

FINAL TRANSCRIPT

Thomson StreetEventsSM

AME.HE - Q2 2007 Amer Sports Oyj Earnings Conference Call

Event Date/Time: Aug. 09. 2007 / 8:00AM ET

Aug. 09. 2007 / 8:00AM, AME.HE - Q2 2007 Amer Sports Oyj Earnings Conference Call

CORPORATE PARTICIPANTS

Tommy Ilmoni

Amer Sports Oyj - VP IR

Roger Talermo

Amer Sports Oyj - President and CEO

Pekka Paalanne

Amer Sports Oyj - SVP and CFO

CONFERENCE CALL PARTICIPANTS

Maria Wikstrom

Handelsbanken Capital Markets - Analyst

Lauri Pietarinen

Ohman Fondkommission - Analyst

Tia Lehto

Carnegie Investment Bank - Analyst

PRESENTATION

Tommy Ilmoni - *Amer Sports Oyj - VP IR*

Good afternoon and welcome to Amer Sports' second-quarter presentation and webcast. This event is being broadcasted over the Internet. And the program here is briefly the following. We will start by having the highlights of the quarter presented by our CEO and President, Roger Talermo. This will be followed by a Q&A session. We will start with the questions here from the audience in Helsinki. When asking questions, please use the microphones provided and state your name and organization. During the Q&A session, also, CFO, Pekka Paalanne will join in. After that, we will have questions from our international audience.

So, at this point, I want to hand over to Roger Talermo.

Roger Talermo - *Amer Sports Oyj - President and CEO*

Also, from my side, please, welcome to this second-quarter presentation. Second quarter in Amer Sports' business, as usual, is the slowest period of all the four quarters, as you well know. However, it's a very important quarter because during the second quarter, we do collect most of the pre-season bookings for the incoming winter and therefore its information value is quite important.

Generally speaking, business, apart from the winter sports which I will come back to in just a second, has proceeded very much according to the plan. And everybody, every business is developing as expected.

Last time when we met in the first quarter, during the first-quarter presentation we indicated that there will be some kind of slowness in the pre-season bookings in winter sports, due to the fact that the winter, as we all know, last year, last season was very mild and weak from a suppliers' perspective. Now we have much more information as the pre-season booking period is over, usually it goes through end of June into July, and then starts the analyzing of the information. That is now done.

And what we can see, we still have limited amount of information from the market itself, but it looks like our estimations -- now, allow me to go a little bit back and forth between full-year outlook or full-year estimation of the market and the pre-season, because they tend to vary from year to year on the percentage of pre-season booking parts. But our estimation for full year was that the winter sports business, as a market, I'm not talking about Amer Sports, was estimated to be below last year's level

Aug. 09. 2007 / 8:00AM, AME.HE - Q2 2007 Amer Sports Oyj Earnings Conference Call

between 15% and 20%. Now, having the pre-season orders in house, we estimate, and also after long discussions with a lot of dealers throughout the world, we estimate that the winter sports business will be below 20% of last year.

Unfortunately, we can't exactly prove this to be the truth. Evidently, because, first of all, we don't have full information from all those countries as statistics are not available, and we have to remember that we still have the season to come, so there will be quite a lot of, hopefully, orders to come in during the autumn period.

Now, those orders are clearly depending on inventory levels in trade and inventory levels with our competitors, of which we don't know one or the other. And, of course, then the new product aggressiveness or competitiveness done by our competitors. So there's still plenty of uncertainties in the numbers. But our simulations from what we have today shows that we most likely will end up with a market which is below 20% of last year's levels.

Now, as being the biggest player in the market, and I'm now focusing all the time on the equipment part, the hard goods part here, as being the biggest player in the market, Evidently, we will suffer and gain also in such an environment of what the market is all about, or how the market will evolve. And we don't have statistics from the market yet, apart from Austria, which is a big market, so it has maybe some significance here, but it shows that the market is down quite a lot. Much more in cross country, of course, than in alpine, and it looks like in alpine skis, it's more down than in alpine boots.

