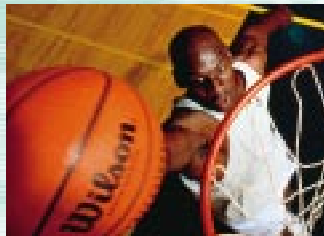
AMER GROUP | Annual Report

"Top athletes play a crucial role in product development, as the best sporting goods products are developed in co-operation with them, assisted by their expertise and experience. "

Costantino Rocca

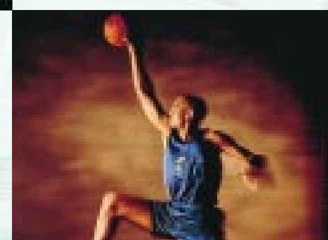
Pete Sampras
No. 1 in the ATP rankings
in 1998



Michael Jordan

Jonas Björkman

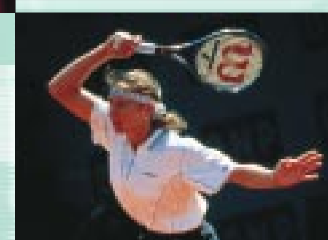
Lindsay Davenport
No. 1 in the ATP rankings
in 1998



Grant Hill

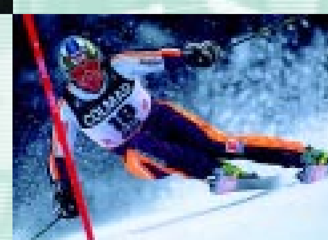
Vijay Singh
1998 US PGA Champion

Emmitt Smith

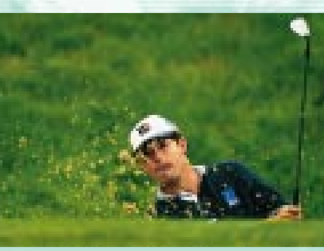


Steffi Graf

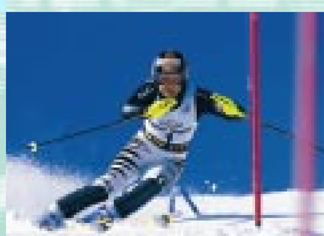
Hermann Maier
1998 World Cup Gold
Medalist



Lasse Kjus

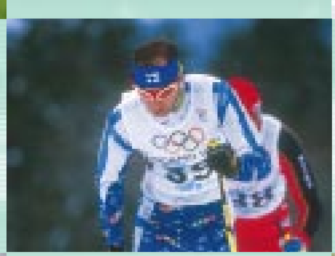


Padraig Harrington



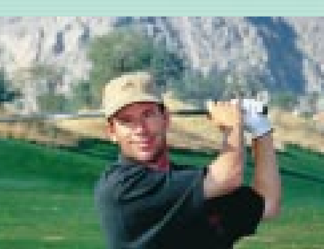
Martina Ertl

Janne Ahonen

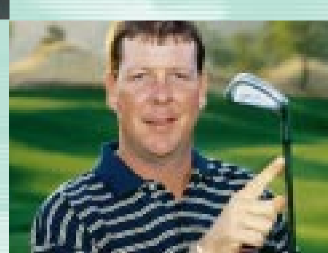


Mika Myllylä
1998 Olympic Gold Medalist in
men's 30 km cross-country skiing

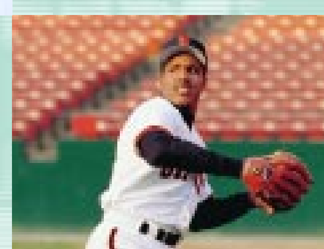
Karine Ruby
1998 Olympic Gold Medalist
in giant slalom



John Huston



Glen Day



Barry Bonds

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Annual General Meeting

The shareholders of Amer Group Plc are hereby invited to attend the Annual General Meeting to be held on Thursday, 11 March 1999 at 2:00pm at Amer Group Plc's headquarters in Helsinki. The address is Mäkelänkatu 91.

Shareholders who have been entered into Amer Group Plc's shareholder register, administered by the Finnish Central Securities Depository Ltd, no later than 5 March 1999 have the right to attend the Annual General Meeting.

A shareholder whose shares have not been entered into the book-entry system also has the right to attend the Annual General Meeting if the shareholder has been entered into the Company's share register before 1 March 1993. In this case the shareholder must at the Annual General Meeting present his share certificates or other evidence that the right of ownership to the shares has not been entered into a book-entry account.

Notification of intended participation at the Annual General Meeting must be given to the Company no later than 4:00pm local time on 9 March 1999 either by writing to Amer Group Plc, Share Register, P.O. Box 130, FIN-00601 Helsinki, or by telephone (+358 9 7257 8261/Ms Mirja Vatanen). Possible proxies should be forwarded to the above address together with notice of attendance.

Dividend Payment

The Board of Directors propose that a dividend of FIM 1.00 a share be paid for the 1998 financial year. Dividends will be paid to shareholders whose shares have been entered into Amer Group Plc's shareholder register, administered by the Finnish Central Securities Depository Ltd, before the record date. Based on a decision made by the Board of Directors, the record date is 16 March 1999. The Board of Directors proposes that the dividends be paid on 23 March 1999.

Financial Reporting

Results for 1998	11 February 1999
Annual Report	Week 9
Interim Report for the period 1 January to 30 April 1999	1 June 1999
Interim Report for the period 1 January to 31 August 1999	5 October 1999

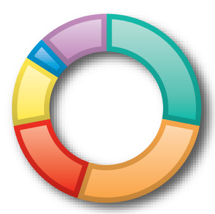
Available in both English and Finnish, the reports can be ordered by writing to:
Amer Group Plc
Communications Department, P.O. Box 130, FIN-00601 Helsinki, Finland

by telephone: +358 9 7257 800
+358 9 7257 8309 (Communications)
by facsimile: +358 9 7257 8200
+358 9 791 385 (Communications)
or by E-mail amer.communications@amer.fi

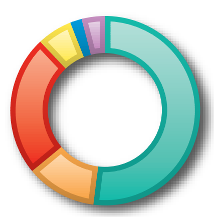
The annual and interim reports can be accessed on Amer's website at http://www.amer.fi. The website also includes all press releases published since 1997.

THE YEAR IN BRIEF

NET SALES 1998



NET SALES 1998



- Amer Group's performance was as planned in 1998. Operating profit amounted to FIM 133 million (1997: FIM 77 million). Adjusted for discontinued operations, comparable operating profit in 1997 was FIM 18 million. Profit before extraordinary items totalled FIM 32 million, compared to a loss of FIM 53 million in 1997. Adjusted earnings per share were FIM 0.70 (1997: a loss of FIM 3.00).

- Wilson is back on track with all of its divisions in the black. The Golf and the Team Sports Divisions both improved their performance significantly. Moreover, Atomic's alpine skis' profitability improved considerably. However, due to weak market conditions and reorganisation, Oxygen's in-line skate business generated a heavier loss than anticipated and, as a result, the Atomic Companies remained clearly in the red.

- The reorganisation of Atomic and the Köflach factory, which manufactured in-line skates, was completed last year. The industrial risk associated with the in-line skate business has been eliminated and, in the future, skates will be sourced from Asian subcontractors. The in-line skate business will no longer burden the Group's result significantly in the current year.

- The most rapidly growing product categories were alpine skis (35%), premium golf clubs (42%) and basketballs (39%).

- Overall, Amer Group's performance has turned around. In the next phase it is time to concentrate on seeking profitable growth and boosting market shares.

KEY INDICATORS

	1998		1997		Change
million	FIM	EUR	FIM	EUR	
Net sales	4,432	745	4,694	789	-6%
Overseas sales	3,925	660	4,209	707	-7%
Operating profit	133	23	77	13	73%
% of net sales	3	3	2	2	
Profit/loss before extraordinary items	32	6	-53	-9	
Earnings per share, FIM/EUR	0.7	0.1	-3.0	-0.5	
Return on investment (ROI), %	5.1		2.8		
Return on shareholders´ equity (ROE), %	0.7		-3.7		
Equity ratio, %	49		43		
Personnel at year end,	3,595		4,096		
outside Finland	3,202		3,693		

Calculation of key indicators, see page 48.

BUSINESS IDEA & STRATEGY

Global brands

Amer Group's operations are based on strong, global brands. The focus is on sporting goods and other leisure time products, which will represent approximately 90% of budgeted net sales in 1999. Wilson, Atomic and Oxygen are the best known of the Group's own brands. In addition to sporting goods, the Group includes Finland's largest cigarette manufacturer, Amer Tobacco Ltd.

Game improvement products for average consumers

The core of Amer's strategy consists of strong reliable branded products. Wilson and Atomic manufacture and market innovative game improvement products targeted primarily at average consumers. Nonetheless, top athletes play a crucial role in product development, as the best sporting goods products are developed in co-operation with them, assisted by their expertise and experience.

Portfolio of sports

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 as well as traditional and trend sports. This wide range of sports ensures that the Group is positioned as a major, full-service supplier and promotes the establishment of lasting business contacts with the trade. The wide range of sports also benefits investors, as it balances the cyclicality of Amer's business, reducing, for example, dependence on external conditions, such as weather.

Financial goals and objectives

The objective is for Amer to be a serious, competitive investment, increasing shareholder value through both dividend payments and share price progress. The Group further aims to improve its performance and to improve its financial results on a par with the best sporting goods companies. The target for return on equity has been set at a minimum of 5 percent higher than risk-free long-term interest rates. On average the targets will be pursued over the business cycle. Amer Group pursues a progressive dividend policy reflecting its results. The objective is to distribute a dividend of at least a third of the annual net profit, while maintaining the equity ratio at a minimum of 40%.

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

Atomic manufactures and markets alpine and cross-country skis, alpine ski boots and bindings as well as poles under the Atomic brand. In addition, skis are marketed under the Dynamic brand. Snowboards as well as in-line skates are marketed under the Oxygen brand. Atomic also produces mountaineer-ing boots marketed under the Koflach brand.

CEO´S REVIEW

Amer Group's business developed as expected in 1998. Wilson is back on track with all of its divisions in the black. Atomic was still undergoing heavy reorganisation, but this was completed by the year end. While the measures taken were partially reflected in 1998's results, the full benefit will be seen during 1999. Amer Tobacco performed satisfactorily, reporting an all-time high market share.

We have many reasons to be happy with our achievements last year, although the Group's performance is not yet satisfactory. In line with our strategy, we again launched new, innovative products which help average sports participants to improve their performance. We managed to improve profitability according to plan and to increase our market shares, although market conditions were mostly unfavourable. The weak economic conditions in Asia were fully reflected in our business and the Group's sales in Japan and Asia Pacific declined by FIM 134 million, i.e. by 26% compared to the previous year. The bottom has most probably been reached, however. The US golf market slowed down considerably in the second half of the year, as market demand declined and the trade and industry started to reduce their excess inventories. The in-line skate market remained weak throughout the year, keeping margins low.

Last year sporting goods companies' share prices declined substantially in the wake of a general trend, failing to recover at the end of the year unlike many other sectors. Investors' confidence in the sporting goods market faltered, and more lucrative investments could be found in sectors perceived to be growing more rapidly. The sporting goods industry has not lost its long-term appeal, however. New growth opportunities are being created by the increase in leisure time, better standards of living as well as the growing awareness of the importance of physical and psychological wellbeing.

The result of the improvement plans and reorganisation program launched two years ago give Amer Group a significant edge over many of its competitors. The industry is in the process of consolidation, and companies which have already streamlined their operations will be in the best position to meet the challenges of the next century. While the changes at Amer have until now occupied a lot of our time, we will now be able to concentrate on seeking profitable growth and fighting for market share.

Our two-fold strategy, based on offering strong, global brands to consumers and a wide portfolio of sports for all seasons to the trade, will continue to form the cornerstone of our business. We must be true experts in our key sports in order to further strengthen our brands globally. During the current year our main focus will be on developing customer service. We will improve relations with top dealers by supplying – not only the products desired by consumers, but also - excellent customer service through improved logistics and marketing organisation.

We have decided to increase the transparency of our operations by providing more information on our products, strategies and achievements. Moreover, we will help investors to better understand our business by publishing more detailed financial information, for example by reporting our businesses' operating results annually. Wilson's operating results will be reported on a divisional and Atomic's results on a brand basis.

I am confident that our entire staff will continue to do their utmost to serve both the trade and consumers. This is the only way we will be able to further improve our performance and to produce the return expected by investors. It is my firm belief that our strong desire for success will make Amer Group a company that both shareholders and personnel can be proud of.

Roger Talermo

GOLF

The Golf Division's key objective last year was to improve its performance and the objective was achieved. Net sales grew slightly despite the conditions in Asia and the US golf market slowdown. Higher margins improved profitability, boosting operating profit to FIM 52 million (1997: a loss of FIM 8 million). Premium club sales grew.

"I've played golf for some twenty years now. It is a great sport, and I've had many memorable rounds with my friends and business partners. I sometimes think I could not survive work and all my responsibilities without the chance of playing on weekends. The problem is that I'm getting fed up with always going to the same club. What I'd like to do once is to fly to Hawaii and spend a week golfing there. I'd do nothing else except go round those magnificent courses. I don't know, if I'll ever get the chance, but it would really be a good break after going to the same old golf course and practising on rooftops."

Golf equipment sales in the US started to slow down during the second half of 1998. The trade and major manufacturers were carrying excess inventories and steps taken to reduce inventories disturbed the market. Prices of premium woods and irons declined in late 1998. In Europe, the market remained flat compared to the previous year.

Wilson's premium club sales grew by 42% compared to the previous year, driven by strong sales of Fat Shaft irons in the US, Europe and Canada. As a result, Wilson gained market share in the premium category. While brisk in early 1998, commercial club sales slowed down in the second half due to unstable retail market conditions. Commercial clubs´ profitability improved, although sales fell slightly compared to the previous year. Wilson had an estimated global market share of approximately 4% in golf clubs. In the US the company had 4%, in Europe 12% and in Japan 1% market shares.

Fat Shaft technology, which reduces the twisting of the club head, was expanded to cover a full range of golf clubs: irons, drivers, fairway woods, putters and wedges. Shipments of the new Fat Shaft metal woods to the US market started in April. Globally the clubs became available later during the year.

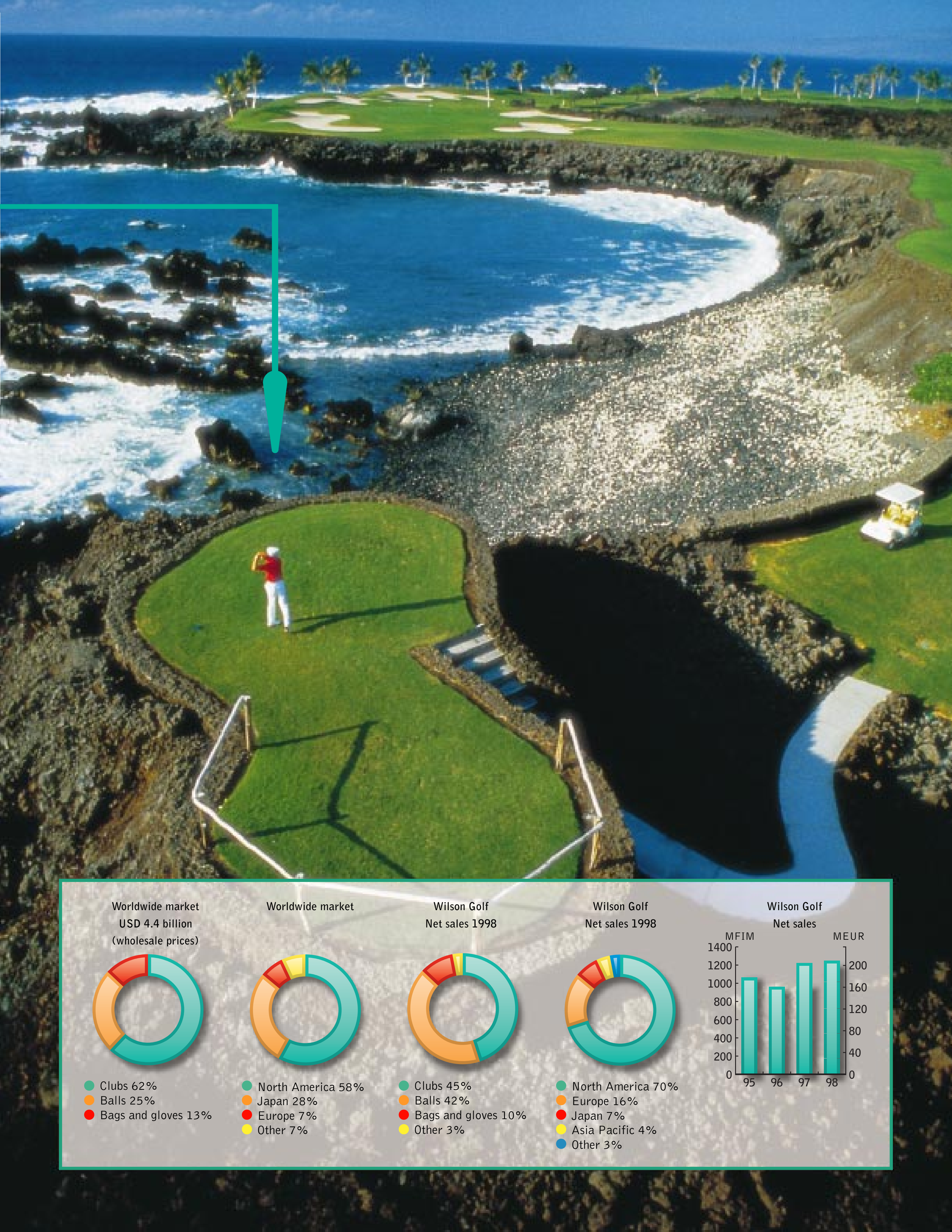
Total sales of golf balls declined slightly due to general market conditions. Nevertheless the company continued to gain market share in the premium category with Staff Titanium balls. In August Wilson launched the Staff Titanium Straight Distance, a ball which improves the average player's performance by reducing slicing and hooking. Later in the year several new commercial balls were launched to regain market share in the US. Wilson estimates that it has 10% of the global, 10% of the US, 15% of the European and 1% of the Japanese golf ball market.

