratio, %	**43**		44	47	40	30
Debt to equity ratio (equity includes reserves)	**0.7**		0.7	0.6	0.8	1.5
Gearing, %	**58**		60	51	80	138
Net leveraging/Net sales, %	**26**		25	18	33	39
Net leveraging/Financing from operations	**5.9**		– 17.1	4.7	5.1	7.2
Profits from associated companies	**–**		– 9	– 1	16	11
Dividends from associated companies	**3**		3	3	8	4
Average personnel	**4,536**	**–11**	5,115	5,748	5,360	5,930
Average personnel outside Finland	**4,115**	**–10**	4,571	4,668	3,923	4,203

CALCULATION OF KEY INDICATORS

Return on investment (ROI), %:

$$100 \times \frac{\text{(Profit before taxes and extraordinary items + interest and other financing expenses)}}{\text{Balance sheet total less interest-free liabilities*)}}$$

Return on shareholders' equity (ROE), %:

$$100 \times \frac{\text{(Profit before extraordinary items + minority interest)}}{\text{Shareholders' equity + minority interest}}$$

Equity ratio:

$$100 \times \frac{\text{(Shareholders' equity + minority interest)}}{\text{Balance sheet total}}$$

Gearing:

$$100 \times \frac{\text{(Interest-bearing liabilities - cash and cash equivalents)}}{\text{Shareholders' equity + minority interest}}$$

Net leveraging:

Short-term and long-term liabilities less financial assets

Financing from operations:

Net profit for the period + depreciation

Adjusted cash flow earnings per share:

Financing from operations before extraordinary items divided by the average number of shares adjusted for the bonus element of share issues

Adjusted dividend per share:

Total dividend divided by the number of shares at year end adjusted for the bonus element of share issues

Adjusted earnings per share:

Profit before extraordinary items divided by the average number of shares adjusted for the bonus element of share issues

Adjusted share price:

Share price at year end adjusted for the bonus element of share issues

Dividend margin:

$$\frac{\text{Adjusted earnings per share}}{\text{Adjusted dividend per share}}$$

Effective yield, %:

$$100 \times \frac{\text{Adjusted dividend}}{\text{Adjusted share price}}$$

P/E ratio:

$$\frac{\text{Adjusted share price}}{\text{Adjusted earnings per share}}$$

Equity per share:

Shareholders' equity at year end divided by the number of shares at year end adjusted for the bonus element of share issues

Market value of shares:

Number of shares at year end multiplied by share price at the same date.

*) Monthly average of the financial period.

ADMINISTRATION, ORGANISATION AND AUDIT

BOARD OF DIRECTORS

Chairman:
From 29 July, 1997
Pekka Kainulainen, 56
The Finnish Institute of Management, President
Member since 1985,
Vice Chairman 1995-97.
(Term expires 1998)

Until 3 June, 1997
Antti Lagerroos, 52
Finnlines Ltd,
President and CEO

Vice Chairman:
From 29 July, 1997
Tauno Huhtala, 59
LHX Consulting Oy, Partner
Member since 1986.
(Term expires 1998)

Until 29 July, 1997
Pekka Kainulainen

Members:
Olle Koskinen, 55
Ajasto Osakeyhtiö,
President
Member since 1996.
(Term expires 1999)

Timo Maasilta, 43
The Land and Water Technology Foundation,
Managing Director
Member since 1986.
(Term expires 1998)

Pekka Paalanne, 47
Amer Group Plc,
Senior Vice President and CFO
Member since 1997.
(Term expires 1998)

Roger Talermo, 42
Amer Group Plc,
President and CEO
Member since 1996.
(Term expires 1998)