Our estimation is that our -- not our estimation, but our figures show that we are approximately one quarter behind in our pre-season bookings compared to last year. Now, that can be compared then to how much the market is down in pre-season bookings.

And that information is not available yet, apart from Austria, where [JFK] figures which is an independent survey and simulation of the market. And it looks like the market in Austria is -- in pre-season compared to pre-season previous year, in alpine skis, is down 30% and in cross-country as much as 66% down from last year. Now, don't read this as numbers as such, because what we don't know, again, is the inventory levels, we don't know the strategies of the retailers, if they want to de-stock or what they want to do. So, it's only an indication comparative to what we booked and what the market is booking.

What I want to say here is all information available today shows that Amer Sports brands are increasing their share of the pre-season bookings, which means that we should be in a better position than our competitors. However, we are in a bad situation, all of us, with this winter situation.

This is, of course, the reason why we released two days ago a profit warning of not reaching our previous estimation of last year's level in EBIT. This was clearly the reason for that.

Why do we do this kind of release in -- or this kind of simulation, estimation? It is simply because what we've done -- I've string out this a little bit more -- what we've done, we've taken the pre-season bookings that we have today, then we use our simulation models and we add a pretty good in-season order level. Now remember, only till Christmas or till end of this year, as that's where we cut the fiscal year. And we didn't want to go crazy, we don't -- we didn't want to put a number in which we feel is unrealistical. What I have to admit, the number we're targeting is still challenging, which means that there's still a long way to go there. But the numbers we have put in, in our simulation model, are numbers that we have reached in the previous years. So, it's not completely out of the blue.

The only problem we have here, first of all, we still don't know what the snow will look like, so that is a very critical element in achieving these numbers. Secondly, the inventory levels that I was referring to. And thirdly, I think it's also a question of whether the pre-season bookings, which is a relation of what I've just said earlier, whether the relation -- the pre-season bookings are 80%, 90%, or only 60% of the total sales of last year.

It's interesting to look, I still -- staying with the Austrian example, if you look at the pre-season bookings and you look in the past history and analyze those, in 1998 and 1999 the absolute number in pairs, in ski boots and in skis, were even lower of the

Aug. 09. 2007 / 8:00AM, AME.HE - Q2 2007 Amer Sports Oyj Earnings Conference Call

absolute number of pairs -- in pairs in ski boots and skis this year booked in Austria. So, lived this before, so it's nothing new. And at that time, the pre-season bookings responded to be only six -- around, roughly 60% of the total sales of that year.

So, again, I just want to indicate with this, first of all, we are gaining market shares in pre-season bookings. Secondly, we have an exceptional year, but we have seen these kind of years before. And thirdly, we don't know what the outcome will be towards the end of the year as we don't know how the snow situation and the business will develop.

So, taking from that, I think we are as good as one can be in such an environment. The dramatic part of this is that during my, let's say, 30 years in the business, I have not seem similarly these things happening on all three continents, whether it's Europe, North America and Asia. Usually it's one continent compensating for another. This past year it wasn't the case and therefore we have a more dramatic situation than before.

Personally, I believe that the winter sports business will come back. Now the question is just with what recovery speed. Historically, we see that it has not recovered in one year, so it will take, maybe, a few years before the recovery will occur. But in said that, those are the thoughts behind, and reasonings, why we took such a stance as we took a few days ago to inform you that we don't believe that we will reach last year's numbers. Okay? So, that is more or less what we just talked about. And then that's what I wanted to take forward in terms of winter sports.

On the Q2, otherwise the business was pretty much as planned, as usual, so to say. Our net sales were on last year's levels in local currencies. And in this case currencies, as you know, has changed compared to earlier this year, so the currency impact on the net sales was around 4% or 5%, without maybe direct impacting the EBIT levels. I will come back to these a little closer when we go a little bit forward, and the new guidance we've already talked about.

So, if we look at our profit and loss statement, which you most likely all have ready seen. We're down 4% for the quarter. We're down 6% for the full year. So, we are recovering a little bit from the first quarter, and mainly due to the fact that the winter sports was so much more important in the first quarter and made this difference to the previous year's.