In line with Group strategy, the Golf Division focuses on the development and introduction of new game improvement products. The main focus is on premium balls and premium irons. Wilson aims to boost sales of premium products and to enforce its strict distribution policy in order to enhance the brand's premium image in golf equipment and to improve relations with the trade. In marketing the focus is on grassroots marketing.

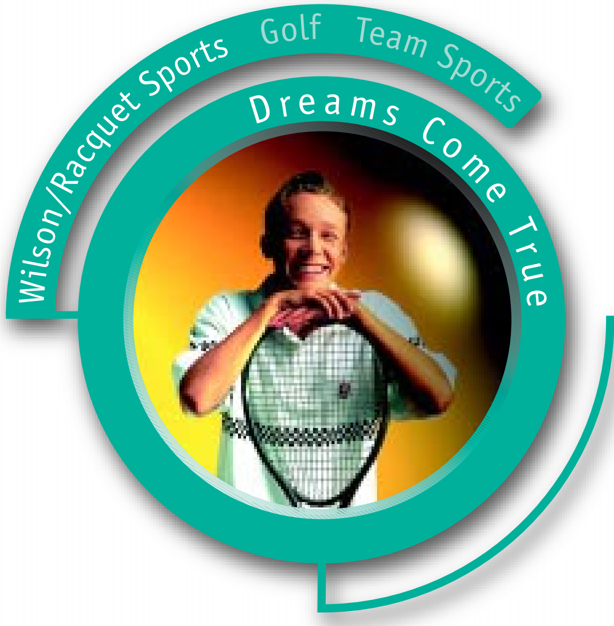
The global golf equipment market is estimated to continue to decline during 1999. Nevertheless, sales of Fat Shaft clubs and Staff Titanium balls are forecast to continue to grow. The Golf Division's net sales are expected to grow slightly, while profitability is expected to improve compared to last year. Performance will, however, reflect conditions in the US golf market.

Key indicators

	1998		1997		Change
million	FIM	EUR	FIM	EUR	
Net sales	1,251	211	1,225	206	2%
Operating profit/loss	52	9	-8	-2	-



Worldwide market
USD 4.4 billion
(wholesale prices)
Clubs 62%
Balls 25%
Bags and gloves 13%
Worldwide market
North America 58%
Japan 28%
Europe 7%
Other 7%
Wilson Golf
Net sales 1998
Clubs 45%
Balls 42%
Bags and gloves 10%
Other 3%
Wilson Golf
Net sales 1998
North America 70%
Europe 16%
Japan 7%
Asia Pacific 4%
Other 3%
Wilson Golf
Net sales
MFIM
MEUR
1400
1200
1000
800
600
400
200
0
200
160
120
80
40
0
95
96
97
98



RACQUET SPORTS

The Racquet Division's net sales declined and profitability fell, although remaining at a good level. Operating profit totalled FIM 111 million (1997: FIM 130 million). Wilson maintained its leading market position in tennis equipment worldwide. While the company's market share in tennis racquets declined in the US, its share of the biggest market, Europe, grew.

"When I was a kid, my dad used to take me to tennis tournaments at his club. I must have been about ten or eleven when I really got interested in the game, but since then there's been nothing that would have taken me off it. My friends say I'm pretty good - I don't know, but at least I enjoy doing it. Well, all right, recently I've begun thinking that if all goes well, one day I'd like to play at Wimbledon or some other big-time venue. I've always been turned on by applause. Maybe that's why I want to keep improving my game - to get a bigger and bigger hand every year."

The tennis equipment market continued to decline worldwide. In the US, where competition was especially intense, the market declined by 8%. Titanium racquets were the market's most popular racquets last year.

In the US, Wilson maintained its leading position in tennis racquets with a 42% market share. Wilson supplied four out of the top ten selling performance racquets sold in pro and speciality shops. In Europe Wilson has an estimated market share of 28% compared with a global market share of 33%.

Several new products were launched in the performance racquet category, including the Hammer 6.4 Power Holes, Hammer 3.0 Titanium Stretch and Hammer 3.2 Titanium.

In September Wilson launched a breakthrough new tennis racquet material, Hyper Carbon®, which has so far been mainly used by the aerospace industry. Hyper Carbon is the lightest, stiffest and strongest material ever used in tennis racquets. The new material was utilised in a number of new racquets, e.g. the Hyper Hammer 2.3 and the Hyper Sledge Hammer 2.0. The racquets have been very well received by the market and the press. The Hyper Carbon product family will be expanded by several new tennis, racquetball and badminton racquets in 1999. Shipments started in the US in October and the racquets will be introduced for global distribution in summer 1999.

In tennis balls Wilson maintained its US market share at 40%. The company has an estimated market share of 15% in Europe and a 23% market share worldwide.

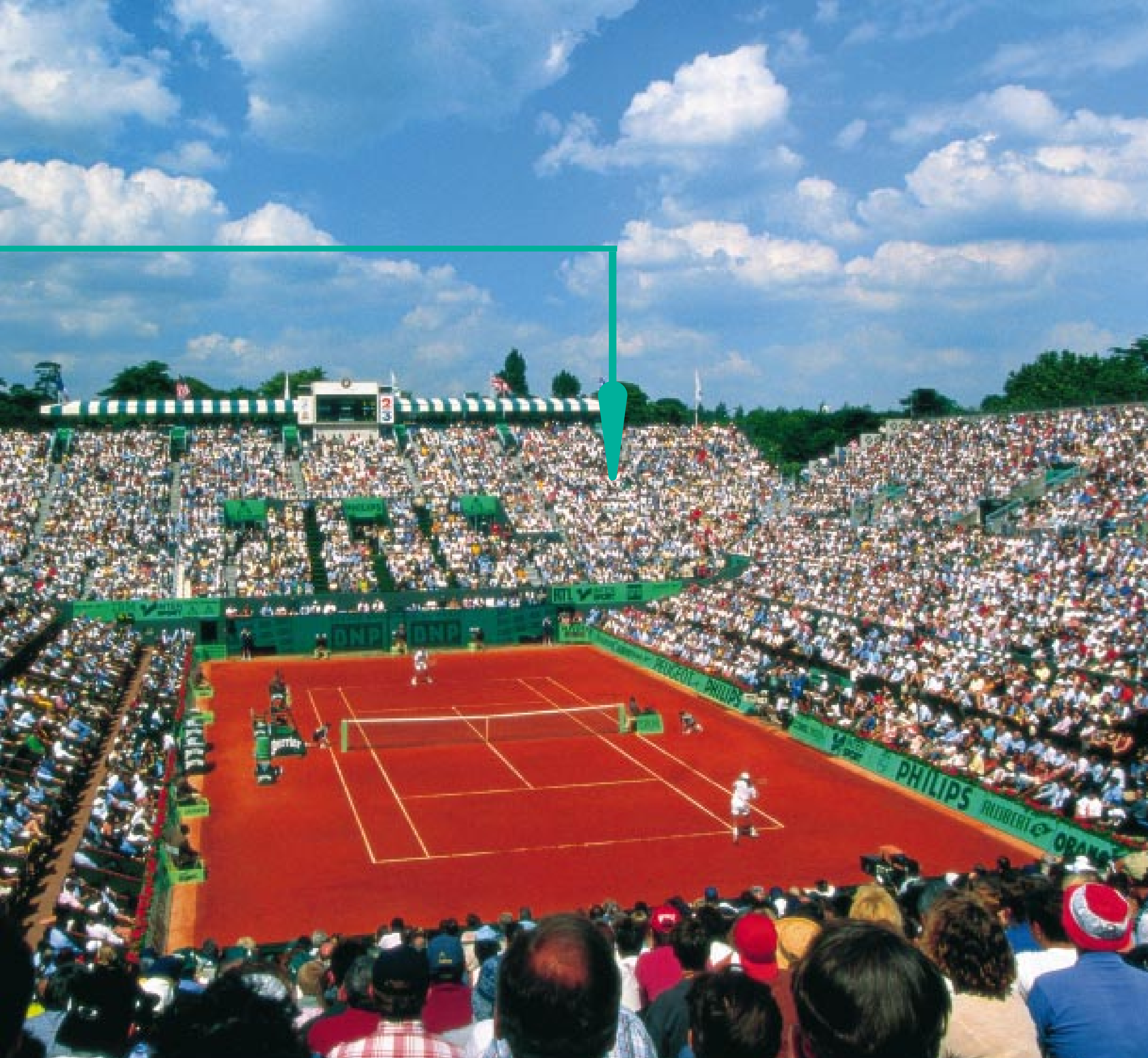
A new titanium tennis ball capitalising on a technology first used in golf balls was launched in September. A titanium-bonded core and a higher quality felt enhance the ball's performance, making it substantially more durable than conventional tennis balls.

In line with Group strategy, the Racquet Division concentrates on the development and introduction of new game improvement products for average players. The Hyper Carbon technology is being further utilised in the premium Hammer racquets. Wilson aims to gain share in markets in which its market shares are not yet satisfactory. The company will also expand its grassroots marketing strategy in markets outside the US.

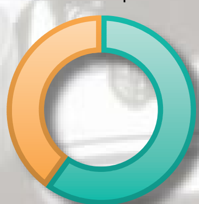
The global tennis equipment market is forecast to remain flat or to decline slightly. Wilson's Racquet Division's net sales are forecast to remain unchanged, while profitability is expected to remain good. Wilson is expected to strengthen its market position in the performance racquet category, fuelled particularly by strong sales of Hyper Carbon racquets.

Key indicators

	1998		1997		Change
million	FIM	EUR	FIM	EUR	
Net sales	1,167	196	1,235	208	-6%
Operating profit	111	18	130	22	-15%

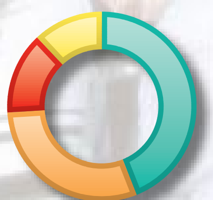


Worldwide market
USD 570 million
(wholesale prices)



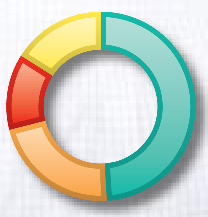
- Tennis racquets 60%
- Balls 40%

Worldwide
market



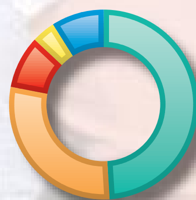
- Europe 44%
- North America 30%
- Japan 14%
- Other 12%

Wilson Racquet Sports
Net sales 1998



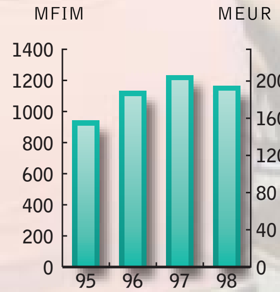
- Tennis racquets 49%
- Balls 22%
- Footwear 13%
- Other 16%

Wilson Racquet Sports
Net sales 1998



- North America 49%
- Europe 29%
- Japan 9%
- Asia Pacific 4%
- Other 9%

Wilson Racquet Sports
Net sales



TEAM SPORTS

The Team Sports Division's net sales remained flat. Its profitability improved and operating profit totalled FIM 24 million (1997: FIM 4 million). Sales of high-margin basketballs and baseball gloves grew and the profitability of the apparel business improved. Wilson strengthened further its strong market position in all product categories in the US.

"When I grow up, I'm gonna go to the university and play in the school team. I think I've seen every game my best friend Earl's big brother ever played in this town. He's really something. I've never seen anybody take off so fast, and he's so good at dodging the other side's defenders. The girls always crowd all around him - although for me that's not such a big thing. We've got a gang of six or seven guys and we play almost every day. I know I have to keep it up, because there's lots of competition out there. But I'm gonna do it. Just watch."

The US basketball, American football and apparel markets continued to grow slowly. The baseball market grew for the second consecutive year, as the sport continued to regain its popularity.

Apparel sales declined as a result of the exit from the unprofitable NFL jersey business. Japanese sales also declined as a consequence of a general market decline. The Team Sports Division's profitability improved compared to the previous year due to higher margins, reduced operating expenses and the reorganisation of the apparel business. The apparel business continued to be unprofitable, however, although losses were reduced significantly compared to 1997.

In its principal market, the US, Wilson further strengthened its traditionally solid position in its key product categories. The company's market share in American football was 73% (68%), in basketball 26% (21%) and in baseball gloves 25% (22%), respectively. In baseballs the market share was 18%, in volley balls 11% and in apparel 6%.

Wilson has been the official ball of the NFL since 1941. As of 1999 Wilson has also been the official football of the NCAA college football association.

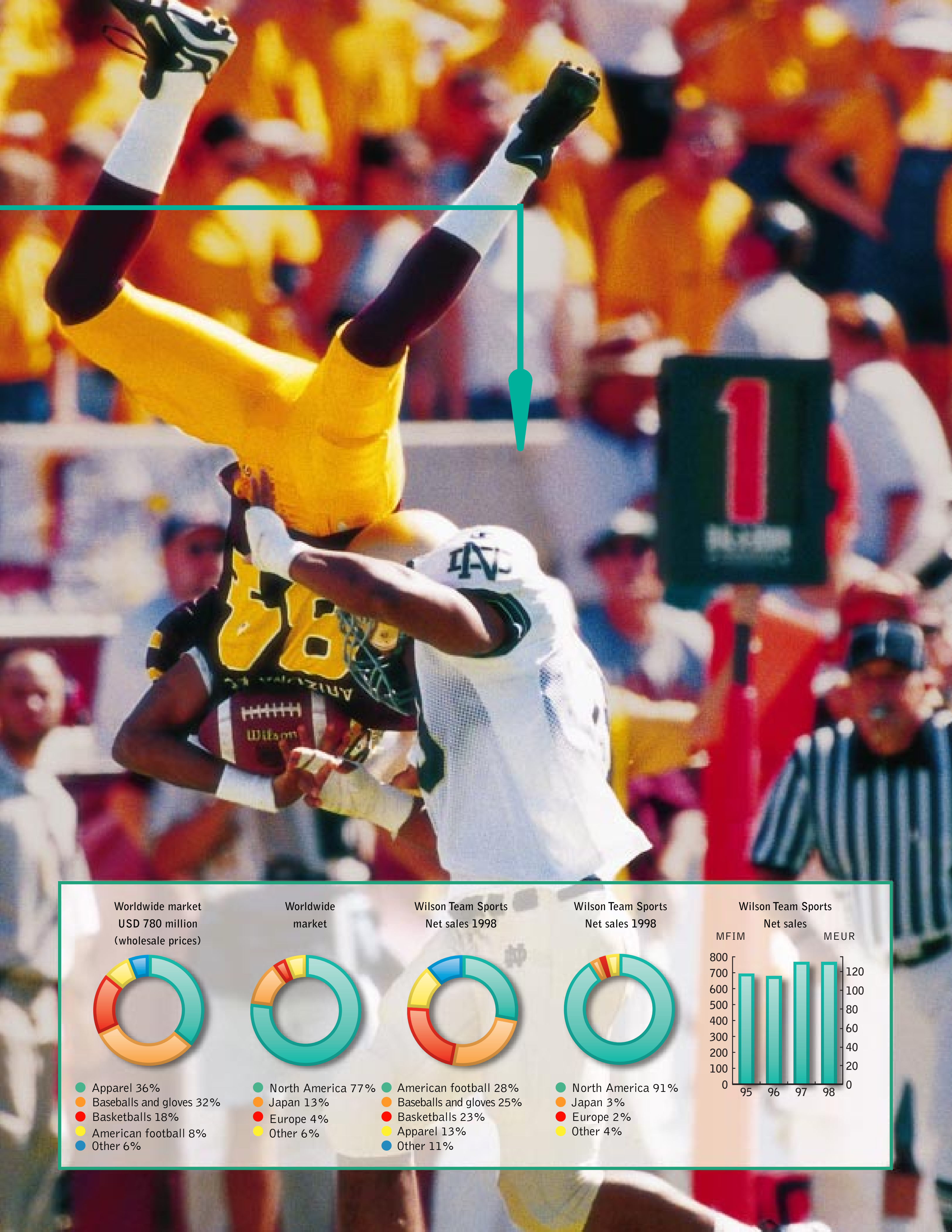
Basketball sales grew by 39%. 1998's new introductions included the Solution, a moisture absorbing basketball, and the Pro Select, a basketball made of composite leather. In addition, Wilson launched several new baseball gloves featuring a larger sweet spot than conventional baseball gloves.

The Team Sports Division focuses on the development and introduction of new game improvement products for average players. As in the other Wilson Divisions, the marketing focus is on a grassroots approach. The growth opportunities for key products lie for basketballs in Europe and for baseball gloves in Japan.