HEADQUARTERS

PRESIDENT & CEO
Roger Talermo

SENIOR VICE PRESIDENT & CFO
Pekka Paalanne

TREASURY & INVESTOR RELATIONS
Jari Melgin

FINANCE
Disa Söderman

COMMUNICATIONS
Marja-Leena Simola

CORPORATE PLANNING
Eero Alperi

ADMINISTRATION & PERSONNEL
Jouko Rauman

SPORTS DIVISION

Wilson

BOARD OF DIRECTORS
Roger Talermo, Chairman
Pekka Paalanne
Jim Baugh

PRESIDENT
Jim Baugh

FINANCE & ADMINISTRATION
Steve Millea

GOLF
Barry Ryan

RACQUET SPORTS
John Embree

TEAM SPORTS
Chris Considine

INTERNATIONAL MARKETS
Steve Millea

EUROPE
Luke Reese

JAPAN
Tamio Yamamoto

Atomic

BOARD OF DIRECTORS
Roger Talermo, Chairman
Pekka Paalanne
Michael Schineis

PRESIDENT
Michael Schineis

FINANCE
David Taylor

OPERATIONS
Egon Zveglic

KOFLACH
Walter Wittman

ATOMIC BRAND
Thomas Zettler

DYNAMIC BRAND
Daniel Fournier

OXYGEN BRAND
Michael Schineis (acting)

TOBACCO DIVISION

BOARD OF DIRECTORS
Roger Talermo, Chairman
Pekka Paalanne
Jukka Ant-Wuorinen

PRESIDENT
Jukka Ant-Wuorinen

MARKETING
Jan-Erik Grönlund

PRODUCTION
Veijo Rosimo

FINANCE
Timo Levänen

LEGAL AFFAIRS
Kalle Soikkanen

AUDIT

SVH Coopers & Lybrand Oy
Authorised Public Accountants

Partner in charge:
Göran Lindell,
Authorised Public Accountant

NEWS IN 1997 IN BRIEF

January

Mr Pekka Paalanne, BSc (Econ), was appointed Senior Vice President and CFO responsible for the Group's Finance, Treasury and Administration functions. He joined Amer from Kone Corporation. Mr Eero Alperi, MSc (Eng) was appointed Director, Corporate Planning and Business Development with responsibility for the Group's corporate planning, strategic supervision and management resources. He joined Amer from Merita Bank.

February

Amer sold MacGregor Golf Company's operations to an American company MGC Holding Inc. owned by the UK based Masters International and Apax Partners. The transaction was completed at a price of approximately FIM 90 million in line with a Letter of Intent signed in October 1996.

The 1996 financial results bulletin reported that the Group's performance deteriorated considerably compared to 1995; operating losses totalled FIM 120 million. The Automotive Division was also divested, and a restructuring program was initiated at Wilson in order to improve in particular the profitability of its Golf and Team Sports Divisions.

March

The AGM adopted the Report of the Directors and the Financial Statements and approved the Board's proposal that no dividend be distributed for the 1996 financial year. Two members of the Supervisory Board were replaced, and Mr Jukka Härmälä was re-elected Chairman and Mr Markku Talonen Vice Chairman of the Supervisory Board.

April

Mr Jari Melgin, MSc (Econ), MSc (Pol), was appointed Corporate Treasurer. He joined Amer from Santasalo-Jot Oy.

May

The Board of Directors announced a proposal to exchange all K shares in issue for A shares. In accordance with this proposal, K shareholders would receive 1.2 A shares for each K share, after which Amer would have only one publicly listed class of shares, and all shares would carry equal voting rights. The Board argued in favour of updating the share structure with regard to the likely improvement of share trading liquidity, and the opportunity to issue shares to raise equity finance and as a payment for any potential acquisitions. The share exchange would also be expected to reduce the risk of sudden major changes in Amer Group's share register.

In addition, the Board proposed a comprehensive amendment to the Articles of Association including changes required by the new shareholder structure and the new Companies Act which became effective as of 1 September 1997.

The first 1997 interim report was published on 29 May. The Group's operating results were still in the red, but the restructuring measures in the Sports Division were already benefiting the Group's performance; consolidated losses were significantly lower compared to the same period in 1996. Results for the 1997 financial year were expected to improve significantly, but overall, would remain lossmaking.