In the net financials, we see a quite big difference that comes the fact that there has been work done on the financial structure. And there has been a different periodization and lower interest rates that has been booked. And if you have any further questions, we can come back to that later.

Taxes. Tax rate is now estimated to be 25% and that's one of the reasons why the taxes are booked as they are booked.

If you look at the net sales, as we can see from here, Salomon is down 3% on the quarter, 6% on the year so far. Wilson is down 1%, quite close to last year's levels and 1% on full year. And, as I said, I will come back to all these numbers a little bit closer with the explanations. Precor up 7%, 8% on the six months. Atomic is down 11% versus 40%. Of course, it's only 11% or less down now because it's a very, very silent period, the second quarter, in the winter sports. Suunto progressing pretty well with 9% increase on the quarter and 12% on the H1. Which then gives us a 2% regression on the full year and 1% up on the quarter in local currencies.

And EBIT level, we can see that Salomon is down 9% from the quarter, 7% on half year. Wilson is down 7% on quarter, 10% on half year. And there's better explanations, as I said, and I will come back to them. Precor, very solid EBIT presentation for the quarter, 61%, 9% up on the half year. Atomic, slight improvement on the quarter, doesn't mean too much and -- but still 16% down on the first six months. And Suunto down on the first quarter and down on the half year, and there's a very good explanation to that and I'll come back to that in a second.

And then if we go into the different business segments which is probably the most interesting part of this. First of all, we start with Wilson. We've put this in the order of importance for the quarter. This has been, of course, a very important quarter for Wilson as it has been big, big sales of racquet sports, has been golf season and also some team sports business, but a lot of team sports business has been under in the quarter.

Aug. 09. 2007 / 8:00AM, AME.HE - Q2 2007 Amer Sports Oyj Earnings Conference Call

Racquet sports is doing very well. Our K Factor is really taking ground. We're now clearly improving our business, we're up 6% in the racquet sports but we're up, actually, 10% if we just take the tennis part of the business. And, of course, this is very much due to the high-end positive market share gains in the, with the K Factor.

We had five racquets out of the nine most-sold racquets in the United States in the specialty channel. We had four out of 10 in Japan. So we have clearly now taken back this position which we might have, at least, partly lost in Japan. And we have a clear leadership in market share in Japan too at this point. So, racquet sports seems to be in a very, very strong position going forward.

And maybe it's worthwhile mentioning, as quite often I -- it's scary to be used to this, but again in Wimbledon we had fantastic results in all classes with our racquets. So clearly also the technicality, the performance has been proved by the product and by our players, of course.

Team sports shows a small decline here in sales. There's very much a question of periodization here. We clearly see that the periodization pattern this year is different from last year. We have a solid order book going forward this year. And we believe, very strongly, that we will take back what we seemingly have lost out of the financial operation in the first half of the year. So, we look forward of having a strong team sports Q3 and Q4.

In team sports, we can officially now talk about the NCAA deal which is certainly very important for us. The College Association Basketball deal, it has been signed for years to come and this, of course, will give us a very strong position, also, in the basketball business, especially in the United States.

It has been part of the -- big part of the golf business, about half of the golf business is done during this quarter. Golf, actually, even if it shows here a minus 9%, went pretty much according to our plan. We are quite okay in the United States. We have even improved in some categories. We have recorded, first time a positive gains in Europe in golf. But I have to admit that we are still a little disappointed in how our golf business has developed in Japan.

But, overall, it looks like we are going according to those plans we had for the year in golf. So, I cannot say that I am extremely disappointed with the golf. As you know, we've had a tough ride and it's the first time we've seen some light on that side. Our focusing on irons and mid-category balls has clearly paid off. And it goes without saying that the fantastic victory of Patrick Harrington in the Open, certainly has given us a huge boost. At least in the promotional scenery, the promotional world, he has been highly visible in both United States and Europe in the media. So, we hope that that would also then generate some future businesses on that side. And, he has the credibility and I think our poster that we've done after this victory, shows clearly the importance of Wilson. Patrick's first, Wilson's 59th major victory. So, it is certainly helping our credibility on this side.