In 1999 team sports equipment sales are expected to continue growing in the US, although the rate of growth is likely to remain modest. The Team Sports Division's net sales are expected to grow slightly and its performance to continue to improve, while the apparel business' objective is to break even. The objective is also to improve profitability through more efficient subcontracting and manufacturing.

Key indicators

	1998		1997		Change
million	FIM	EUR	FIM	EUR	
Net sales	768	129	769	129	-
Operating profit	24	4	4	1	-


Worldwide market
USD 780 million
(wholesale prices)
Apparel 36%
Baseballs and gloves 32%
Basketballs 18%
American football 8%
Other 6%
Worldwide
market
North America 77%
Japan 13%
Europe 4%
Other 6%
Wilson Team Sports
Net sales 1998
American football 28%
Baseballs and gloves 25%
Basketballs 23%
Apparel 13%
Other 11%
Wilson Team Sports
Net sales 1998
North America 91%
Japan 3%
Europe 2%
Other 4%
Wilson Team Sports
Net sales
MFIM
MEUR
800
700
600
500
400
300
200
100
0
120
100
80
60
40
20
0
95
96
97
98

ALPINE & CROSS-COUNTRY SKIING

Sales of Atomic's alpine and cross-country skis and equipment increased substantially, while market shares in alpine skis grew. Profitability improved and the business moved into the black, reporting an operating profit of FIM 12 million, compared to a loss of FIM 38 million last year. Atomic's reorganisation was completed last year.

"You know, I was just talking to a friend of mine and we both agreed that when you've been around as much as we have, there's no thrill in plodding the same old ski resorts in the Alps year after year. Sooner or later you get to the point where you simply must try and do something different, maybe go to the South Pole or something. I've seen pictures from there and it looks quite wild and I'm sure I could do it with these skis. I actually talked to a travel agent and they do arrange trips there. I think I'll call my friend one of these days so we can start planning. Now that would be something to really write home about, don't you think?"

The global alpine ski market remained flat in North America and Europe. In Asia demand continued to decline; in Korea sales have been standing still since late 1997.

Atomic brands' net sales grew by 22%, while profitability improved substantially. Operating profit totalled FIM 12 million, compared with a loss of FIM 38 million in 1997. Following a sharp decline in Oxygen's in-line skate business, Atomic brands' share of the company's net sales reached 75%.

Atomic's alpine skis sold well due to its Beta Technology and a successful range of products. Sales were up 35% and market shares grew significantly in Europe. In alpine skis Atomic and Dynamic together have approximately 13% of the world market. In Europe the market share is estimated at 16%, in the US at 6% and in other countries at 9%. In its home market of Austria, Atomic is clearly the No. 1 brand in alpine skis with 29% of the market.

The alpine ski boot market declined compared to the previous year, mainly due to sluggish demand in Japan and Korea. Sales of Atomic's alpine ski boots also declined and were unprofitable. The new Atomic branded binding, launched last year, was well received and helped double binding sales.

The cross-country ski market declined due to weather conditions and Atomic's sales were flat. In cross-country skis Atomic has a market share of approximately 13% globally, 16% in Europe, 6% in North America and 12% in other markets.

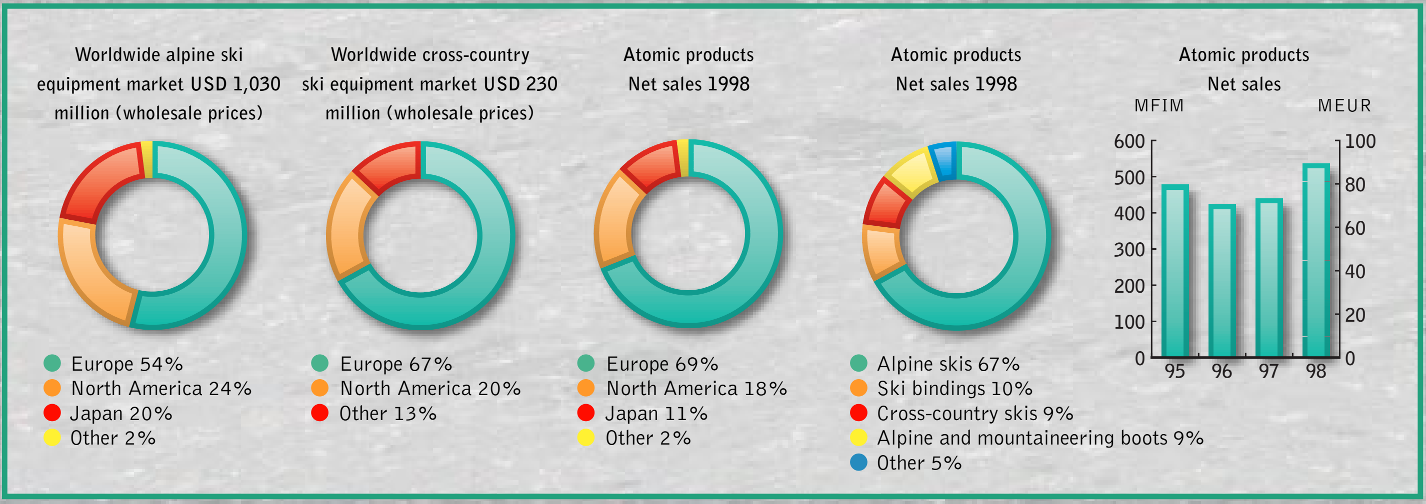
The Köflach factory, which manufactures Atomic alpine ski boots and Koflach mountaineering boots, had a major reorganisation. Streamlining steps were also taken at the Altenmarkt factory, where staff numbers were reduced by 58 in administrative and non-productive areas. Moreover, 103 employees had their fixed employment contracts converted into part-time contracts in a move to boost production flexibility. In France, overlapping activities were cut in Atomic's and Dynamic's operations.

Also Atomic focuses on new game improvement products. In 1999 the company will launch next generation alpine ski models using Beta Technology. New cross-country skis based on this technology will be introduced in February in connection with the Nordic Ski World Championships in Ramsau, Austria. To further strengthen its position in Japan, Atomic extended its co-operation agreement with Japan's Asics for another three years.

Atomic continues to aim at improving the profitability of its alpine and cross-country ski equipment businesses. The company is well placed to boost market share and to become the second biggest alpine ski producer worldwide. Atomic is on its way to becoming the second biggest brand in cross-country skis as well.

Key indicators

	1998		1997		Change
million	FIM	EUR	FIM	EUR	
Net sales	537	90	440	74	22%
Operating profit/loss	12	2	-38	-6	-


Worldwide alpine ski equipment market USD 1,030 million (wholesale prices)
Europe 54%
North America 24%
Japan 20%
Other 2%
Worldwide cross-country ski equipment market USD 230 million (wholesale prices)
Europe 67%
North America 20%
Other 13%
Atomic products Net sales 1998
Europe 69%
North America 18%
Japan 11%
Other 2%
Atomic products Net sales 1998
Alpine skis 67%
Ski bindings 10%
Cross-country skis 9%
Alpine and mountaineering boots 9%
Other 5%
Atomic products Net sales
MFIM
MEUR
600
500
400
300
200
100
0
100
80
60
40
20
0
95
96
97
98

IN-LINE SKATING & SNOWBOARDING

The reorganisation of Oxygen's in-line skate business was completed last year. Sales fell sharply in a declining market. As a result, the company continued to report heavy losses. Operating losses were FIM 83 million (1997: FIM 74 million). Industrial risk has now been eliminated, however, and the benefits of reorganisation will be reflected in 1999's results.

"The thing in snowboarding is not the speed, it's the excitement. When you're perching on top of some mountain and looking straight down, it's almost like you were a skydiver about to jump off the plane. There's that split second just before you take off when you almost get cold feet, but you never let the feeling overcome you. I know I'm far from the extremists who ride right off the top of a cliff at three thousand feet with a parachute, but who knows, that may come later... Right now I'm dreaming of just that certain slope down the Mont Blanc."

Following a rapid decline in 1997, the world in-line skate market continued to be soft last year. Prices continued to decline rapidly, and in-line skates were even sold at prices too low to cover production costs. Increasingly, demand shifted toward the fitness sector, the largest market segment.

Oxygen's in-line skate business was reorganised and adjusted to the prevailing market conditions. The Köflach factory no longer manufactures in-line skates with the exception of a number of hard-boot models. In future, all new in-line skate models will be sourced from sub-contractors in the Far East. Staff numbers were gradually reduced and, as a result, the factory employed some 60 people at the year end.

New product launches included Shockz, a range of models featuring a full-suspension system.

Oxygen has an estimated market share of 6% in Europe, 2% in the US, 2% in other markets and 3% globally, based on numbers of pairs sold. In terms of wholesale prices Oxygen has an estimated market share of 5% globally.

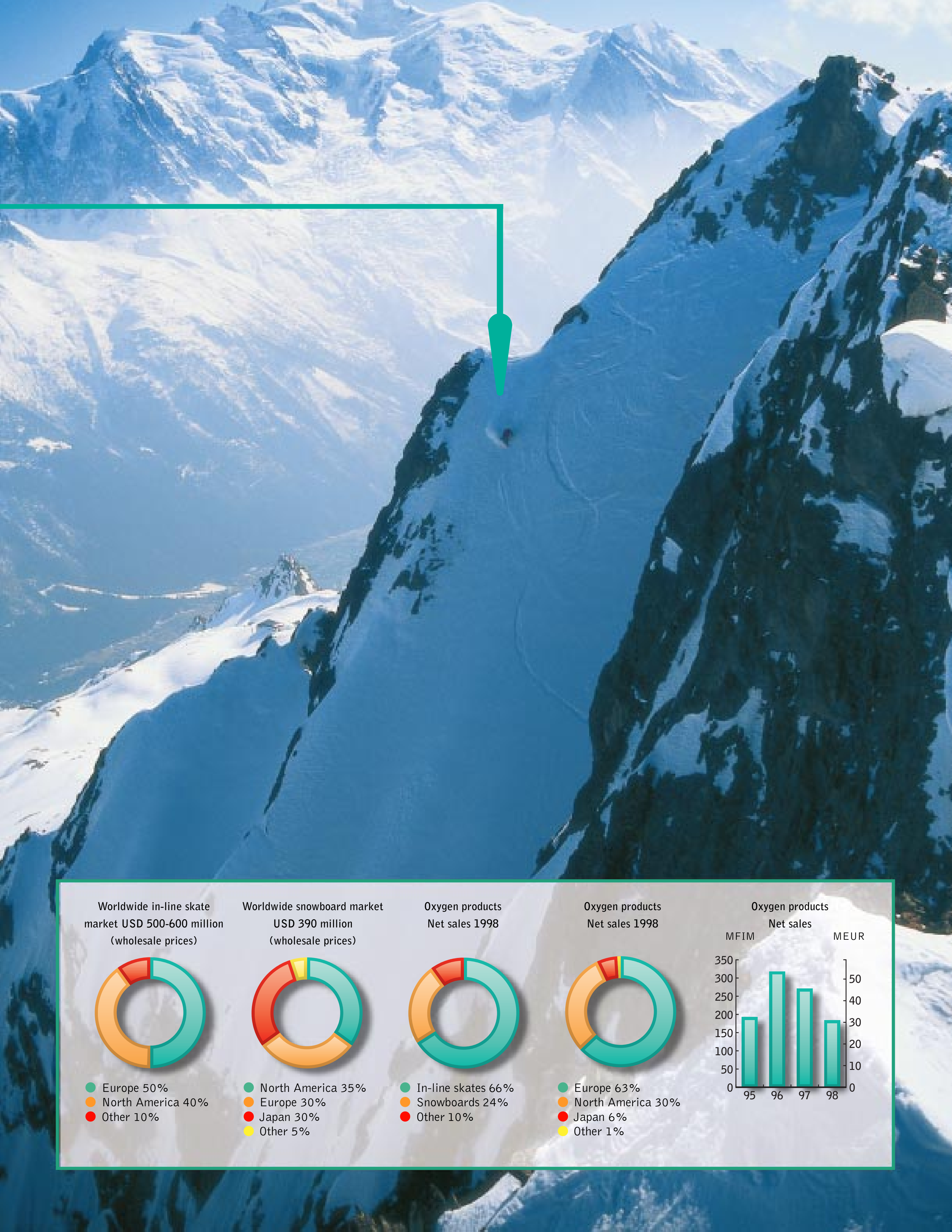
Overall, the snowboard market declined. The industry continues to be affected by significant excess capacity, intensive competition and an abundance of brands. Both brands and the trade continue to consolidate. Sales declined particularly sharply in Japan, a market accounting for approximately one third of the global snowboard market.

Sales of Oxygen snowboards also declined compared to the previous year. Oxygen is estimated to have a world market share of 4% in snowboards, snowboard bindings and boots. In Europe the market share was 10%, in North America 2% and in other markets 1%. In its home market of Austria, Oxygen is the leading brand.

In 1999 an objective is to maintain the Oxygen brand's leading position in snowboards in Austria. Another objective is to expand distribution in the US and Japan, where the company recently signed a distribution agreement for snowboards, snowboarding boots and bindings with the sporting goods distributor Alpen, a chain of some 400 retail outlets. The 1998 reorganisation measures are expected to boost significantly the profitability of the in-line skate business and this business will no longer burden the Group's profitability considerably.

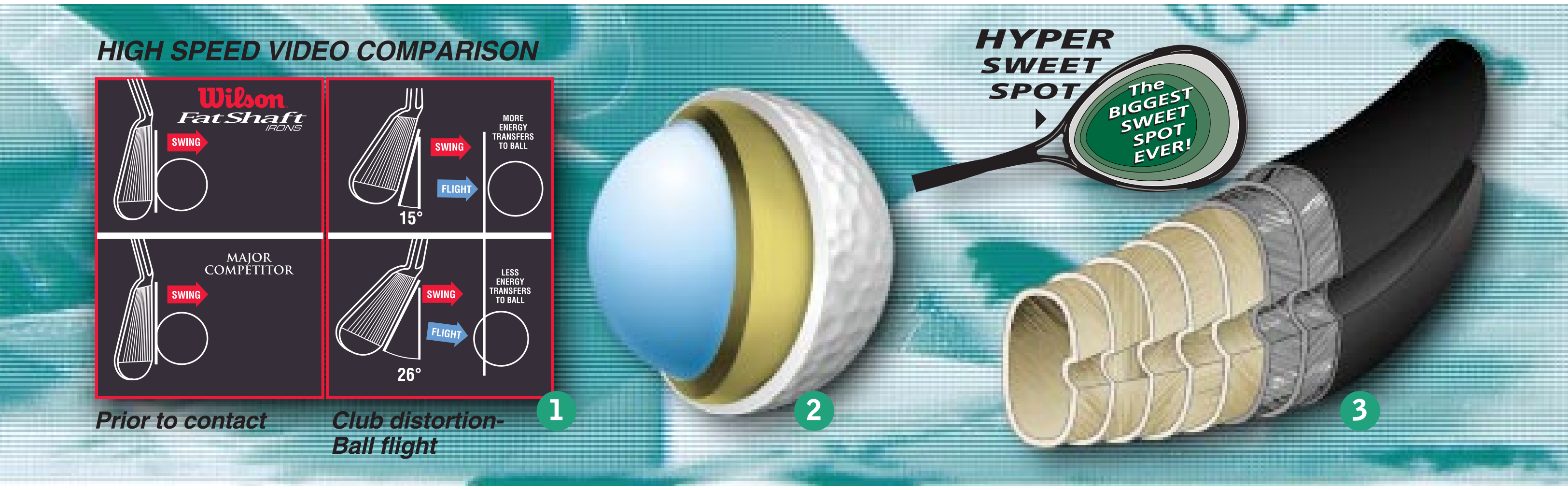
Key indicators

	1998		1997		Change
million	FIM	EUR	FIM	EUR	
Net sales	184	31	271	46	-32%
Operating loss	-83	-14	-74	-13	-


Worldwide in-line skate market USD 500-600 million (wholesale prices)
Europe 50%
North America 40%
Other 10%
Worldwide snowboard market USD 390 million (wholesale prices)
North America 35%
Europe 30%
Japan 30%
Other 5%
Oxygen products Net sales 1998
In-line skates 66%
Snowboards 24%
Other 10%
Oxygen products Net sales 1998
Europe 63%
North America 30%
Japan 6%
Other 1%
Oxygen products Net sales
MFIM
MEUR
350
300
250
200
150
100
50
0
50
40
30
20
10
0
95
96
97
98

GAME IMPROVEMENT PRODUCTS

At the core of Amer's business strategy are game improvement products which improve the performance of average sports participants. In line with Group strategy, both Wilson and Atomic launched a variety of new technologically advanced products last year.



1 Fat Shaft Technology developed by Wilson (patent pending) solves the problem of off-center hits caused by twisting of the club head at impact due to its thicker shaft and larger club head. Fat Shaft Technology provides a significantly larger tip diameter, thus providing more torsional stability than clubs with skinny shafts. The result is greater accuracy and greater distance.

Fat Shaft Technology now extends to a full range of golf clubs including:

- Fat Shaft Cast Oversize Irons
- Fat Shaft Forged RM Tour Irons
- Fat Shaft Ti Super Oversize Drivers
- Fat Shaft Metal Matrix Drivers
- Fat Shaft Railer Fairway Woods
- Fat Shaft Aluminum Bronze Wedges
- Fat Shaft Staff DynaPower Wedges
- Fat Shaft Copper Insert Putters

2 The Wilson Staff Titanium is the first and only golf ball to utilise the unique bonding properties of titanium in the core of the ball. A Wilson-patented process acts to bond all of the materials in the core into a single cohesive unit. The bonding action allows all of the energy from the club to be transferred in the same direction at impact, resulting in maximum distance with breakthrough feel.