June

Amer's shares were suspended at the Group's own request on both the Helsinki and London Stock Exchanges following the K shareholders' announcement on 2 June that they were negotiating to sell their K shares to third parties. The Extraordinary General Meeting held on the same day did not approve the share exchange proposal.

On 3 June, Amer's four K shareholders indicated that they had offered the majority of their K shares to Jonathan Bryan Guinness, 3rd Lord Moyne, who had accepted the offer subject to certain terms and conditions. In connection with these developments, Mr Antti Lagerroos, Chairman of the Board, resigned, and Mr Pekka Kainulainen, Vice Chairman, took over his duties pending the election of a new Chairman.

On 13 June, a representative of Amer's K shareholders informed the Company that the decision-making bodies of the Finnish Association of Graduate Engineers TEK, The Finnish Association of Graduates in Economics and Business Administration SEFE and the Land and Water Technology Foundation had approved their offer to sell their K shares to Lord Moyne, and the offers became final and binding on the sellers.

On 20 June, the Company announced that the above-mentioned K shareholders had cancelled their agreement to sell their K shares to Lord Moyne on 19 June. Subsequently they also indicated that they would not recommence their negotiations with Lord Moyne, nor would they start negotiations with any other party. The representative of the Student Union of the Helsinki School of Economics and Business Administration KY announced that their decision-making body had approved their offer to sell their K shares to Lord Moyne on 25 June.

July

At the turn of June and July the representative of the Student Union of the Helsinki School of Economics and Business Administration KY informed the Company that Lord Moyne had definitively approved KY's offer to sell 275,000 K shares, representing 12.5 per cent of Amer's voting rights. The shares were due to be sold to a Dutch company Dirk Hus Beheer BV for a total of FIM 75,251,000.

On 29 July, Amer again requested a temporary suspension of the Group's A share and the Board announced that they had redeemed those K shares due to be sold to Lord Moyne. The Board also announced that it would propose to an Extraordinary General Meeting that all the Company's K shares should be exchanged for A shares at a ratio of 1:1.5.

August

On 26 August, the Extraordinary General Meeting approved the Board's proposal, and all the Company's K shares were exchanged for A shares in line with that proposal. Amendments to the Articles of Association were also approved including, inter alia, abolition of the K shares' regulations, dissolution of the Supervisory Board, and the addition of a redemption clause.

All resolutions relating to the share exchange made by the General Meeting were registered in the Trade Register on 28 August 1997.

Mr Pekka Paalanne, the Group's Senior Vice President and CFO, was appointed to the Board of Directors until the next Annual General Meeting.

September

The new A shares issued through a private placement in connection with the share exchange were admitted to listing on both the London and Helsinki Stock Exchanges at the turn of August and September.

Following the share exchange, the conversion price of the Convertible Subordinated Bonds dated 15th June 1993 was adjusted from FIM 133.80 to FIM 122.85 per A share as of 26 August.

As necessitated by the new Companies Act effective as of 1 September, the Company became a public company, and its name was changed to Amer-yhtymä Oyj (Amer Group Plc).

October

The second interim report was published on 2 October. The positive trend in Amer Group's performance continued during the second interim period. The Group's results for 1997 were expected to improve significantly compared to 1996, but, overall to remain lossmaking.

November

Two Amer shareholders, namely Eternelli Oy and Mr Ari Neuvonen, representing in total approximately 0.02% of the shares in issue, filed an application for summons to the Circuit Court of Helsinki requesting that Amer Group Plc be entered into liquidation. The claim was based on an allegation that the majority of Amer's shareholders would have abused their majority position when approving the redemption of those shares sold to Lord Moyne and the conversion of the Company's two classes of shares. Amer Group Plc deemed that the claim lacked all foundation, and contested the summons in all respects.