So Wilson, overall, should be in pretty good shape and boosting results as we have planned.

Precor continues to perform well, as I said business up 8% in local currencies. It's been really very good success in North America, both for the commercial and the consumer market, both for the first quarter -- for the two quarters, but also for the second half of the year looks quite promising as we have introduced quite a lot of new products here.

AMT which we introduced it, Adaptive Motion Trainer, in Las Vegas in the last show is now rolled out to quite a few fitness clubs. We're still holding back a little bit because it's a completely new machine and it has a lot of different parts. It's a quite, let's say, heavy, big machine in the sense that it is new motions, new movement. And therefore we need to be sure that the quality, which always will be tested differently when in it's in real use than in the laboratory environment, are 100% sure, then we can roll it out in a big part. But the good news, and the good news that's also really good news that's been demanded by the clubs, but the real good news is that it looks like consumers are really jumping on this machine. It has really got a lot of good momentum going on. And therefore also the clubs have got the pressure from their consumers to put this machine in. So, we look forward that this will be a very, very good booster for the years to come.

Aug. 09. 2007 / 8:00AM, AME.HE - Q2 2007 Amer Sports Oyj Earnings Conference Call

We also introduced in Denver, just recently, I think it was last week, three new machines in the consumer category which we are working quite heavily on in the United States. And we feel that this is something that could be very interesting. At least the shows showed a very good success in the -- towards these machines. And, of course, a few examples here on my slide about positive momentum with our big clients, whether they are in the United States like the 24-hour Fitness or SATS here in Northern Europe.

Overall, Precor continues its strong march forward and, of course, we're very happy with that.

Suunto increased its sales 12% in local currencies, very much driven by the T line, the Training line which was introduced end of last year. Wristop computer market for our business was up 29% all in all, and that, of course, we are very happy of. We're actually now, today, this last week, we sold the same amount of T line products that we sold during the whole year last year. So, we are clearly in a positive momentum going forward in this. And it -- according to our -- in our information, also, the sell-through of these devices have been good. So, it has reached, not only the shelves of dealers but really the wrists of consumers. Diving instruments are down a little bit, but we have to remember, we have quite a few important introductions still coming up this year, so we'll see what the impact will be on those for this business.

We are going to introduce, on top of the new line computers, in the second half of the year, a full line of new outdoor wristop computers. This is a very important introduction for us because this is really one of the cornerstones of Suunto, the Outdoor category, with products, as you probably remember, Vector etcetera, has already been there for quite a while. And so we will have a full line up of products coming out. You can see only one small one pictured here in the slide.

And we are also introducing a specific line for women, a design line called Lumi, which is still a full-blooded outdoor wristop computer with all the elements that we have in the other devices, but just with a slick cosmetics, and hopefully something that the women will accept as something really interesting, and as a new, really new category for the market.

So, we look forward Suunto will continue to do well and are on their very ambitious growth pattern that they have embarked themselves on a few years ago.

Then to the, let's say, not the smaller categories, but little bit the off-season categories. But before we go to the winter sports, I would like to mention that during the -- under Salomon that apparel and footwear with a 24% increase in the quarter and in the second -- first part of the year, is very strong. Salomon clothing line, the outdoor clothing line, as we indicated last time that had solid orders, clearly have shown the progress that was expected. They are very well accepted by both consumers and dealers and we look very much forward that this will continue to be strong.

On the footwear side, we're just on the brink of introducing an extremely interesting product called the Wings, which is the first real, I would say, real, real, running shoe, hopefully conquering some of the [whitewall] too. Although it's a trail-running shoe, but it's really a shoe that you can have a performance run with.

So if we look forward that the apparel and footwear market and business for us will be solid going forward and it's also backed up by the order levels that we are experiencing.