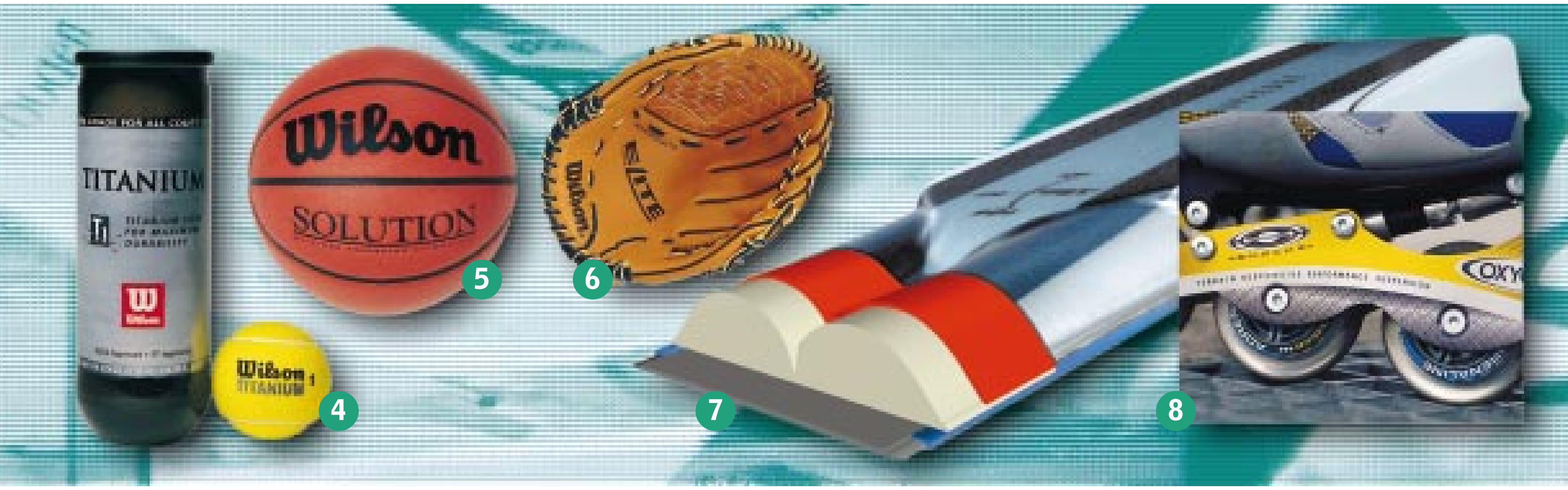
The Staff Titanium golf ball family consists of

- Staff Titanium Straight Distance
- Staff Titanium Soft Spin
- Staff Titanium Double Ti
- Staff Titanium Balata

The Staff Titanium Straight Distance reduces hooks and slices by producing the lowest spin rate off the driver of any distance ball. The ball is ideal for players with a handicap of over 15. It results in 3-4 yards straighter hits than other ordinary distance balls.

The Staff Titanium Spin features a new and improved Soft Magnesium Surlyn surface which generates exceptional spin with soft feel. The titanium core guarantees maximum distance despite the soft surface. The ball is targeted at golfers with a handicap of 10-20.

3 Hyper Carbon™ is the lightest, stiffest and strongest material ever used in tennis racquets. The space-age carbon fibre material is four times stiffer and stronger as well as 65% lighter than today's most popular racquet materials. Combined with Wilson's Hammer and Sledge Hammer technologies, Hyper Carbon is a game improvement racquet with lightning-fast manoeuverability and more power and stability for both top and average players. Among other racquets, the Hyper Carbon family currently includes the Hyper Sledge Hammer 2.0 Stretch, Hyper Hammer 2.3 Stretch, Hyper Hammer 5.3 Stretch as well as the Hyper Pro Staff 5.0 and 5.0 Stretch.



4 The Titanium Tennis Ball's core contains powdered titanium which acts to bind the other core materials into a more cohesive mass. As a result, the pressure inside the ball remains high for up to twice as long and the material softens more slowly, increasing durability. The Dura-Last felt lasts 15% longer than conventional surface materials.

5 Wilson Solution Basketball's features include a new type of composite leather cover material which absorbs moisture for superior gripability and performance. The ball has an aqua-grip laid-in channel design which replaces traditional rubber channels with laid-in moisture absorbing composite leather.

6 Wilson's new big sweet spot for baseball and softball gloves provides the average player with 15% more prime catching area than a standard ball glove. The game improvement gloves include Elite 5 Softball Glove and Staff Classic Baseball Glove line.

7 Atomic's Beta Technology is an innovative ski construction that has something to offer to both professional and recreational skiers. The shape and structure of the titanium Beta profile guarantee excellent stability and edge grip, translating into enjoyable skiing. In addition, the ski grows with the ability of the skier. Ultra-light in weight, the Densolite core provides good manoeuverability in every situation. The power response system between the Beta profile and the Densolite core effectively dampens the impact on the skis.

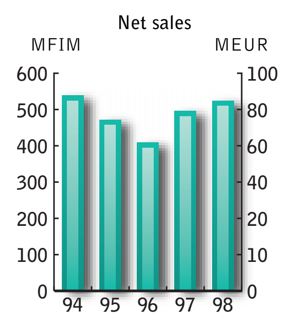
Beta Technology is featured in BetaCarvX 9.18 and BetaRide 10.20 skis as well as in a number of other skis.

8 The Oxygen Shockz Suspension System makes in-line skating on ordinary road and pavement surfaces more comfortable by absorbing frontal and side impact shocks on the wheels. Tests show that the new chassis reduces the skater's energy consumption, enabling the skater to ride longer with less effort. The skater is also able to take tighter turns than are possible with conventional in-line skates without losing speed.

AMER TOBACCO

The only cigarette manufacturer in the country, Amer Tobacco Ltd is the market leader in Finland. The core business is the licensed production of Philip Morris cigarettes, the bulk of which are delivered to the Finnish market and the rest to tax-free trade and the Swedish market.

In addition to production under licence, Amer Tobacco produces a number of cigarette and roll-your-own tobacco brands of its own for both home and export markets. The company also imports Clan pipe tobacco, Schimmelpenninck cigars and Rizla tobacco accessories. In Estonia Amer Tobacco has a subsidiary in charge of product distribution. The Estonian subsidiary also imports Rizla products. The company's products are produced under licence in Russia.



Amer Tobacco continued to strengthen its dominant market position, reporting an all-time high Finnish cigarette market share of 75%. The business and its performance continued to develop positively with operating profit totalling FIM 48 million (1997: FIM 45 million).

Total cigarette deliveries to the Finnish market were 4,804 million, up 2% from 1997. The growth was mainly due to a decline in contraband trade, which is estimated to account for some 20% of total consumption. Cigarette prices were raised by approximately 2% at the beginning of 1998.

The company's net sales grew by 6%. Cigarette sales were up 3% at 3,586 million. Amer Tobacco's share of the Finnish cigarette market was 75% (1997: 74%) and Marlboro, L&M and Belmont continued to be the most popular brands with market shares of 31%, 30% and 13%, respectively. No new cigarette brands were launched; instead, the emphasis was on implementing category and space management programs in conjunction with the trade to improve the product category's profitability.

Capital expenditure was mainly allocated for a new hinge lid packing line to be introduced in early 1999.

The current licensing agreement with Philip Morris is valid until year end 2001.

No major changes are expected to the Finnish market in 1999. The company's market share will strengthen further as a result of the restructuring of the industry. Exports will largely reflect economic conditions in Russia. The Russian market plays only a small role in the company's results, however. Amer Tobacco's total result is expected to remain unchanged.

Social responsibility

A total of FIM 3,025 million in excise and value added tax was paid to the state on Amer´s tobacco products. Taxes accounted for an average of 76.3% of cigarette retail prices.

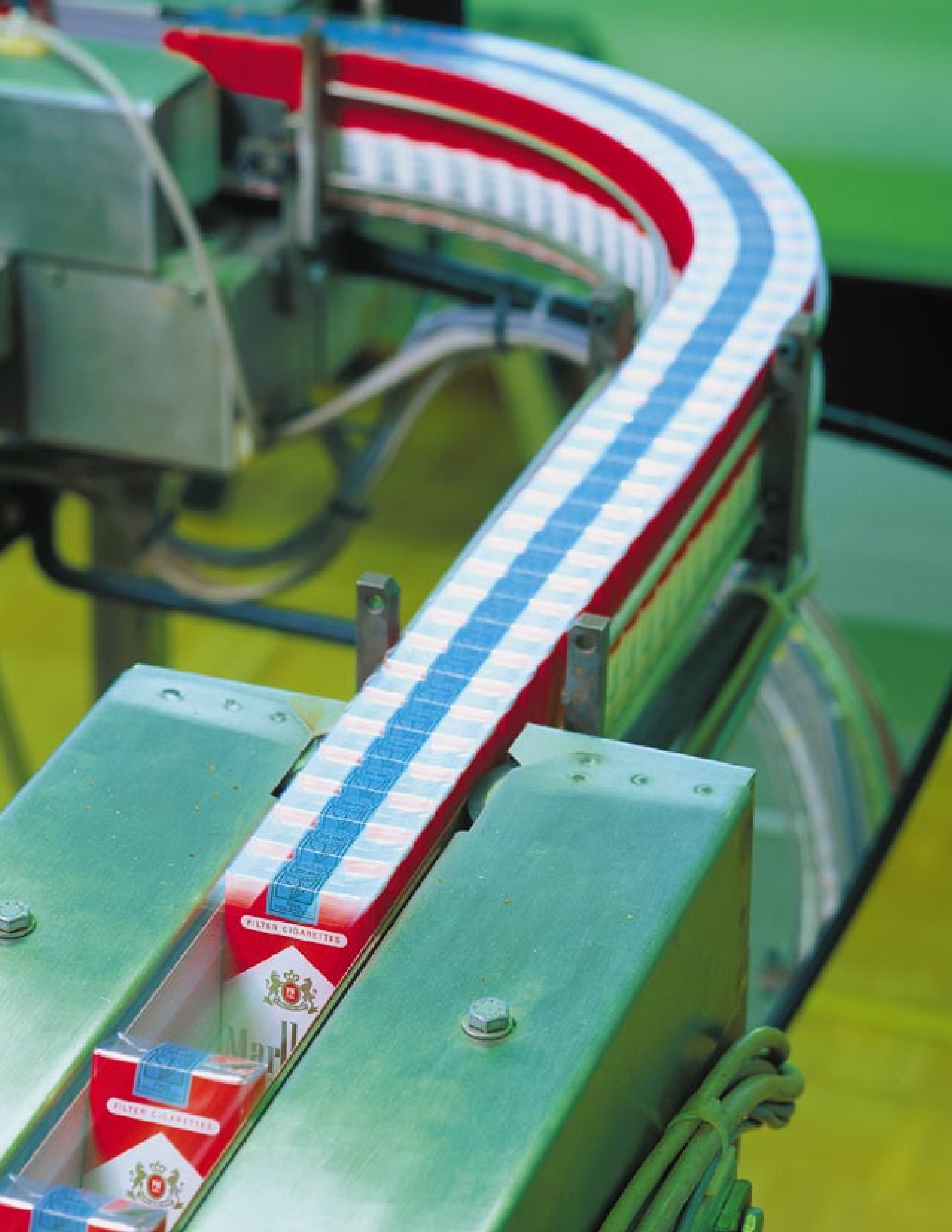
The company again launched a nation-wide campaign, planned in co-operation with the Finnish Food Marketing Association, with the aim of preventing sales of tobacco products to persons under 18 years of age.

In December, the Helsinki Court of Appeals issued a decision in an action for damages regarding tobacco products, which had been under consideration for ten years. Amer Group Plc and Amer Tobacco Ltd are not involved in the case. All claims for damages were dismissed by the Court of Appeals.

Amer Tobacco recognises that there is a substantial body of evidence which supports the judgment that smoking plays a causal role in the development of certain diseases such as lung cancer. A far greater number of smokers than non-smokers develop lung cancer. Since Finnish law provides that educating consumers about the dangers involved with smoking is the duty of the Ministry of Social Affairs and Health, Amer Tobacco will not otherwise participate in the public debate.

Key indicators

	1998		1997		Change
million	FIM	EUR	FIM	EUR	
Gross sales	3,474	584	3,316	558	5%
Excise tax	2,314	389	2,214	372	5%
Net sales	525	88	496	83	6%
Operating profit	48	8	45	8	7%
Overseas sales	55	9	52	9	6%
Capital expenditure	11	2	6	1	83%
Personnel (average)	354		355		-1


FILTER CIGARETTES
FILTER CIGARETTES

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. 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 had no authorisations to issue shares or buy Amer Group shares.

1993 convertible subordinated bonds

During the financial year Amer Group purchased a total of USD 37.85 million worth of the convertible subordinated bonds issued in 1993. The bonds represent 1,702,033 Amer Group A shares, i.e. 7% of the total number of shares currently in issue. According to the terms of the bonds, the repurchased bonds have been cancelled.

A total of USD 35.9 million of the bonds was outstanding at the beginning of the year. The convertible bonds carry an annual coupon of 6.25% and the conversion price of the A shares is FIM 122.85. In determining the conversion price, the USD-denominated bonds are translated into Finnish markka at a fixed rate of FIM 5.5243. According to the terms of the loan, the Company has had the right to prepay the bonds as of 6 July 1998 at their principal amount.

If all the remaining bonds are converted during the period of conversion from 26 July 1993 to 8 June 2003, the number of A shares would increase by 1,614,346 shares and the share capital by FIM 32,286,920. The loan has been listed on the London Stock Exchange. Adjusted for the effect of the warrants on the share capital, the shares which could still be converted from the convertible subordinated bonds represent 5.9% of the share capital and the total number of votes.

1994 issue of bonds with warrants to group management

In 1994 Amer Group issued bonds with warrants totalling FIM 555,000 to Group management. The subscription period of the underlying warrants began on 1 December 1998 and ends on 31 January 2001. The bonds were paid back to the subscribers on 2 May 1998. Following exercise of these warrants, the number of shares in issue may increase by a maximum of 555,000 new A shares, and the share capital by a maximum of FIM 11,100,000. The subscription price is FIM 146. At the end of 1998, the incentive scheme covered 23 individuals.

1998 warrants issued to key personnel

In March 1998 the Annual General Meeting approved a proposal by the Board of Directors to issue warrants to key employees of the Group. The objective is to increase management's commitment to work in the long-term interests of the Company and to increase shareholder value. A total of 850,000 warrants were issued. Of the warrant certificates, 255,000 were marked with the letter A, 255,000 with the letter B and 340,000 with the letter C. The subscription period starts in three stages, on 1 January 2001, 1 January 2002 and 1 January 2003. The subscription period ends on 31 March 2004.

The subscription price was FIM 116 a share. The subscription price was based on the trade volume weighted average price of the shares on the Helsinki Stock Exchange from 11 March to 17 March 1998 with an addition of 10 percent, rounded upwards to the nearest full Finnish markka. From the share subscription price shall be deducted the amount of dividend distributed after 18 March 1998 but before the date of subscription.

As a result of subscription of the warrants issued in 1998, the Company's share capital may increase by up to 850,000 new shares, i.e. by a maximum of FIM 17 million. A total of 80 persons were involved in the management incentive scheme. Subscription took place during the summer of 1998.

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 5.1% of the share capital and the total number of votes. The total number of the 1994 and 1998 warrants subscribed for by the President represented 1.0% of the shares and votes.

Share prices

During 1998, the Helsinki Stock Exchange's HEX index increased by 69%, whilst the London Stock Exchange's Financial Times 100 index rose by 8%.

In Helsinki, Amer Group A shares ended 1998 at a price of FIM 52.70, representing a decline of 50% during the calendar year. The Helsinki 1998 share price high/low was FIM 120/FIM 47. The average share price was FIM 92.45.

On the London Stock Exchange Automated Quotation System (SEAQ), Amer Group's shares ended 1998 at GBP 6.28. The London share price high/low was GBP 13.28/GBP 5.50.

In the United States, the Company has established an American Depositary Receipt (ADR) facility with the Bank of New York, in which two depositary receipts equal one Amer share. During 1998, the highest price paid for a depositary receipt was USD 10.91 and the lowest USD 4.77.

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. On London's SEAQ International the Group's shares have been quoted since 1990. The ISIN code under the international system of numbering listed shares is FI0009000285 and the RIC code AMER.HE.

During 1998, 18,838,982 Amer Group A shares valued at FIM 1,741.6 million were traded on the Helsinki Stock Exchange. On the London Stock Exchange the trading volume was 14,367,233 shares. The trading volume in Helsinki represented 77% and London 59%, respectively (overall 136%), of the total number of shares in issue. The number of ADRs in issue was 1,118,802 at the year end.

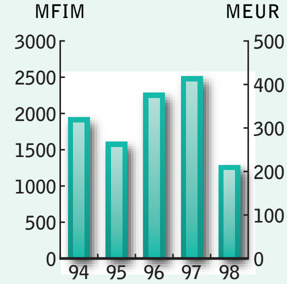
Shareholders

The Company had 13,051 registered shareholders at the year end. Nominee registrations represented approximately 48% of the total shares in issue at the end of 1998 (1997: 60%).