December

Amer sold its Time/system division, the global producer and marketer of personal planning systems, to a group of institutional investors led by CVC Capital Partners, and to it's management. The total consideration was DKK 340 million.

AMER GROUP PLC'S ARTICLES OF ASSOCIATION

§ 1 Firm, domicile and name in English

The name of the Company is Amer-yhtymä Oyj, with domicile in Helsinki. The name of the Company in English is Amer Group Plc.

§ 2 Field of business

The objective of the Company is to own and administer shares, participations, securities and other assets, supervise the activities of its subsidiaries and other operating units, and to plan and carry out economically appropriate new investments. The Company may acquire real estate and securities considered as fixed assets, and pursue different business activities, including shipping, but excluding stockbroking and real estate business.

§ 3 Minimum and maximum share capital

The minimum share capital of the Company is two hundred and ninety million Finnish markka (FIM 290,000,000) and the maximum share capital is one billion one hundred and sixty million Finnish markka (FIM 1,160,000,000), within which limits the share capital may be increased or decreased without amending the Articles of Association.

§ 4 Nominal value of shares

The nominal value of shares (the "A shares") is twenty Finnish markka (FIM 20) per share.

§ 5 Book-entry securities system; registration date procedure

The Company's shares are registered in the book-entry securities system.

The right to receive funds distributed by the Company and the right of subscription to a share capital increase shall, after the registration date, belong only to an individual:
1) who is entered in the shareholder register as a shareholder on a certain record date;
2) whose right to receive payment is, on the record date, registered in a book-entry account of a shareholder registered in the shareholder register and entered in the shareholder register; or
3) in whose book-entry account the shares are registered on the record date, if the shares are registered in the name of a nominee, and whose custodian is, on the record date, entered in the shareholder register as the custodian of the shares.

§ 6 Board of Directors

The administration and proper organisation of the business of the Company are the responsibility of a Board of Directors consisting of not less than five (5) and not more than seven (7) members.

In particular, the Board of Directors shall
1. supervise the activities of the Company and its subsidiaries;
2. appoint the President and determine his/her remuneration;
3. approve the remuneration of the President's direct subordinates, as well as the nomination of the presidents of the subsidiaries and their remuneration;
4. grant and cancel authorisations to sign on behalf of the Company;
5. determine on granting of procurations;
6. prepare the annual report and financial statements of the Company, sign the balance sheets; and
7. implement the resolutions of General Meetings.

The regular term of the members of the Board of Directors shall be three years organised so that one third of the members, or the number nearest to that, shall resign each year. In order to achieve this objective, the new members can be elected for one, two or three years. The date for the beginning or expiration of a member's term is the Annual General Meeting. Persons of over 64 years of age at the time of election may not be elected to be members of the Board of Directors.

The Board of Directors shall constitute a quorum when more than half of the members are present, one of whom shall be the Chairman or Vice Chairman. An opinion which is supported by more than half of the members present, or in the event of equal votes, an opinion which is supported by the Chairman shall constitute a resolution of the Board of Directors. In the event of equal votes when electing the Chairman, the matter shall be decided by drawing of lots. When the meeting is attended by the minimum number of members required for a quorum, the resolutions shall, however, be unanimous.

§ 7 President

The Company shall have a President who shall be appointed by the Board of Directors.

§ 8 Ordinary rights to sign for the Company

The members of the Board of Directors sign on behalf of the Company, any two of them together.

The Board of Directors may grant the right to persons employed by the Company to sign on behalf of the Company, any two of them jointly or each of them severally together with a member of the Board of Directors.

§ 9 Notice of General Meeting

The General Meeting shall be convened by the Board of Directors.

Notice of General Meeting shall be communicated to shareholders by means of advertisements in at least two daily newspapers which appear in Helsinki and which have been determined by the General Meeting, not earlier than two (2) months and not later than eight (8) days prior to the date of notification of attendance, as set forth in Paragraph 11, sub-section 1.