Mavic showed a pretty good, let's say, recovery. We were a little worried for the first quarter, but now it has been performing very well, they're up 7% on the first six months. And we still have a good season to go as the more high-end products are more devoted to the second half of the year. So, we see a lot of solid growth within the Salomon organization, with good [soft wear] and (inaudible).

I shouldn't forget Arc'teryx which are continuing to do very well. It's a double-digit growth in the apparel category, as they also have quite a few outdoor models.

Aug. 09. 2007 / 8:00AM, AME.HE - Q2 2007 Amer Sports Oyj Earnings Conference Call

The only decline is the winter sports equipment, which I already referred to, and in this case it's minus 37% for Salomon. And this, of course, includes the sales through in the last season first quarter, as we have already all recorded that we all know about. And I don't want to come back to the pre-season's bookings because we have already discussed these things.

But, here, we have a very -- I should just underline this, a very, let's say, strong understanding of that. We are gaining market shares, especially in alpine ski boots, in cross-country skis where Salomon is just -- I think it's the third year they are in cross-country skis and it shows a very good growth there, relative growth of course because we talk about market-share growth here. And then in the -- on the ski side and bindings side, they go hand-in-hand, it's flat compared to last year in terms of market shares.

Atomic, which is only equipment, of course, records a bigger decline. They are more hurt by the situation. And the pre-season's booking level is very much alike with Salomon because they tend to experience the same kind of market. So, I don't want to go in, more in those here.

Likewise, we feel that ski boots, with a new line that we introduced, the Hawx line and a lot of new models, we are gaining share. We don't lose share points, it's the other way round. As well as with cross-country equipment, as Atomic is now on SNS, as you probably all know, and are launching a very strong line of both bindings and boots on top of the ski line. So, those are the categories where we see we gain market share, and in skis and bindings, we remain, tend to remain unchanged in the markets where we have statistics today.

For both of these companies, it's very important that we continue to work with the equipment business synergies that we have outlined several times already.

We have taken quite a lot of measures to improve the profitability, both in terms of cutting and reorganizing the structures. Improve sourcing, as we have already indicated, we are now more looking into ensuring that the product lines are built in such a way that we certainly get all the improvements which are needed. We are tightening the Corporation and we are leveraging the industrial synergies as far as we can at this point. We have also very strong now focus on product development, because we can by developing intelligently, not putting these brands together as we've said so many times, but really benefit from each other's let's say R&D portfolios.

We're very determined to take new actions now when we know where the situation is to find a business model where, assuming that this year is one of the worst years in the ski industry, that we can make also money in environments where business is so low as it is today. So what we are looking for going forward is as we, at least in theory and in reality also, when we get there, we will have the economic scale, we will have the volumes hopefully to be able to be profitable even during bad years. So that's really our model and our let's say target here.

But as we have mentioned, unfortunately this bad winter came one, two years too early, which means that with all the restructuring and everything we were doing, and Salomon not still being profitable enough, and of course Atomic losing profitability due to not only lost business and lost margin, but also of course you understand that that will increase the negative variances in production, we will have a situation of loss making in our winter sport equipment business this upcoming or this ongoing year. But it's clear that we are going to do a lot of work to be able to find a new business model which we're certainly going to talk more about going forward when we get there.

We have also worked, maybe this is not a big news for you, but I think it's important that I highlight it, though. We have worked on a new organization, managerial executive level organization, so that we get enough focus on the different areas to improve our business and our efficiencies. And then this way, hopefully, create a very strong and solid Group going forward.

We had a re-group of what we call the Group-level functions, into three categories or three areas, companies. Finance, Administration and Communication is one. Supply-Chain Management and Information Technology is a new one. And here you can see even on an organizational level we take the supply chain as one of our key important areas, not only backed up by the strategy we have put on paper, but also in reality by the organization as such. And Sales and Channel Management, which

Aug. 09. 2007 / 8:00AM, AME.HE - Q2 2007 Amer Sports Oyj Earnings Conference Call

of course is the Amer Sports network of subsidiaries, including all the organizations, Salomon and Amer Sports have had in the past.