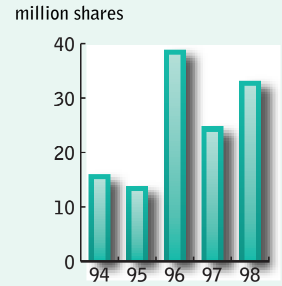
The following firms are amongst those brokers who have published forecasts and research on Amer Group during the year 1998:

- AG Private Bankers Ltd, Helsinki
- Alfred Berg Finland Oy Ab, Helsinki
- Aros Securities Oy, Helsinki
- D. Carnegie Ab Finland Branch, Helsinki
- Cheuvreux de Virieu, London
- Conventum Securities Limited, Helsinki
- Dresdner Kleinwort Benson Securities Ltd, London
- Enskilda Securities, Helsinki
- Evli Fixed Income Securities Ltd, Helsinki
- Mandatum Stockbrokers Ltd, Helsinki
- Merita Securities Ltd, Helsinki
- Merrill Lynch, London
- Opstock Securities, Helsinki
- Svenska Handelsbanken AB (Publ.), Branch Operation in Finland, Helsinki
- Swedbank Markets, Stockholm

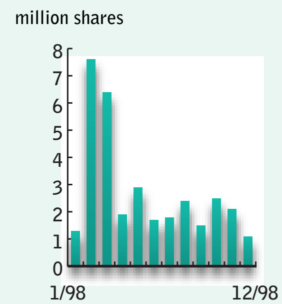
Market capitalisation



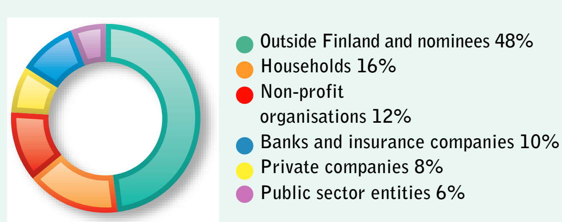
Trading of shares series A



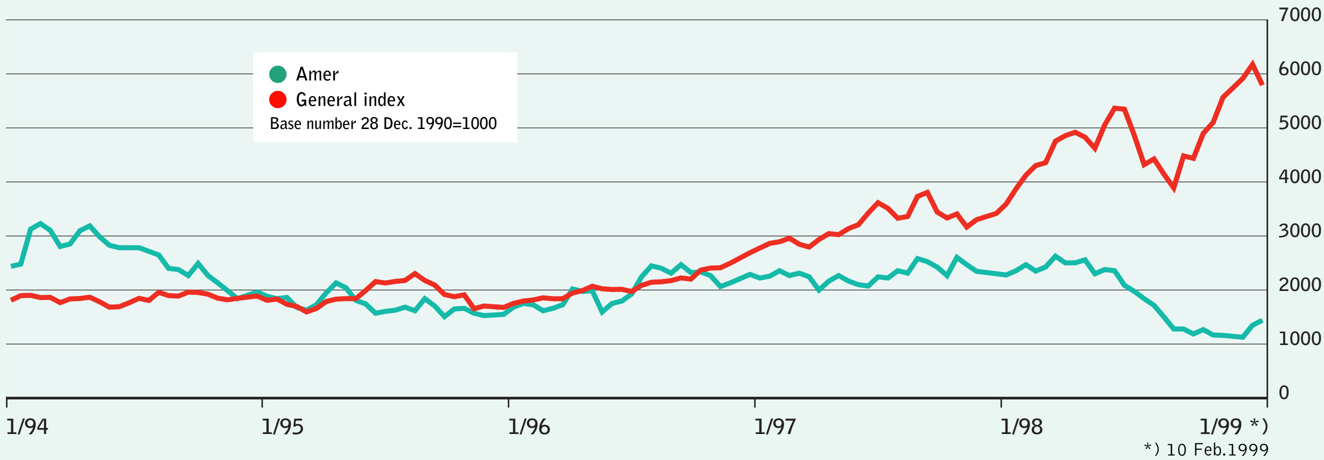
Trading of shares series A



Shareholding in Amer Group Plc 31 Dec. 1998



TRENDS OF SHARE PRICES SERIES A Helsinki HEX index



Number of shares per shareholder	Shareholders	Percentage of shareholders	Shares	% of shares
1-100	5,948	45.6	294,661	1.2
101-1,000	6,328	48.5	2,034,325	8.3
1,001-10,000	695	5.3	1,791,790	7.4
10,001-100,000	56	0.4	2,124,085	8.7
over 100,000	15	0.1	6,486,450	26.7
Nominee registrations	9	0.1	11,595,584	47.7
Total	13,051	100.0	24,326,895	100.0

Major Shareholders on 31 December 1998

	A shares	% of shares and votes
Merita Delta Ltd	1,256,000	5.2
Finnish Association of Graduates in Economics and Business Administration SEFE	772,816	3.2
Land and Water Technology Foundation	754,339	3.1
Finnish Association of Graduate Engineers TEK	730,000	3.0
Tukinvest Oy	569,000	2.3
Ilmarinen Mutual Pension Insurance Company	561,100	2.3
Paavo Korpivaara	310,250	1.3
LEL Employment Pension Fund	307,400	1.3
Esa Rannila	264,600	1.1
Mutual Insurance Company Pension-Fennia	233,150	1.0
Pension-Varma Mutual Insurance Company	233,150	1.0
Oy Selective Investor Ab	200,000	0.8
Student Union of the Helsinki School of Economics and Business Administration KY	149,372	0.6
Sampo Life Insurance Company Ltd	136,000	0.6
Merita Optima (unit trust)	120,000	0.5
Partita Ltd	100,000	0.4
Arctos Capital Oyj	100,000	0.4
Merita Nordia (unit trust)	100,000	0.4
Amer Cultural Foundation	99,257	0.4
Kaleva Mutual Insurance Company	93,000	0.4
Nominee registrations	11,595,584	47.7

Share Capital and per Share Data

FIM million	1998	1997	1996	1995	1994
Share capital	492	492	475	475	475
K shares	-	-	40	40	40
A shares	486	486	435	435	435
Other share capital	6	6	-	-	-
Market capitalisation	1,291	2,516	2,288	1,612	1,947
Number of shares in issue, million	24	24	24	24	24
K shares	-	-	2	2	2
A shares	24	24	22	22	22
Adjusted number of shares in issue, million	24.3	24.3	23.7	23.7	23.7
Adjusted average number of shares in issue, million	24.3	23.9	23.7	23.7	22.2
Share issues					
New issue	-	-	-	-	96
Premium on share issue	-	-	-	-	385
Targeted share issue	-	51	-	-	-
Decrease of share capital	-	34	-	-	-
Total dividends	24 [1)]	-	-	71	71
Dividend per share, FIM	1.00 [1)]	-	-	3.00	3.00
Avoir fiscal tax allowance per share, FIM	0.39	-	-	1.00	1.00
Adjusted dividend per share, FIM	1.00 [1)]	-	-	3.00	3.00
Adjusted earnings per share, FIM	0.68	-3.03	-7.39	3.13	9.90
Dividend % of earnings	148	-	-	96	32
Dividend margin	0.68	-	-	1.0	3.3
Effective yield, %	1.9	-	-	4.4	3.7
P/E ratio	78.5	-34.5	-12.8	21.7	8.3
Share value, FIM					
Nominal value	20.00	20.00	20.00	20.00	20.00
Shareholders' equity per share, adjusted	82.64	84.26	89.20	105.83	120.10
Share price at closing date	52.70	104.50	95.00	67.90	82.00
Adjusted share price	52.70	104.50	95.00	67.90	82.00
Trading volume					
A shares	3,176	2,557	3,626	1,100	2,011
1,000s	33,206	24,827	38,923	13,921	16,041
%	136	102	179	64	80
Number of shareholders	13,051	13,109	14,827	17,968	19,329
EUR million					
Total dividends	4 [1)]	-	-	12	12
Dividend per share, EUR	0.17 [1)]	-	-	0.50	0.50
Avoir fiscal tax allowance per share, EUR	0.07	-	-	0.17	0.17
Adjusted dividend per share, EUR	0.17 [1)]	-	-	0.50	0.50
Adjusted earnings per share, EUR	0.11	-0.51	-1.24	0.53	1.67
Share value, EUR					
Nominal value	3.36	3.36	3.36	3.36	3.36
Shareholders' equity per share, adjusted	13.90	14.17	15.00	17.80	20.20
Share price at closing date	8.86	17.58	15.98	11.42	13.79
Adjusted share price	8.86	17.58	15.98	11.42	13.79
Trading volume					
A shares	534	430	610	185	338

1) Proposal of the Board of Directors for 1998.

Calculation of key indicators, see page 48

Five Year Summary (FIM)

	1998		1997	1996	1995	1994
FIM million		change %				
Gross sales	7,673	-2	7,814	7,777	9,456	10,195
Excise tax	2,314	5	2,212	1,890	2,081	2,042
Sales taxes	827	4	798	805	1,106	1,100
Net sales	4,432	-6	4,694	4,958	6,166	6,931
Overseas sales	3,925	-7	4,209	4,055	3,952	4,596
Depreciation	175	-15	206	253	238	256
Research and development costs	66	-13	76	71	74	41
% of net sales	1		2	1	1	1
Operating profit	133	73	77	-120	263	430
% of net sales	3		2	-	4	6
Net financing expenses	-101	22	-130	-114	-123	-159
% of net sales	2		3	2	2	2
Result before extraordinary items	32	-	-53	-234	140	271
% of net sales	1		-	-	2	4
Result before taxes	16	-30	23	-384	67	236
% of net sales	-		-	-	1	3
Taxes	17	-37	27	-61	67	52
Capital expenditure	77	-39	126	297	318	725
% of net sales	2		3	6	5	10
Divestments	64	-80	323	332	737	268
Fixed assets	2,055	-14	2,400	2,404	2,644	3,779
Inventories and work in progress	788	-16	937	1,006	1,063	1,381
Financial assets	1,407	-11	1,587	1,609	1,831	2,062
Shareholders' equity and minority interest	2,070	-2	2,111	2,185	2,578	2,923
Interest-bearing liabilities	1,081	-30	1,549	1,603	1,425	2,471
Interest-free liabilities	1,099	-13	1,264	1,231	1,535	1,828
Balance sheet total	4,250	-14	4,924	5,019	5,538	7,222
Return on investment (ROI), %	5.1		2.8	-2.5	6.6	8.5
Return on shareholders' equity (ROE), %	0.7		-3.7	-7.2	2.6	8.4
Equity ratio, %	49		43	44	47	40
Debt to equity ratio (equity includes reserves)	0.5		0.7	0.7	0.6	0.8
Gearing, %	38		58	60	51	80
Average personnel	3,990	-12	4,536	5,115	5,748	5,360
Average personnel outside Finland	3,587	-13	4,115	4,571	4,668	3,923

Five Year Summary (EUR)

	1998		1997	1996	1995	1994
EUR million		change %				
Gross sales	1,290	-2	1,314	1,308	1,590	1,715
Excise tax	389	5	372	318	350	343
Sales taxes	139	4	134	135	186	185
Net sales	745	-6	789	834	1,037	1,166
Overseas sales	660	-7	707	682	665	773
Depreciation	29	-15	35	43	40	43
Research and development costs	11	-13	13	12	12	7
% of net sales	1		2	1	1	1
Operating profit	23	73	13	-20	44	72
% of net sales	3		2	-	4	6
Net financing expenses	-17	22	-22	-19	-20	-26
% of net sales	2		3	2	2	2
Result before extraordinary items	6	-	-9	-39	24	46
% of net sales	1		-	-	2	4
Result before taxes	3	-30	4	-65	11	40
% of net sales	-		-	-	1	3
Taxes	3	-37	5	-10	11	9
Capital expenditure	13	-39	21	50	53	122
% of net sales	2		3	6	5	10
Divestments	11	-80	54	56	124	45
Fixed assets	346	-14	404	404	445	636
Inventories and work in progress	132	-16	157	169	179	232
Financial assets	237	-11	267	271	308	347
Shareholders' equity and minority interest	348	-2	355	367	434	492
Interest-bearing liabilities	182	-30	260	270	240	416
Interest-free liabilities	185	-13	213	207	258	307
Balance sheet total	715	-14	828	844	932	1,215
Return on investment (ROI), %	5.1		2.8	-2.5	6.6	8.5
Return on shareholders' equity (ROE), %	0.7		-3.7	-7.2	2.6	8.4
Equity ratio, %	49		43	44	47	40
Debt to equity ratio						
(equity includes reserves)	0.5		0.7	0.7	0.6	0.8
Gearing, %	38		58	60	51	80
Average personnel	3,990	-12	4,536	5,115	5,748	5,360
Average personnel outside Finland	3,587	-13	4,115	4,571	4,668	3,923

Report of the Board of Directors

Amer Group's performance improved according to plan in 1998. Operating profit was up 73% at FIM 133 million (1997: FIM 77 million). Adjusted for discontinued operations, comparable operating profit in 1997 was FIM 18 million. Profit before extraordinary items totalled FIM 32 million (1997: a loss of FIM 53 million). This improvement was mainly attributable to better performances by Wilson's Golf and Team Sports Divisions as well as the improved profitability of Atomic's alpine and cross-country ski business. Wilson gained market share in its key product categories. All divisions are now in the black.

Atomic's reorganisation was completed last year. The alpine and cross-country ski businesses boosted performance considerably, moving into the black. On the other hand, Oxygen continued to report heavy losses, as the reorganisation measures taken will mainly be reflected in 1999.

Amer Tobacco's Finnish cigarette market share reached an all-time high of 75%.

Net sales and results

The Group's net sales totalled FIM 4,432 million (1997: FIM 4,694 million). The 6% decline is attributable to the divestment of Time/system in late 1997. Comparable net sales remained virtually unchanged.

Geographically, 52% of net sales were generated in North America, 12% in Finland, 24% in other European countries and 12% in the rest of the world.

The Group's operating profit amounted to FIM 133 million, up 73% compared to previous year. Adjusted for divested businesses, comparable operating profit in 1997 was FIM 18 million. Profit before extraordinary items amounted to FIM 32 million (1997: a loss of FIM 53 million).

Net financing expenses were down 22% at FIM 101 million, representing 2% of net sales. Net financing expenses include extraordinary interest income of FIM 8 million and a gain of FIM 13 million resulting from the convertible subordinated bonds buy backs. In addition, net financing expenses include currency losses of FIM 1 million (1997: losses of FIM 17 million).

Taxes for the 1998 financial year totalled FIM 17 million.

The results were affected by extraordinary items of FIM 16 million, relating to expenses incurred by divested businesses.

Return on capital employed was 5.1% (1997: 2.8%). Return on equity was 0.7%, compared to a negative 3.7% last year.

Adjusted earnings per share were FIM 0.70 (1997: negative FIM 3.00).

Divisional highlights

Wilson's net sales remained almost unchanged at FIM 3,186 million. Sales grew in Europe, Canada and Latin America, but declined by 2% in the US, 15% in Japan and 43% in Asia Pacific. The decline in the company's US sales was partially due to the exit from the unprofitable NFL jersey business.

The Golf Division's net sales were similar to last year, while profitability clearly improved. Operating profit amounted to FIM 52 million, compared to a loss of FIM 8 million in 1997. Strong Fat Shaft iron sales in the US, Canada and Europe boosted Wilson's premium iron sales by 42%. Commercial club sales, while brisk in the US in early 1998, slowed down towards the end of the year, declining slightly compared to 1997. Golf ball sales fell slightly in line with the overall market.

The Racquet Division's net sales declined by 6%. Profitability also declined, although remaining at a good level. Operating profit amounted to FIM 111 million, down 15% from the previous year. Wilson

Amer Group's Board of Directors (pictured from left to right): Antti Lehtinen, Timo Maasilta, Roger Talermo, Tauno Huhtala, Vice Chairman, and Pekka Kainulainen, Chairman.

gained market share in its biggest market, Europe, but lost market share in the US, where competition was especially intense.

In the US, Wilson lost market share in the performance racquet category, but continued to be the market leader nevertheless. Globally Wilson continues to be the No. 1 brand in tennis equipment.

The Team Sports Division's net sales were flat to 1997. The division improved its performance, reporting an operating profit of FIM 24 million (1997: FIM 4 million). Wilson further strengthened its solid market position in the US.

Atomic's net sales increased slightly by 1% to FIM 721 million. The Atomic brands' net sales increased, while profitability improved significantly. Operating profit totalled FIM 12 million, compared to a loss of FIM 38 million in 1997. Alpine skis were a success with higher market shares and sales up by 35%. However, the company's cross-country ski sales were flat.

The Oxygen brands' net sales declined by 32% following a sharp decline in the sales of in-line skates mainly in the US. Oxygen's in-line skate business was reorganised during the financial year. Production in Austria was discontinued in order to eliminate industrial risk and, in the future, all new models are being sourced from sub-contractors in the Far East. Snowboard sales also declined. Reflecting the decline in sales and the reorganisation measures, Oxygen products continued to be heavily in the red reporting an operating loss of FIM 83 million (1997: losses of 74 million).