§ 10 Annual General Meeting

The Annual General Meeting shall be held annually by the end of June. At the meeting shall

be presented:
1. the financial statements of the Company and of the Group, comprising the profit and loss account, the balance sheet and the report on operations;
2. the auditors' report;

resolved upon:
3. the approval of the profit and loss account and the balance sheet as well as the consolidated profit and loss account and the consolidated balance sheet;
4. any measures warranted by the profit or loss of the approved balance sheet and the approved consolidated balance sheet;
5. granting release from responsibility to the members of the Board of Directors and the President of the Company;
6. the number of members of the Board of Directors;
7. the remuneration of members of the Board of Directors and the Auditors;

elected:
8. the members of the Board of Directors;
9. Auditor who shall be a corporation of Certified Public Accountants approved by the Central Chamber of Commerce, for a term of one financial year; and

dealt with:
10. any other matters as per the notice of the meeting.

§ 11 Notification of attendance and right to attend a General Meeting

In order to attend a General Meeting, the shareholders shall notify the Company of their attendance by the last date indicated in the notice of the meeting, which cannot be earlier than five (5) days prior to the meeting.

Since the Company's shares are registered in the book-entry securities system, the provisions of the Companies Act on the right to attend a General Meeting shall apply.

§ 12 Fiscal year

The Company's accounting period is the calendar year.

The financial statements and the Board of Directors' report on operations shall be submitted by March 31 to the Auditors who shall submit an audit report to the Board of Directors by April 15.

§ 13 Redemption of Shares

A shareholder, whose proportion of shares in the Company or of the voting rights attached thereto - either alone or together with other shareholders as defined hereinafter - attains or exceeds either of the threshold values of 33 1/3 per cent or 50 per cent respectively, ("Obligated Shareholder"), is obligated to redeem, if the other shareholders ("Entitled Shareholders") so demand, their shares and the securities entitling to shares under the Companies Act, in the manner prescribed in this Section.

When calculating the proportion of shares in the Company held by a shareholder and the voting rights attached thereto, the shares held by the following shall also be included:
- a legal entity, which under the Companies Act is part of the same group as the shareholder,
- a company which, in the consolidated annual accounts based on the Accounting Act, is considered to be part of the same group as the shareholder,
- a pension foundation or fund of a legal entity or company referred to above,
- a legal entity or company other than a Finnish legal entity or company, which, were it Finnish, would in the manner referred to above be part of the same group as the shareholder.

In the event that the redemption obligation is based on the aggregate shareholding or number of votes, the Obligated Shareholders shall be jointly liable for redemption vis-à-vis the Entitled Shareholders. In such a situation a demand for redemption shall be considered to apply to all Obligated Shareholders even in the absence of separate demands to that effect.

In the event that two (2) shareholders attain or exceed either of the threshold values above so that both are under the redemption obligation at the same time, an Entitled Shareholder may demand redemption severally from each of them. The redemption obligation does not cover any shares or securities entitling to shares acquired by the shareholder demanding redemption after the duty of redemption has arisen.

Redemption Price

The redemption price of the shares shall be the higher of the following alternatives;

(a) the weighted average trading price of the shares on the Helsinki Stock Exchange during ten (10) trading days prior to and including the date on which the Company received from the Obligated Shareholder a notification regarding the attaining or exceeding of the above threshold values or, in the event that such notification has not been made or has not arrived within the specified time limit, the date on which the Board of Directors otherwise learned thereof;

(b) the average price, weighted by the number of shares, paid by the Obligated Shareholder for the shares he has purchased or otherwise acquired during the twelve (12) months immediately preceding the date referred to in point (a) above, including such date.

If a purchase affecting the average price is denominated in a foreign currency, the equivalent Finnish markka value shall be calculated according to the Bank of Finland's official exchange rate for the relevant currency seven (7) days prior to the date on which the Board of Directors has given notice to the shareholders of the possibility of a redemption of shares.