On the business area side, we are re-grouping, what we call, into something that we call Winter & Outdoor, to assure that the synergies and everything is really backed up in a sense they have to, I will say. Salomon, Atomic, Mavic, Arc'teryx and Bonfire that work in these categories of Winter & Outdoor. Ball Sports remains Wilson, the brand is just missing here. Fitness is Precor, and Instruments is Suunto.

So, we are developing our organization and I would say that within 12 months from now, we should be in a situation where we have a fully functional new organization with all the strategies in place. It can be in six months, but I just throw in a 12 months so we have some kind of an understanding with what time period it could be at maximum. Okay?

And then the outlook, which you have all already seen, is that, as we said, EBIT is not expected to reach the last-year level, last year's level. But all the other businesses, apart from the winter sports are developing positively. And I'm pretty sure that this will be a tough year for all winter sports suppliers and entities working in the winter sports business.

But the good news in this is that we've seen them before, as I've said. And I'm pretty sure that when we get out from this, let's say doldrums, of bad-winter influence we will certainly will come out much, much stronger than before. And as we have always worked mid to long-term priority, we are sure that we can make good money and better money than anybody else in this winter sports business going forward.

Thank you very much. I think this was the conclusion of my presentation and now we give the word to the audience. We start -- as (inaudible) was saying, we start with the audience here in Helsinki and then we go to the international audience after that. Please, the floor is yours. And, of course, Mr. Pekka Paalanen will be with me to answer more specific details if needed.

QUESTIONS AND ANSWERS

Maria Wikstrom - *Handelsbanken Capital Markets - Analyst*

Maria from Handelsbanken. I have a couple of questions and first of all to the winter sports business. Have you already started to give a discount for your skis, or are you still only going with the prices that earlier that you have already fixed? And what is the pricing conditions coming for the second half?

And then the second question also on the winter sports. What is currently the outlook for 2008? Because it's obviously going to be a very bad season and still the expectations of the Salomon synergies and turnaround are still expecting quite high earnings improvement for 2008. And what is the situation in respect to that?

Roger Talerio - *Amer Sports Oyj - President and CEO*

I think both are extremely valid points and important questions to try to find some answers for.

Now as I don't want to look too much in the crystal ball, and I don't want to set up the stage before we even get to the winter. But it's evident that in a market environment where, most likely, there is more output, more supply than demand, there is pressure on pricings. So we expect some pressures to pop up during the springtime -- the autumn time.

Today, what we have done, and I'm only talking now about Salomon and Atomic, we have tried to maintain a very, let's say, strong position in the sense that the brand is very important for us and protect the brand, in protecting the brand is very important to have good new innovations and products that are new. We have very new lines, a lot of new products, very few

Aug. 09. 2007 / 8:00AM, AME.HE - Q2 2007 Amer Sports Oyj Earnings Conference Call

carry-overs from last year. We also felt that we did not have too much stock inventory with our dealers. That could be one explanation why our pre-season bookings are higher. It could be, I don't know. And this means that as we stand today in our pre-season bookings, without being too specific here, our average net sales prices look good.

Now it doesn't mean that it will look the same for full year because we don't know what the competitive environment will be going forward. But we have been very cautious, not going in with crazy deals, not going in to try to buy market shares. We have said that if we want to gain market shares, try to get it with the real things, I will say, good innovative products, new products that really look nice and have a very good performance. This is what we've done and this is what, at least today, it stands in our books.

Now, I think that the market will be pretty volatile. This is my personal expectation going forward. There will be deals and there will be fights over especially the low to mid end, where some companies weren't even present. But that's probably where there will be more fights. There will be also probably be some, what we call, lost space, that will say pricing, that will say mid or top-end skis sell for a very low price which are old skis from previous years.

We're going to be very aggressive in the beginning of the season with promotion -- let's say, promotions without the price promotions. Get it right here. We're not going to discount. We're going to be actively out there promoting our new products etc.