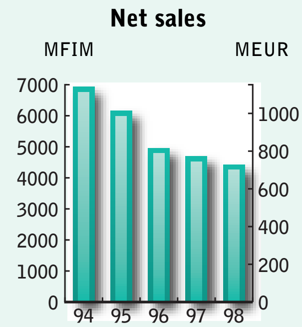
Amer Tobacco's net sales rose 6% to FIM 525 million. Operating profit amounted to FIM 48 million (1997: FIM 45 million). Cigarette deliveries grew by 3% and the company's Finnish cigarette market share reached an all-time high of 75%. A total of FIM 2,314 million was paid in excise tax. The current licensing agreement with Philip Morris is valid until the end of 2001.

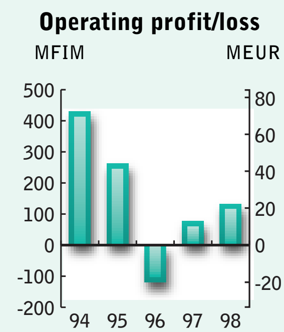
Changes in corporate structure

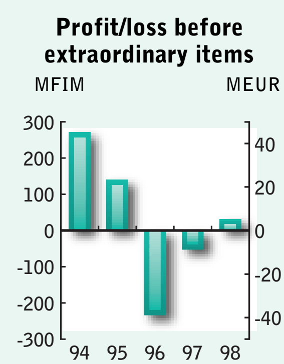
In August Moottorialan Luotto Oy, Autotalo Autoprint Oy Koivuhaka, Porkkalan Auto Oy and Merinas Oy were merged into Amer Group Plc. A 25% holding in Amerpap Oy was sold in December.

Capital expenditure

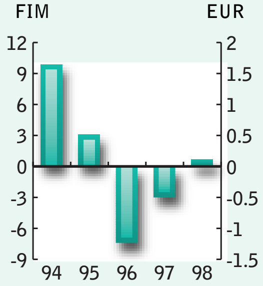
The Group's gross capital expenditure totalled FIM 77 million, representing 2% of net sales.



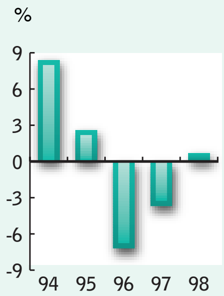




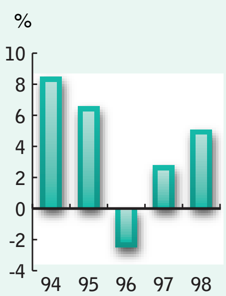
Adjusted earnings per share



Return on shareholders´ equity



Return on investment



Wilson's gross capital expenditure amounted to FIM 41 million (1997: FIM 61 million), which was mainly accounted for by investments in production automation systems in the company's golf ball factory in Humboldt, Tennessee as well as in information systems. Atomic's gross capital expenditure of FIM 24 million was accounted for by new moulds and other production equipment. Relating mainly to production equipment, Amer Tobacco's capital expenditure amounted to FIM 11 million.

Fixed asset disposals and income from shares sold totalled FIM 64 million.

Research and development

Of the FIM 66 million R&D expenditure, representing 1.5% of the Group's net sales, FIM 46 million related to Wilson and FIM 20 million to Atomic. Amer Tobacco's R&D expenditure totalled FIM 0.2 million.

Finance

A new bond issue was launched on the Finnish bond market in June. A total of FIM 222 million nominal was subscribed. Scheduled to mature on 15 September 2001, the bonds carry a 5% annual coupon. The bonds were offered for public subscription between 10 June and 17 June 1998. The issue date was 23 June 1998. The bonds issued have been entered into a book-entry system.

During the financial year Amer Group purchased a total of USD 37.85 million nominal of the 1993 convertible subordinated bonds, representing 1,702,033 A shares, i.e. 7% of the total number of shares in issue. The repurchased bonds have been cancelled. The amount of the loan outstanding was USD 35.9 million at the end of the year.

Equity ratio stood at 49% (1997: 43%) at the year end. Gearing was 38% (1997: 58%). The Group's year-end net debt declined to FIM 0.8 billion (1997: FIM 1.2bn). The Group's liquidity remained good, with liquid assets totalling FIM 300 million at the 1998 year end.

Personnel

The number of Amer Group employees declined by 501 to 3,595. The average number of employees was 3,990 (1997: 4,536). At the year end Wilson had a total of 2,621 employees (1997: 2,758). Atomic's staff numbers declined by 360 to 578 at the year end. The parent company had 45 employees at the year end (1997: 48), the average for the year being 47 (1997: 49).

The number of staff employed totalled 1,941 in the US, 525 in Austria, 393 in Finland and 736 in the rest of the world.

Share price

The Company had 13,051 registered shareholders at the end of the financial year. Nominees accounted for 48% of the total shares in issue (1997: 60%).

As with other sporting goods companies, Amer Group's share price performed disappointingly in 1998. The share price declined by 50%. Trading was heavy, however, with the turnover of A shares totalling 136% of those in issue. A total of 19 million shares were traded on the Helsinki Stock Exchange and 14 million shares on the London Stock Exchange, representing 77% and 59% of the A shares in issue, respectively. The share price was at its lowest in December and at its highest in April. In Helsinki, the share price high was FIM 120 and the low FIM 47, averaging FIM 92.45. In London, the prices were GBP 13.28, 5.50 and 11.09, respectively.

The Company's market capitalisation stood at FIM 1,291 million at the year end.

The Board of Directors had no outstanding authorisations to issue shares or to purchase the Company's shares at the year end.

Decisions by authorities

In May the Helsinki District Court sentenced members of Amer Group's 1996 Board of Directors to pay twenty day fines in relation to a Securities Markets offence. The court's decision was given with regard to Amer Group's financial reporting in early 1996. Fines were imposed on current Board members Pekka Kainulainen, Tauno Huhtala and Timo Maasilta as well as former Board members Olle Koskinen, Timo Peltola and Raimo Taivalkoski. Dissatisfied with the decision, those concerned appealed. The case is pending.

In January 1999 the Helsinki District Court issued a decision dismissing the action brought against Amer Group by two small shareholders Eternelli Oy and Ari Neuvonen based on the arbitration clause included in the Company's Articles of Association. The plaintiff was ordered to reimburse the Company's legal expenses. The plaintiff demanded that the Company be placed in liquidation, arguing that shareholders' majority had misused its position when approving the redemption of the Company's shares and the share class conversion in July 1997. The plaintiff has registered its intent to appeal.

Preparation for the Euro and Year 2000

As of 1 January 1999 Amer Group's domestic currency is the Euro. Amer's interim results and its results for the 1999 financial year will be reported in Euros.

In business operations the introduction of the Euro will reflect customer needs. A significant number of the European customers wish to continue settling their invoices in local currencies, and the shift to the Euro is therefore expected to take place only gradually.

Group Treasury adopted the Euro at the beginning of 1999. Subsidiaries in the EMU countries will introduce the Euro as their accounting currency during 1999-2001.

Wilson and Atomic's European units recently started using a SAP system which is Euro compatible. As a consequence, the Euro is not expected to create any significant additional costs aside from normal systems development.

Plans for preparing management information systems for Year 2000 have proceeded as planned. In the US, most of the system changes needed have been made and full readiness will be achieved during summer 1999. Wilson and Atomic's European subsidiaries are using a SAP system which is already fully Year 2000 compliant. The sales companies in Canada, Japan, Asia Pacific and Latin America are also using information systems compatible with Year 2000. At Amer Tobacco Ltd, most of the changes needed have been made and testing will follow during the spring of 1999.

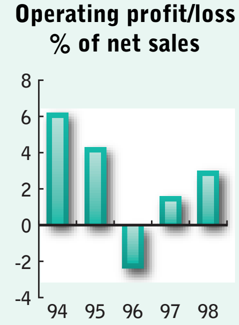
Production machinery and other equipment will be reviewed according to plan.

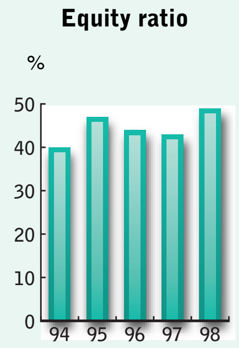
Key suppliers' preparedness for Year 2000 is also being assessed.

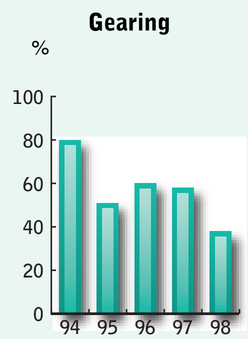
Year 2000 compliance is not resulting in any significant additional systems development costs.

1999 prospects

Sporting goods sales are not expected to grow in any of the Group's major markets. The Japanese and Southeast Asian markets are expected to remain soft. In the US, demand for sporting goods is slowing down and golf equipment sales, which started to decline in late 1998, are likely to continue declining in the current year. In Europe, sporting goods sales are forecast to remain stable or to decline slightly. The current economic difficulties







Net Sales and Gross Sales

	1998		Share	1997		Change
	FIM million	EUR million	%	FIM million	EUR million	
Golf	1,251	211	28	1,225	206	2%
Racquet Sports	1,167	196	27	1,235	208	-6%
Team Sports	768	129	17	769	129	-
Wilson, total	3,186	536	72	3,229	543	-1%
Atomic products	537	90	12	440	74	22%
Oxygen products	184	31	4	271	46	-32%
Atomic, total	721	121	16	711	120	1%
Sporting Goods	3,907	657	88	3,940	663	-1%
Tobacco	525	88	12	496	83	6%
	4,432	745		4,436	746	-
Discontinued Operations	-	-		258	43	
Net sales, total	4,432	745	100	4,694	789	-6%
Excise tax	2,314	389		2,212	372	5%
Sales taxes	827	139		798	134	4%
Gross sales, total	7,673	1,290		7,814	1,314	-2%

Geographic Breakdown of Net Sales

	1998		Share	1997		Change
	FIM million	EUR million	%	FIM million	EUR million	
North America	2,297	386	52	2,343	394	-2%
Finland	507	85	12	485	82	5%
Rest of Europe	1,058	178	24	1,154	194	-8%
Japan	280	47	6	325	55	-14%
Asia Pacific	107	18	2	196	33	-45%
Other	183	31	4	191	31	-4%
Group, total	4,432	745	100	4,694	789	-6%

Operating Profit/Loss by Division

	1998		1997	
	FIM million	EUR million	FIM million	EUR million
Golf	52	9	-8	-2
Racquet Sports	111	18	130	22
Team Sports	24	4	4	1
Wilson, total	187	31	126	21
Atomic products	12	2	-38	-6
Oxygen products	-83	-14	-74	-13
Atomic, total	-71	-12	-112	-19
Sporting Goods	116	19	14	2
Tobacco	48	8	45	8
Corporate Headquarters	-31	-5	-41	-7
	133	22	18	3
Discontinued Operations	-	-	59	10
Group, total	133	22	77	13

Personnel

	Average		At year end	
	1998	1997	1998	1997
Wilson	2,766	2,756	2,621	2,758
Atomic	820	1,049	578	938
Tobacco	354	355	348	348
Corporate Headquarters	50	52	48	52
Group, total	3,990	4,212	3,595	4,096

in Latin America will have little impact on demand for the Company's products.

Regardless of the sluggish market situation we continue to aim at improving our performance and to strengthen our position within the sporting goods market. In golf, the objective is to boost our market share in premium clubs and to maintain our solid position in golf balls. The Racquet Division's objective is to further build its position as the global market leader. The Team Sports Division aims to further improve its profitability. With the help of Atomic skis, we intend to clearly become the second biggest ski producer worldwide. However, the in-line skate, alpine and mountaineering boots businesses are unlikely to be profitable, although they will no longer burden the Group´s result significantly.

Proposal of the Board of Directors

As stated in the consolidated balance sheet as at 31 December 1998, unrestricted shareholders' equity amounts to FIM 407,910,000. Unrestricted shareholders' equity as stated in the Parent Company balance sheet as at 31 December 1998 totals FIM 451,323,977.93.

Amer Group has not paid dividends for the past two years. As the Group's performance has turned around, the Board of Directors will propose to the Annual General Meeting that a dividend of FIM 1.00 a share, or a total of FIM 24,326,895, be distributed.

Helsinki, 11 February 1999

P. Kainulainen   Tauno Huhtala   Antti Lehtinen

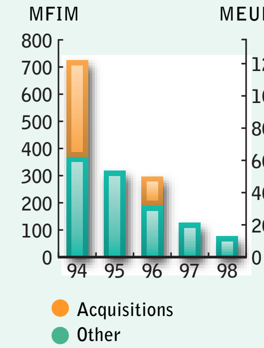
Timo Maasilta   Roger Talermo
President & CEO

Group financial statements and Parent Company's financial statements as well as notes to the financial statements are presented on pages 20-48. Notes to the financial statements also include information regarding the Company's administration and organisation on pages 50-51.

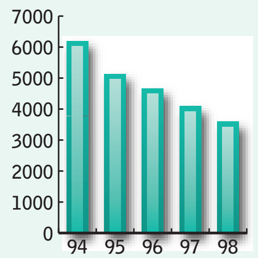
Operating Profit per Trimester

FIM million	1-4/98	1-4/97	Change	5-8/98	5-8/97	Change	9-12/98	9-12/97	Change
Wilson	84	50	34	89	56	33	14	20	-6
Atomic	-61	-43	-18	-43	-36	-7	33	-33	66
Tobacco	12	10	2	20	22	-2	16	13	3
Corporate Headquarters	-14	-14	-	-13	-22	9	-4	-5	1
	21	3	18	53	20	33	59	-5	64
Discontinued Operations	-	-15	15	-	-5	5	-	79	-79
Group, total	21	-12	33	53	15	38	59	74	-15

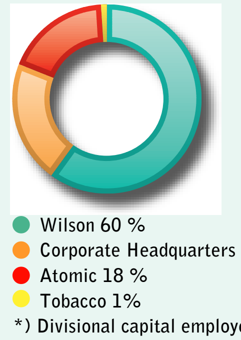
Capital expenditure



Personnel at year end



Percentages of capital employed 1998*)



*) Divisional capital employed includes goodwill.

Consolidated Statement of Income

	1998			1997		
	FIM million	EUR million	%	FIM million	EUR million	%
Gross sales	7,673	1,290		7,814	1,314	
Adjustments to gross sales						
Excise tax	2,314	389		2,212	372	
Sales taxes	827	139		798	134	
Discounts	100	17		110	19	
Total adjustments to gross sales	3,241	545		3,120	525	
Net sales	4,432	745	100	4,694	789	100
Change in inventories of finished goods increase (+), decrease (-)	-126	-21		-39	-7	
Production for own use	77	13		90	15	
Share of the associated companies' profit	-5	-1		-	-	
Other operating income	57	10		36	6	
Expenses						
Materials and supplies:						
Purchases during the period	2,225	374		2,237	377	
Increase (-) or decrease (+) in inventories	-17	-3		25	4	
External charges	21	4		31	5	
Total materials and supplies	2,229	375		2,293	386	
Wages, salaries and social expenditure:						
Wages and salaries	783	131		832	139	
Social expenditure						
Pensions and pension fees	53	9		51	9	
Other social security	141	24		130	22	
Total wages, salaries and social expenditure	977	164		1,013	170	
Depreciation 1)	175	29		206	35	
Other expenses	921	155		1,192	199	
Total expenses	4,302	723	97	4,704	790	100
Operating profit	133	23		77	13	
Financing income and expenses 2)	-101	-17	2	-130	-22	3
Profit/loss before extraordinary items	32	6		-53	-9	
Extraordinary items 3)	-16	-3		76	13	
Profit before taxes	16	3		23	4	
Taxes 4)	-17	-3		-27	-4	
Minority interest	2	-		7	1	
Net profit for the period	1	0		3	1	

Consolidated Cash Flow Statement

	1998		1997	
	FIM million	EUR million	FIM million	EUR million
Cash flow from operations				
Profit/loss before extraordinary items	32	5	-53	-9
Depreciation	175	29	206	35
Extraordinary items	-75	-12	-30	-5
Taxes	-17	-3	-33	-6
Total	115	19	90	15
Change in working capital				
Increase (-) or decrease (+) in inventories	108	18	172	29
Increase (-) or decrease (+) in short-term trade receivables	99	17	132	22
Increase (+) or decrease (-) in interest-free short-term liabilities	-24	-4	27	5
Total	183	31	331	56
Total cash flow from operations	298	50	421	71
Change in fixed assets and other investments				
Purchases of fixed assets	-76	-13	-124	-21
Sales of fixed assets	52	9	19	3
Purchases of investments	-1	-	-2	-
Sales of investments	12	2	304	52
Other change in fixed assets	2	-	55	9
Change in other shareholders' equity	-40	-7	-69	-12
	-51	-9	183	31
Surplus in financing	247	41	604	102
Financing activities				
Long-term financing, net	-233	-39	29	5
Short-term financing, net	-39	-6	-604	-102
Total	-272	-45	-575	-97
Change in liquid funds	-25	-4	29	5
Liquid funds				
Liquid funds at year end	300	51	329	55
Liquid funds at year beginning	325	55	300	50
Change in liquid funds	-25	-4	29	5