The above provisions on the determination of the redemption price shall also apply to other securities to be redeemed to the extent appropriate.

Redemption Procedure

An Obligated Shareholder shall, within seven (7) days of the date on which the redemption obligation has arisen, furnish to the Company's Board of Directors a written notification of this to the Company's registered office. The notification shall contain details of the number of shares belonging to the Obligated Shareholder and the number and price of the shares purchased or otherwise acquired by the Obligated Shareholder during the twelve (12) preceding months. The notification shall also contain an address at which the Obligated Shareholder may be contacted.

The Board of Directors shall give notice to shareholders of the existence of the redemption obligation not later than thirty (30) days from the receipt of the above notification or, in the absence of such notification or in the event that such notification has not arrived within the specified time limit, of the date on which it has otherwise learned of the existence of such a redemption obligation.

The notice shall contain details of the date on which the redemption obligation has arisen and the basis for the determination of the redemption price to the extent known to the Board of Directors, as well as the last date for submitting redemption demands.

The notice to shareholders shall be issued as prescribed in Section 9 above concerning notices to General Meetings of Shareholders.

An Entitled Shareholder shall present a written demand for redemption not later than thirty (30) days from the date of issue of the notice of redemption obligation by the Board of Directors.

The redemption demand, which shall be furnished to the Company, shall include an indication of the numbers of shares and other securities to be redeemed. An Entitled Shareholder shall at the same time furnish to the Company any share certificates and other documents entitling to the receipt of the shares to be transferred to the Obligated Shareholder against payment of the redemption price.

If a shareholder has not demanded redemption as prescribed herein above, the shareholder shall forfeit his right to demand redemption in the redemption event in question. An Entitled Shareholder shall have the right to withdraw his demand prior to the actual redemption.

Upon the expiry of the period of time reserved for Entitled Shareholders, the Board of Directors shall notify the Obligated Shareholder of the demands received.

The Obligated Shareholder shall, within fourteen (14) days of being informed of the redemption demands, pay the redemption price in the manner prescribed by the Company against the transfer of the shares or the securities entitling to the shares or, if the shares to be redeemed are entered in the Book Entry Securities accounts of the relevant shareholders, against a receipt issued by the Company. In that event the Board of Directors shall ensure that the Obligated Shareholder is entered without delay in the book entry account as the owner of the shares.

Penalty interest accruing at a rate of thirteen (13) per cent per annum calculated from the due date of the redemption payment, is payable on the outstanding balance of the redemption price. If the Obligated Shareholder has also failed to observe the notification procedures stipulated herein, the penalty interest shall be calculated from the date on which the notification obligation should at the latest have been fulfilled.

In the event that the Obligated Shareholder fails to comply with the provisions of this Section, the shares owned by the Obligated Shareholder and the shares that pursuant to this Section shall be included in the proportion of shares for the purpose of calculating the above threshold values shall, at the General Meeting of Shareholders, entitle to voting rights only to the extent that the number of votes attached to such shares is less than 33 1/3 per cent or, respectively, less than 50 per cent of the total amount of the votes attached to the shares of the Company.

Other provisions

The redemption obligation under this Section shall not apply to a shareholder, who proves that the ownership or voting rights threshold triggering the redemption obligations has been attained or exceeded prior to the registration in the Trade Register of this Amendment to the Articles of Association.

Disputes concerning the redemption obligation, the right to demand redemption pertaining to same and the redemption price shall be settled in arbitration as provided in Section 14 of the Articles of Association.

§ 14 Arbitration clause

Any disputes arising between the Company on the one hand and the Board of Directors, a member of the Board of Directors, the President, the Auditor or a shareholder on the other hand, shall be settled by arbitration.

The court of arbitration shall give its award within three (3) months from the nomination of its Chairman.

(Translation of the Articles of Association which were registered in the Trade Register on 1 September, 1997)

ADDRESSES

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SPORTS DIVISION

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Rest of the World

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Manufacturing plants

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