But most likely, I think if you want to look at some markets where indications would be given, I think the most difficult market for sure is Germany. It's always been a very sensitive market. There's a lot of skiers in Germany and they have been maybe hardest hit this past winter. So follow what happens in Munich or in Frankfurt or Hamburg, then you have, or get the feeling on discount. But don't take the conclusion that that will happen everywhere in the world. U.S., as said, has not been hurt as much as Europe, nor has Japan. So I think this is mainly momentarily, at least, a U.S. problem.

Then the other coefficient, which of course I cannot neglect this, whether the winter comes in time or whether it comes very late. It's evident that nervousness will be one part of the game in the retail. And if winter starts late, nervousness will of course then play a bigger role. But without going into trying to speculate on those.

Of course, 2008 outlook is completely depending on how 2007 will start and continue. We still have all the scenarios, all the possible scenarios on the table. With a good season, 2008 is going to improve dramatically. It's not going to, as I said, come to the level where we've been before because it will take maybe two years to recover before we are back in business in the normal way. And if it's a bad winter then of course we need to continue to streamline our set up and then the industry must adapt itself. But I can tell you for sure that this has been so tough a winter for most likely a lot of players in the industry that, if we have another 2008 bad ski season, the market will look very different, very, very different.

Anyway we will be prepared for whatever situation. I think we just have to be that, and try to be as dynamic and flexible as possible and be sure that we have the right levels and right structures. So we are not going to cry over what the winter looks like. We're going to just pull forward as much as we can.

Maria Wikstrom - Handelsbanken Capital Markets - Analyst

And I did have one question on the U.S. situation. How do you feel, being in the retail business, or in the consumer goods business in the U.S. market where you all the time hear very bad statistics for housing market and everything. So how do you feel about that?

Aug. 09. 2007 / 8:00AM, AME.HE - Q2 2007 Amer Sports Oyj Earnings Conference Call

Roger Talermo - Amer Sports Oyj - President and CEO

Of course U.S. consumer market is a very important consumer market, not only for us, but for the whole world because it sets some kind of trends on how people, notably psychologically, react on consumption. U.S. market has been from a consumption perspective a little nervous in my opinion. We have seen good months and we have seen very low months. April for example, from a general-consumption perspective, was very low. It did not recover right in May as much as one could have expected, but it recovered a little bit. And then we have had a few good months during the summer.

So I think that U.S. market tends to be nervous and -- but there's still good steam in it. That it will as predicted, even from our perspective, early this year we said that the very strong growth in the U.S. market will slow down, but there will be most likely more growth than in the other markets. I think we're still in that pattern. And the U.S. market of course signals what they want in (inaudible) and other things, and that makes people nervous also elsewhere.

But overall, if we look at our business, health club-led business very solid. Wilson business quite okay. I would say quite okay because we still have some question mark that we've experienced, especially in the mass-merchant channel in April, May. But overall, very good specialty channel at least from our product perspective, been okay. But it's not 100% solid going forward, but it's not bad or totally weak either.

Any more questions here in this audience?

Lauri Pietarinen - Ohman Fondkommission - Analyst

Lauri Pietarinen from Ohman. Just a continuation on Maria's earlier question about restructuring gains you -- and synergies that you expect for 2008?

Roger Talermo - Amer Sports Oyj - President and CEO

Of course, we are in a situation, as I mentioned earlier, where we had planned quite a lot of synergies materializing in 2007 and 2008, and then we said last time, even in 2009, as we accelerated and did some new measures. Now with the situation where we stand today, I have to say that we need to re-look at everything because we want to go even deeper. We want to even accept to adapt ourselves to maybe an even lower level than we'd planned in the beginning.

What does that mean? I don't know today because we are right in the working process. We are looking at opportunities. We are working with our organizations. And of course it's evident that now it's been, it's been and is holiday period momentarily, we have to allow our people to have a few weeks of break here and there. And therefore we are coping with this issue fulltime as towards the end of this month. So, were doing a lot of analysis momentarily and continue to do so. And we meet all the winter sports people the last week in August to conclude where we stand.