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

Consolidated Balance Sheet

		1998		1997	
ASSETS		FIM million	EUR million	FIM million	EUR million
FIXED ASSETS AND OTHER LONG-TERM INVESTMENTS	5)				
Intangible fixed assets	6)				
Intangible rights		108	18	117	20
Group goodwill		854	144	940	158
Other capitalised expenditure		25	4	30	5
		987	166	1,087	183
Tangible fixed assets	6)				
Land and water		134	23	143	24
Buildings		525	88	599	101
Machinery and equipment		284	48	343	58
Other tangible fixed assets		3	-	3	-
Advances paid and construction in progress		39	7	35	6
		985	166	1,123	189
Other long-term investments					
Investments in associated companies		19	3	33	6
Receivables from associated companies	7)	3	1	1	-
Other bonds and shares		45	7	44	7
Other receivables		16	3	112	19
		83	14	190	32
TOTAL FIXED ASSETS AND OTHER LONG-TERM INVESTMENTS		2,055	346	2,400	404
CURRENT ASSETS					
Inventories					
Raw materials and consumables		165	28	207	35
Work in progress		33	5	35	5
Finished goods		590	99	695	117
		788	132	937	157
Receivables					
Accounts receivable		989	166	1,083	182
Receivables from associated companies	7)	-	-	7	1
Loans receivable		1	-	3	1
Other receivables		50	9	63	11
Prepaid expenses and accrued income	8)	67	11	102	17
		1,107	186	1,258	212
Marketable securities					
Other securities		34	6	97	16
Cash and cash equivalents		266	45	232	39
ASSETS		4,250	715	4,924	828

	1998		1997	
SHAREHOLDERS' EQUITY AND LIABILITIES	FIM million	EUR million	FIM million	EUR million
SHAREHOLDERS' EQUITY 9)				
Share capital	492	83	492	83
Premium fund	1,092	184	1,092	184
Revaluation fund	18	3	21	3
Retained earnings	407	68	442	74
Net profit for the period	1	0	3	1
TOTAL SHAREHOLDERS' EQUITY	2,010	338	2,050	345
MINORITY INTEREST	60	10	61	10
PROVISION FOR CONTINGENT LOSSES				
Provision for pension liability	3	1	3	1
Other provisions for contingent losses	17	2	88	14
TOTAL PROVISION FOR CONTINGENT LOSSES	20	3	91	15
LIABILITIES 10)				
Long-term liabilities 11)				
Bonds	222	38	-	-
Convertible bonds	183	31	400	67
Loans from financial institutions	186	31	461	78
Pension loans	97	16	116	20
Other long-term debt 12)	59	10	97	16
	747	126	1,074	181
Short-term liabilities				
Interest-bearing liabilities 13)	357	60	533	89
Accounts payable	270	45	314	53
Other short-term liabilities 14)	397	67	398	67
Accrued liabilities 15)	389	66	403	68
	1,413	238	1,648	277
TOTAL LIABILITIES	2,160	364	2,722	458
SHAREHOLDERS' EQUITY AND LIABILITIES	4,250	715	4,924	828

NOTES TO FINANCIAL STATEMENTS

ACCOUNTING POLICIES

The financial statements are prepared in the format prescribed by the International Accounting Standards Committee and in accordance with local legislation. The financial statements are presented in Finnish markka under the historical cost convention as modified by the revaluation of certain fixed assets. The statement of income, the cash flow statement, the balance sheet and the key indicators are also presented in euro.

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 5 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 or 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 cost of selling.

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	
	1998	1997	31 Dec 98	31 Dec 97
USD	5.3441	5.1911	5.0960	5.4207

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	5-15 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.

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 or assets arising from temporary differences between the tax basis of an asset or liability and its carrying amount on the balance sheet are calculated by applying the tax rate at the balance sheet date or at the estimated date of tax payment. A deferred tax asset, if material, is recognised if it is probable that it can be utilised. A provision is made for all deferred tax liabilities.

Changes in deferred tax liabilities and assets are charged to the statement of income. The deferred tax liabilities and assets arising from the consolidation entries are recognised in the Group's balance sheet if it is probable that they will occur.

Accumulated depreciation in excess of plan

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

Notes to the Consolidated Statement of Income

FIM million	1998	1997
1. Depreciation		
Depreciation according to plan		
Intangible rights	11	13
Group goodwill	29	37
Other capitalised expenditure	3	4
Buildings	32	34
Machinery and equipment	100	118
	175	206
2. Financing income and expenses		
Income on long-term investments	4	8
Gain on bonds buy back	13	-
Other interest and financing income	22	19
Exchange rate losses	-1	-17
Interest and other financing expenses	-139	-140
	-101	-130
3. Extraordinary items		
Gain on sale of operations	-	174
Cost of divested operations	-16	-52
Restructuring of operations	-	-46
	-16	76
4. Taxes		
Estimated taxes for the period	-17	-33
Change in deferred tax liability	-	6
	-17	-27

Notes to the Consolidated Balance Sheet

FIM million	1998	1997
5. Revaluation included in fixed assets		
Land and water	8	10
Buildings	14	25
Investments	11	11
	33	46

6. Fixed assets

	Intangible rights	Group goodwill	Other capitalised expenditure	Intangible assets, total	Land and water	Buildings and constructions	Machinery and equipment	Other tangible fixed assets	Advances paid and construction in progress	Tangible assets, total	Total
Initial cost or revaluation, 1 January 1998	157	1,205	71	1,433	143	889	977	3	35	2,047	3,480
Additions	1	-	-	1	1	1	27	-	46	75	76
Company acquisitions	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-2	-2	-10	-59	-18	-	-	-87	-89
Transfers	-	-1	-	-1	-	3	9	-	-41	-29	-30
Exchange differences	-	-73	-3	-76	-	-13	-32	-	-1	-46	-122
Balance, 31 December 1998	158	1,131	66	1,355	134	821	963	3	39	1,960	3,315
Accumulated depreciation, 1 January 1998	40	265	41	346	-	290	634	-	-	924	1,270
Depreciation during the period	11	29	3	43	-	32	100	-	-	132	175
Disposals	-	-	-2	-2	-	-21	-31	-	-	-52	-54
Exchange differences	-1	-17	-1	-19	-	-5	-24	-	-	-29	-48
Balance, 31 December 1998	50	277	41	368	-	296	679	-	-	975	1,343
Balance sheet value, 31 December 1998	108	854	25	987	134	525	284	3	39	985	1,972

FIM million	1998	1997
7. Receivables from associated companies		
Loans	3	8
8. Prepaid expenses and accrued income		
Prepaid taxes	7	40
Prepaid interest	-	1
Prepaid advertising and promotion	19	12
Other	41	49
	67	102

FIM million	1998	1997

9. Shareholders' equity

	1998	1997
Share capital at beginning of period		
K shares	-	40
A shares	486	435
Other share capital	6	-
	492	475
Decrease, K shares	-	-34
Redemption without decreasing share capital, K shares	-	-6
Targeted share issue, A shares	-	51
Redemption without decreasing share capital, other share capital	-	6
Share capital at end of period		
A shares	486	486
Other share capital	6	6
	492	492
Premium fund at beginning/end of period	1,092	1,092
Revaluation surplus at beginning of period	21	21
Change	-3	-
Revaluation surplus at end of period	18	21
Retained earnings at beginning of period	445	530
Redemption without decreasing share capital, K shares	-	-81
Targeted share issue, A shares	-	-17
Exchange differences	-7	-
Write-down of revaluation	-14	-
Other	-17	10
Net profit for the period	1	3
Retained earnings at end of period	408	445
Shareholders' equity at end of period	**2,010**	**2,050**
Distributable earnings	408	445

10. The currency mix of loans at 31 December 1998 with annual repayments

USD	ATS	CAD	DEM	FRF	JPY	Others
60%	12%	7%	6%	5%	5%	5%

11. Long-term liabilities (interest-bearing)

	Outstanding 31Dec 98	Repayment dates 1999	2000	2001-2003	2004 and after
Bonds	222	-	-	222	-
Convertible bonds	183	-	-	183	-
Loans from financial institutions	255	69	13	173	-
Pension loans	116	19	15	20	62
Other long-term debt	36	-	-	-	36
	812	88	28	598	98

The 1998 FIM 500 million 5% bonds: The loan was subscribed as to FIM 222 million. The loan period is 23 June 1998 to 15 September 2001. 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 at their principal amount. At the balance sheet date, Amer Group Plc has repurchased USD 38 million convertible subordinated bonds. All bonds which have been repurchased have been cancelled.
For further details on the loans: see page 20.

Notes to the Consolidated Balance Sheet

FIM million	1998	1997
12. Other long-term debt		
Interest-bearing	36	39
Deferred tax liability	-	17
Other interest-free	23	41
	59	97
13. Interest-bearing short-term liabilities		
Commercial Papers	179	113
Current repayments of long-term loans	88	110
Other interest-bearing short-term debt	90	310
	357	533
14. Other short-term liabilities		
Excise tax	209	218
Sales taxes	112	111
Income tax	9	-
Other interest-free liabilities	67	69
	397	398
15. Accrued liabilities		
Accrued personnel costs	145	155
Accrued taxes	25	38
Accrued interest	29	26
Accrued rent	36	42
Accrued advertising and promotion	51	54
Other	103	88
	389	403

Contingent Liabilities and Secured Assets

FIM million	1998	1997
Charges on assets		
Pension loans to be covered	116	132
Book value of charges on assets	74	72
Other group liabilities:		
Book value of charges on assets	33	36
Other liabilities:		
Book value of charges on assets	1	3
Total book value of charges on assets	108	111
(Pension loans also covered by pledging mortgages)		
Mortgages pledged		
Pension loans to be covered	116	132
Book value of mortgages pledged	119	147
Other group liabilities:		
Book value of mortgages pledged	19	39
Total book value of mortgages pledged	138	186
(Pension loans also covered by charges on assets)		
Guarantees	18	22
Liabilities for leasing and rental agreements		
Business premises in 1999/1998	34	38
Other in 1999/1998	5	12
Business premises for later years	159	183
Other for later years	11	14
	209	247
Other contingent liabilities	155	277

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

Statement of Income, Parent Company

FIM million		1998	1997
Other operating income		47	34
Expenses			
Wages, salaries and social expenditure:			
Wages and salaries		16	15
Social expenditure			
Pensions and pension fees		4	2
Other social security		2	1
Total wages, salaries and social expenditure		22	18
Depreciation	1)	7	8
Other expenses		41	48
Total expenses		70	74
Operating loss		-23	-40
Financing income and expenses	2)	132	-4
Profit/loss before extraordinary items		109	-44
Extraordinary items	3)	-111	228
Group contribution		53	55
Profit before appropriations and taxes		51	239
Appropriations		12	4
Taxes	4)	-2	-1
Net profit for the period		61	242

Cash Flow Statement, Parent Company

FIM million	1998	1997
Cash flow from operations		
Profit/loss before extraordinary item	109	-44
Depreciation	7	8
Extraordinary items	-57	282
Taxes	-2	-1
Total	57	245
Change in working capital		
Increase (-) or decrease (+) in short-term trade receivables	12	270
Increase (+) or decrease (-) in interest-free short-term liabilities	14	-1
Total	26	269
Total cash flow from operations	83	514
Change in fixed assets and other investments		
Purchases of fixed assets	-	-1
Sales of fixed assets	39	-
Purchases of investments	-18	-4
Sales of investments	12	34
Other change in fixed assets	111	313
Change in other shareholders' equity	-14	-76
	130	266
Surplus in financing	213	780
Financing activities		
Long-term financing, net	-200	167
Short-term financing, net	-79	-927
Total	-279	-760
Change in liquid funds	-66	20
Liquid funds		
Liquid funds at year end	161	227
Liquid funds at year beginning	227	207
Change in liquid funds	-66	20

Balance Sheet, Parent Company

FIM million		1998	1997
ASSETS			
FIXED ASSETS AND OTHER LONG-TERM INVESTMENTS	5)		
Intangible fixed assets	6)		
Intangible rights		1	1
Other capitalised expenditure		1	1
		2	2
Tangible fixed assets	6)		
Land and water		16	16
Buildings		105	147
Machinery and equipment		3	4
Other tangible fixed assets		3	3
		127	170
Other long-term investments			
Investments in subsidiaries	7)	807	924
Investments in associated companies		-	7
Receivables from associated companies	8)	3	1
Other bonds and shares		38	21
Other receivables		-	92
		848	1,045
TOTAL FIXED ASSETS AND OTHER LONG-TERM INVESTMENTS		977	1,217
CURRENT ASSETS			
Receivables			
Accounts receivable		1	1
Receivables from subsidiaries	8)	2,388	2,615
Receivables from associated companies	8)	-	7
Loans receivable		-	1
Prepaid expenses and accrued income	9)	6	16
		2,395	2,640
Marketable securities			
Other securities		34	97
Cash and cash equivalents		127	130
ASSETS		3,533	4,084

FIM million		1998	1997
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY	10)		
Share capital		492	492
Premium fund		1,092	1,092
Retained earnings		391	162
Net profit for the period		61	242
TOTAL SHAREHOLDERS' EQUITY		2,036	1,988
UNTAXED RESERVES			
Accumulated depreciation in excess of plan	11)	13	25
PROVISION FOR CONTINGENT LOSSES			
Provision for pension liability		3	3
LIABILITIES			
Long-term liabilities			
Bonds		222	-
Convertible bonds		183	400
Loans from financial institutions		186	461
Pension loans		97	116
		688	977
Short-term liabilities			
Interest-bearing liabilities	12)	339	439
Accounts payable		2	2
Payables to subsidiaries	13)	405	617
Other short-term liabilities	14)	9	1
Accrued liabilities	15)	38	32
		793	1,091
TOTAL LIABILITIES		1,481	2,068
SHAREHOLDERS' EQUITY AND LIABILITIES		3,533	4,084

Notes to the Statement of Income, Parent Company

FIM million	1998	1997
1. Depreciation		
Depreciation according to plan		
Other capitalised expenditure	-	1
Buildings	6	6
Machinery and equipment	1	1
	7	8
2. Financing income and expenses		
Dividends received from subsidiaries	82	-
Dividends received from associated companies	2	3
Other financing income on long-term investments	3	7
Exchange rate gains	7	-
Other interest and financing income from subsidiaries	154	151
Other interest and financing income	19	13
Exchange rate losses	-	-36
Interest and other financing expenses to subsidiaries	-29	-19
Other interest and financing expenses	-106	-123
	132	-4

FIM million	1998	1997
3. Extraordinary items		
Loss/gain on mergers	-5	234
Debt forgiveness	-51	-
Cost of divested operations	-55	-6
	-111	228
4. Taxes		
Income tax		
Estimated taxes for the period	-1	-1
Other direct taxes	-1	-
	-2	-1

Notes to the Balance Sheet, Parent Company

FIM million	1998	1997
5. Revaluation included in fixed assets		
Land and water	1	1
Buildings	3	14
Investments	11	11
	15	26

6. Fixed assets

	Intangible rights	Other capitalised expenditure	Intangible assets, total	Land and water	Buildings and constructions	Machinery and equipment	Other tangible fixed assets	Tangible assets, total	Total
Initial cost or revaluation, 1 January 1998	1	15	16	16	212	26	3	257	273
Additions	-	-	-	-	-	1	-	1	1
Disposals	-	-2	-2	-	-54	-	-	-54	-56
Transfers	-	-	-	-	-	-1	-	-1	-1
Balance, 31 December 1998	1	13	14	16	158	26	3	203	217
Accumulated depreciation, 1 January 1998	-	14	14	-	65	22	-	87	101
Depreciation during the period	-	-	-	-	6	1	-	7	7
Disposals	-	-2	-2	-	-18	-	-	-18	-20
Transfers	-	-	-	-	-	-	-	-	-
Balance, 31 December 1998	-	12	12	-	53	23	-	76	88
Balance sheet value, 31 December 1998	1	1	2	16	105	3	3	127	129

Notes to the Balance Sheet, Parent Company

7. Investments in subsidiaries and Group holdings in associated companies 31 December 1998

Amer Group Plc subsidiaries	Number of shares	Percentage of shares owned		Nominal value, thousands	Book value, FIM thousands
Amer Holding Company, Chicago, USA	1,000	100.0	USD	1	331,695
Wilson Sporting Goods Co., Chicago, USA	1,000	100.0	USD	-	
Amer Sports Canada Inc., Belleville, Canada	15,796,123	100.0	CAD	16,786	
Wilbras LTDA., Sao Paulo, Brazil	1,500,000	100.0	BRL	950	
Wilson France S.A.R.L., Paris, France	195,000	100.0	FRF	8,190	
Wilson Japan, Inc., Tokyo, Japan	2,250,000	100.0	JPY	1,125,000	
Wilson Sporting Goods Asia Pacific Pte Ltd, Singapore	100,000	100.0	SGD	100	
Wilson Sporting Goods Australia Pty Ltd, Braeside, Australia	1,610,010	100.0	AUD	1,610	
Wilson Sporting Goods Company Limited, Irvine, Scotland	4,100,000	100.0	GBP	4,100	
Grupo Wilson, S.A. De C.V., Colonia Lomas Altas, Mexico	50,000	100.0	MXN	50	
Asesoria Deportiva Especializada, S.A. de C.V., Colonia Lomas Altas, Mexico	3,397	100.0	MXN	340	
Wilson Sporting Goods Co. de Mexico S.A. de C.V., Colonia Lomas Altas, Mexico	192,553	100.0	MXN	19,255	
Wilson Sporting Goods Espana, S.A., Barcelona, Spain	34,000	100.0	ESP	34,000	
Wilson Sporting Goods GmbH, Gräfelfing, Germany	1	100.0	DEM	500	
Wilson Sporting Goods CS Ltd., Prague, Czech Republic	1	100.0	CZK	150	
Wilson Sporting Goods HK Ltd, Hong Kong	1,000	100.0	HKD	1	
Wilson Sporting Goods Korea Ltd., Seoul, Korea	1,010,000	100.0	KRW	10,100,000	
Wilson Sporting Goods Malaysia Sdn Bhd, Kuala Lumpur, Malaysia	100,000	100.0	MYR	100	
Wilson Sporting Goods (Thailand) Inc., Bangkok, Thailand	49,000	49.0 [1)]	THB	58,900	
Amer Sport AG, Littau, Switzerland	200	100.0	CHF	200	726
Amer Sport Oy, Helsinki, Finland	50	100.0		5,000	5,000
Amer Tobacco Ltd, Tuusula, Finland	10	100.0		10,000	12,362
Amer Tobacco As, Tallinn, Estonia	10	100.0	EEK	40	
Amera Oy, Helsinki, Finland	165	100.0		165	165
Amernet Holding B.V., Rotterdam, The Netherlands	42	100.0	NLG	42	91,621
Atomic Austria GmbH, Altenmarkt, Austria	-	90.0	ATS	405,000	178,476
Atomic Deutschland GmbH, Munich, Germany	-	100.0	DEM	1,000	21,293
Atomic Realty Corp., Amherst, USA	10	100.0	USD	-	2,887
Atomic Ski USA Inc., Amherst, USA	10,000	100.0	USD	10,910	46,652
Dynamic S.A., St. Etienne De Saint-Geoirs, France	24,400	100.0	FRF	6,100	-
Farming Oy, Helsinki, Finland	3	100.0		-	-
Keskinäinen Kiinteistö Oy Marikko, Helsinki, Finland	15,000	100.0		15,000	15,000
Kiinteistö Oy Autoprint, Helsinki, Finland	1,455	100.0		145,500	1,330
Kiinteistö Oy Maistraatinportti 4, Helsinki, Finland	4,443	50.8		9	44,704
Kiinteistö Oy Mannerheimintie 40, Helsinki, Finland	81,672	52.8		11,434	32,747
Koflach Sport GmbH, Köflach, Austria	-	100.0	ATS	1,000	892
Konalan Hankasuo Oy, Helsinki, Finland	500	100.0		500	7,894
Konemuovi Oy, Rymättylä, Finland	13,000	100.0		2,600	1,016
VARPAT Patentverwertungs AG, Littau, Switzerland	2,000	100.0	CHF	200	12,188
Non-operating companies					18
Total					806,666

Investments in associated company, subsidiary

Stronghold Paper Group B.V., Amersfoort, The Netherlands	9,853	35.0	NLG	99	18,714

1) 85% of votes

FIM million	1998	1997
8. Receivables from subsidiaries/associated companies		
Loans	2,335	2,560
Prepaid expenses	53	55
Receivables from subsidiaries	2,388	2,615
Loans	3	8
Receivables from associated companies	3	8
9. Prepaid expenses and accrued income		
Prepaid taxes	4	11
Other	2	5
	6	16
10. Shareholders' equity		
Share capital at beginning of period		
K shares	-	40
A shares	486	435
Other share capital	6	-
	492	475
Decrease, K shares	-	-34
Redemption without decreasing share capital, K shares	-	-6
Targeted share issue, A shares	-	51
Redemption without decreasing share capital, other share capital	-	6
Share capital at end of period		
A shares	486	486
Other share capital	6	6
	492	492
Premium fund at beginning/end of period	1,092	1,092
Retained earnings at beginning of period	404	260
Redemption without decreasing share capital, K shares	-	-81
Targeted share issue, A shares	-	-17
Write-down of revaluation	-13	-
Net profit for the period	61	242
Retained earnings at end of period	452	404
Shareholders' equity at end of period	2,036	1,988
11. Accumulated depreciation in excess of plan		
Buildings	11	22
Machinery and equipment	2	3
	13	25

FIM million	1998	1997
12. Interest-bearing short-term liabilities		
Commercial Papers	179	113
Current repayments of long-term loans	88	110
Other interest-bearing short-term debt	72	216
	339	439
13. Payables to subsidiaries		
Short-term liabilities	405	617
14. Other short-term liabilities		
Income tax	9	-
Other interest-free liabilities	-	1
	9	1
15. Accrued liabilities		
Accrued personnel costs	7	4
Accrued interest	28	25
Other	3	3
	38	32

Contingent Liabilities and Secured Assets

FIM million	1998	1997
Charges on assets		
Pension loans to be covered	116	132
Book value of charges on assets	74	72
Other group liabilities:		
Book value of charges on assets	8	8
Other liabilities:		
Book value of charges on assets	1	3
Total book value of charges on assets	83	83
(Pension loans also covered by pledging mortgages)		
Mortgages pledged		
Pension loans to be covered	116	132
Book value of mortgages pledged	81	109
Other group liabilities:		
Book value of mortgages pledged	16	29
Total book value of mortgages pledged	97	138
(Pension loans also covered by charges on assets)		
Guarantees		
Subsidiaries	103	196
Other	13	16
	116	212
Liabilities for leasing and rental agreements		
Business premises in 1999/1998		
Subsidiaries	-	1
Other	3	6
Other in 1999/1998	1	1
Business premises for later years		
Subsidiaries	-	6
Other	18	29
Other for later years	-	-
	22	43
Other contingent liabilities		
Other	2	12
Group companies	-	1
	2	13

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

Financial Risk Management

Amer Group's Treasury 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.

Amer Group's Board of Directors has approved the financial strategy for the Group. Decision-making regarding treasury functions is concentrated in the parent company. Supporting the treasury management in the parent company, the internal Financial Committee monitors regularly that the principles accepted by the Board are being followed. 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 centre with an annual targeted income. Its performance 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 long-term 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 regular issuance of, for example, commercial paper. 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 counter-party 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 inherent in subsidiaries' equity is hedged as decided by the Financial Committee, and the effects of the hedging operations are recorded in unrestricted equity in the balance sheet. All forward foreign exchange contracts to hedge the balance sheet 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 together with Group Treasury. Hedge maturities may vary case by case, but most subsidiaries use forward foreign exchange contracts on a rolling 12-month basis. Each major subsidiary has a foreign exchange policy. The Board's risk guidelines are followed on a daily basis. 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 insurance. Local insurance arrangements are used to cover local needs arising from, for example, country-specific legal requirements.

Notional Amounts of Derivative Financial Instruments

FIM million	Consolidated		Parent Company	
	1998	1997	1998	1997
Nominal value				
Foreign exchange				
forward contracts	2,704	3,241	3,245	3,211
Forward rate agreements	2,803	4,337	2,803	4,337
Fair value				
Foreign exchange				
forward contracts [1]	25	-26	31	-26
Forward rate agreements [2]	-2	-1	-2	-1
Carrying amount				
Foreign exchange				
forward contracts	31	-26	31	-26

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.

Calculation of Key Indicators

RETURN ON INVESTMENT (ROI), %:

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

RETURN ON SHAREHOLDERS' EQUITY (ROE), %:

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

EQUITY RATIO:

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

GEARING, %:

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

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 +/- 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 CAPITALISATION:

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

*) Average of the financial period

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 1998 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 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 1998 financial year is FIM 61,306,921.76 and the profit of the Group FIM 599,000.00. The accounts including the Group accounts may be approved, and 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, 11 February 1999

SVH Pricewaterhouse Coopers Ltd
Authorised Public Accountants

Göran Lindell
Authorised Public Accountant

Administration & Organisation

The work of Amer Group's Board of Directors and the Company's administrative practices are largely in compliance with the corporate governance guidelines recommended by the Helsinki Stock Exchange, prepared jointly by the Finnish Central Chamber of Commerce and the Confederation of Industry and Employers.

The duties and responsibilities of the Board of Directors

The Board of Directors' duties and responsibilities are primarily based on the Finnish Companies Act and the Company's Articles of Association. All matters of key importance to the Group are decided by the Board of Directors. These include approving and confirming strategic guidelines, confirming annual budgets and business plans as well as deciding on major investments and disposals. The other duties of the Board of Directors are listed in the Articles of Association on pages 52-53.

Election and terms of Board members

The Articles of Association provide that the Group's Board consists of no less than five and no more than seven members. The current Board comprises five members: the Group's President and four expert members not primarily employed by the Group.

Board members are elected by the Annual General Meeting, which is generally summoned in March. According to the Articles of Association, the Annual General Meeting shall convene annually before the end of June. The term of a Board member is three years so that one third of the members, or the number nearest to that, shall resign each year. The date for the beginning or expiration of a member's term is the date of the Annual General Meeting.

The Board of Directors elects a Chairman and a Vice-Chairman for a term of a year.

The Board of Directors meets on average once a month during the year. While most meetings are held at the Company's headquarters in Helsinki, a number of Board meetings take place at other offices of the Group when the Board is visiting the Group's divisions.

President

The President is appointed by the Board of Directors. Since 1996 Mr Roger Talermo has acted as the Company's President and Chief Executive Officer as well as a member of the Board.

Business organisation and responsibilities

Amer Group consists of Wilson Sporting Goods Co., Atomic Austria GmbH and Amer Tobacco Ltd along with their subsidiaries. Wilson's operations are further subdivided into three divisions: Golf, Racquet and Team Sports. Atomic's operations have been organised on the basis of brands to alpine skiing and cross-country skiing (Atomic brands) as well as in-line skating and snowboarding (Oxygen brands). Wilson and Atomic have sales companies of their own in 19 countries. In other countries, independent importers and distributors are in charge of product distribution. In line with the strategy, both sales companies and major independent importers distribute all of the group's products.

Wilson, Atomic and Amer Tobacco are all managed by Boards of Directors comprising of the Group's President, CFO and the subsidiary's President. In addition, the subsidiaries have management teams of their own. Responsibilities and duties are detailed in the list on the next page.

Salaries and remuneration

The aggregate salaries and remuneration received by the members of the Board of Directors including the President totalled FIM 21.5 million in 1998 (1997: FIM 18.4 million). Of the sum total, FIM 0.8 million was paid in remuneration to the current Board of Directors, elected on 18 March 1998 (1997: FIM 1.3 million). Members of the Board excluding the CEO do not have contractual retirement benefits with the Company. The Parent Company's President and the Finnish subsidiary's President both have supplemental retirement benefits with 60 years' retirement age.

The Group's management incentive schemes are detailed on page 20. In addition to the warrant schemes the Group has short-term and long-term incentive plans which cover 35 persons.

The total number of A shares owned by members of the Board of Directors as at 31 December 1998 was 2,843 (2,543 as at 31 December 1997), representing 0.01% of the issued share capital and the total number of votes (1997: 0.01%).

Audit

PricewaterhouseCoopers is responsible for the audit of the Group companies worldwide. The auditors of Amer Group Plc, SVH Pricewaterhouse Coopers Ltd, are responsible for instructing and co-ordinating the audit of all Group companies. The auditor in charge of the audit of Amer Group Plc is Mr Göran Lindell. The fact that the Group has no separate internal audit function of its own is reflected on the scope and content of the audit.

BOARD OF DIRECTORS

Chairman:
Pekka Kainulainen, 57
Management Training Centre Ltd, President
Member since 1985,
Vice Chairman 1995-97, Chairman since 1997
(Term 1998-2000)

Vice Chairman:
Tauno Huhtala, 60
LHX Consulting Oy, Partner
Member since 1986, Vice Chairman since 1997
(Term 1998)

Members:
Antti Lehtinen, 59
Member since 1998
(Term 1998-99)

Timo Maasilta, 44
The Land and Water Technology Foundation
Chairman
Member since 1986
(Term 1998-99)

Roger Talermo, 43
Amer Group Plc, President & CEO since 1996
Member since 1996
(Term 1998-2000)

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

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
Matt Gold

ATOMIC

BOARD OF DIRECTORS
Roger Talermo, Chairman
Pekka Paalanne
Michael Schineis

PRESIDENT
Michael Schineis

FINANCE & ADMINISTRATION
David Taylor

R&D AND PRODUCTION
Rupert Huber

ATOMIC BRAND
Thomas Zettler

DYNAMIC BRAND
Thomas Zettler

OXYGEN BRAND
Michael Schineis (acting)

AMER TOBACCO

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

PRESIDENT
Jukka Ant-Wuorinen

MARKETING
Jan-Erik Grönlund

PRODUCTION
Veijo Rosimo

FINANCE & ADMINISTRATION
Timo Levänen

LEGAL & CORPORATE AFFAIRS
Kalle Soikkanen

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 a person:

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 the authorisations to sign for 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. attend to the implementation of the resolutions of the 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. The opinion which is supported by more than half of the members present, or in the event of equal votes, the opinion which is supported by the Chairman shall constitute the 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 for the Company, any two of them together.

The Board of Directors may grant the right to persons employed by the Company to sign for 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.

The notice of the 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 receding the date referred to in point (a) above, including such date.

If an acquisition 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 reached.

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.

The Company´s Trade Register No. 116.698

News in 1998 in Brief

January

No news reported.

February

Amer Group announced that it had no intention of selling Atomic Companies, whilst measures had already been taken to improve Atomic's performance.

The results for the 1997 financial year were reported. Operating profit amounted to FIM 77 million, compared with a loss of FIM 120 million in 1996. The Group's performance was expected to continue to improve in 1998.

The Board of Directors proposed that warrants be issued to key personnel. The proposed number of warrants to be issued was 850,000 with entitlement to subscribe for up to 850,000 A shares.

Members of the 1996 Board of Directors, Tauno Huhtala, Pekka Kainulainen, Olle Koskinen, Timo Peltola and Raimo Taivalkoski were charged with a Securities Market offence. The Board of Directors was charged due to failure to issue a profit warning until 6 June 1996, the publication date of the first interim report, rather than after the Board meeting on 25 April 1996.

March

Amer Group reported that in order to improve Atomic's performance, its staff numbers would be reduced significantly and the Köflach factory operations would be integrated with Atomic. Furthermore, unprofitable product lines would be discontinued in all product categories. David Taylor was appointed Atomic's Vice President, Finance, as of 1 March 1998.

The Annual General Meeting adopted the Report of the Board of Directors and the Financial Statements for the 1997 financial year. The proposal to issue warrants to key personnel was approved, as was the proposal not to distribute a dividend. A new member, Mr Antti Lehtinen, was elected. Mr Pekka Kainulainen was elected Chairman and Mr Tauno Huhtala Vice Chairman of the Board.

April

No news reported.

May

The members of the 1996 Board of Directors charged with a Securities Market offence in February were sentenced to pay fines. Dissatisfied with the decision, those concerned appealed.

June

The first 1998 interim report was published on 4 June. The Group's performance was as expected in the first third of 1998. Operating profit totalled FIM 21 million, compared with a loss of FIM 12 million in the same period in 1997. The result for the financial year was expected to improve compared to the previous year. Of concern, however, was weak consumer demand in Southeast Asia and Japan and, in particular, costs relating to Atomic's reorganisation measures.

Amer Group announced the launch on 23 June 1998 of an issue of up to FIM 500 million new bonds. Scheduled to mature on 15 September 2001, the bonds carry an annual interest rate of 5%.

Amer Group reported that it was taking further steps to structure Atomic's Köflach factory's operations in line with prevailing market conditions. A pre-warning notice concerning some 150 employees was issued on 30 June.

July

Amer Group announced that Atomic would be the official sponsor of the Nordic Ski World Championships 1999 in Ramsau, Austria. During the February 1999 event Atomic would introduce a brand-new cross-country ski construction produced by state-of-the-art computerised technology. Amer further stressed that cross-country skiing is and continues to be an important focus for Atomic.

A website, located at http://www.amer.fi, was launched.

August

Amer Group announced plans to increase the flexibility of Atomic's ski factory in Altenmarkt, Austria by converting the fixed employment contracts of 111 employees into part-time contracts in autumn 1998.

The Köflach plant's reorganisation was completed. Amer Group reported that the factory would continue to operate as a production facility integrated within Atomic. Moreover, in-line skates would be sourced from Asia in order to minimise the company's manufacturing risk.

Amer Group purchased USD 5.5 million of the convertible subordinated bonds issued in 1993, representing 247,323 A shares.

September

Amer Group purchased USD 20 million of the convertible subordinated bonds issued in 1993, representing 899,357 A shares.

Wilson Sporting Goods Co. launched a breakthrough new tennis racquet material. Hyper Carbon is four times stiffer and stronger as well as 65% lighter than today's most popular tennis racquet materials. In the US shipments began in November 1998; in Europe the racquets will be ready for delivery in summer 1998.

October

The second interim report was published on 1 October. Company performance was as expected with operating profit amounting to FIM 74 million, compared with FIM 3 million in the corresponding period in 1997. The result before taxes and extraordinary items for 1998 was expected to improve compared to 1997. The costs of reorganising Atomic were of some concern, however.

Amer Group purchased USD 9.6 million of the convertible subordinated bonds issued in 1993, representing 431,691 A shares.

November

Amer Group purchased USD 2.75 million of the convertible subordinated bonds issued in 1993, representing 123,662 A shares. During the year, Amer Group purchased a total of USD 37.85 million of the convertible subordinated bonds issued in 1993, representing 1,702,033 A shares.

December

The 1999 financial calendar was announced. Amer Group's 1998 results will be published on 11 February and the 1998 annual report during week 9. The Annual General Meeting will be held on 11 March 1999. The interim report for the period January to April will be published on 1 June and the interim report for the period January to August on 5 October 1999.

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