How will these current events materialize in numbers? That is the big question which I don't know if I can answer you today. And the reason for it is very simple. We do all those synergies in theory. We take down the costs. We gain everything what have more or less planned to gain, some were more, some were less. We're completely in the pattern which we have indicated all the time. But we have also taken new measures after Q1. We will take new measures now. What is the cost impact of those? It's still to be seen because of course there is some cost impact on everything. And secondly, what is the impact of the lower volume in terms of variances from the factors? And at least on a '07 base, there will be an impact, as I mentioned.

So we are in a, not a new pattern, but we are in a situation where we need to go even lower and look again on these things. And what will be the impact then on materializing '07 and '08? I wouldn't like to start to indicate that before we know where we stand. And of course you understand that there's plenty of moving parts in this equation and that's something we need to address first.

Aug. 09. 2007 / 8:00AM, AME.HE - Q2 2007 Amer Sports Oyj Earnings Conference Call

The only thing what I can say is that going forward, whatever year, as the volume normalize, even a little bit higher than where we are today, we will have a higher gain than we had planned in the beginning in the timeframe. I hope I'm not too complex on this but this is the reality that we have to go back and see again and then address this issue. I hope that in Q3, when we come up with the Q2 numbers, we can address this more specifically.

Lauri Pietarinen - *Ohman Fondkommission - Analyst*

If I could understand the impact of lower volumes demand. If you would continue with a similar plan as before, do you think you would be in line with earlier predictions? I understand that you're now adapting your restructuring model here.

Roger Talermo - *Amer Sports Oyj - President and CEO*

I see your point. I don't think we would be in plan, that's why we made the profit point. I think that -- for '08. That's then a question of recovery speed, and as we have a lower market estimation today I think we would not be there in '08 either because of the lower volumes.

Now, if the volumes were on level -- now this is really, really if -- but if volumes didn't drop this far, and the question is would you then have achieved what you planned, I would say yes, we would because we have not taken any, to my understanding, bigger setbacks in the synergy, the synergy hunting, allow me to use that expression, than -- that we had planned. So we are completely in line more or less with that.

Now of course a lot of parameter has changed, some in positive and some in negative. But our understanding is that we're going exactly there. It's the new things that has there complicated the story. Again I think it's a question of adaptation to another level, maybe there's a half year more or year more, I don't know, that's to be seen. And when we've done the work we will of course be very open to discuss with you this situation. But it's so -- we're now on the, let's say, we're so critical levels as we can easily count from, let's say, that we are one-quarter less in pre-season bookings. But those volumes start already, as we are one-third of the worldwide market, start already to play quite significant roles in that sense.

Lauri Pietarinen - *Ohman Fondkommission - Analyst*

If I may continue with one more question. Comparing Q2 numbers on '07 to those of '06 on the income statement, if you look at R&D expenses and selling and marketing and so forth, there are not much changes in the fixed-cost side, if I briefly look at it. So can you give more detail on what savings have been accomplished thus far with Salomon acquisition?

Roger Talermo - *Amer Sports Oyj - President and CEO*

No. I don't -- I cannot give you what we've accomplished so far because again we have accomplished quite a lot now, depending on what period you count it, '06 or '07, or going forward. So I don't have you a number to give. That would be misleading.

It's true that if you look at '06/'07 expenses, you don't see a huge shift like that. There's been quite a lot of expenses already taken out. We are working on taking more expenses out, this is very evident. But of course there's also a lot of expenses that are always fixed for a year. So there is -- especially selling and marketing expenses. You have to remember that selling expenses, there is a part which is moveable which is linked to the volumes. But then there is a very strong and big part which is linked with the structure.

We are looking at the structure today, how do we take it forward. And you know that most people on Salomon's side and the Amer Sports old health and distribution logic side, they have been working together to integrate Salomon into the Amer Sports Organization. We're very far with that work. They're more or less all integrated now in terms of organizations. Now we have to

Aug. 09. 2007 / 8:00AM, AME.HE - Q2 2007 Amer Sports Oyj Earnings Conference Call

look into what is the efficiency of the organization and how we can work with that. Don't take me wrong here. I'm not saying that we're going to cut here and there. I'm saying that we're looking at the efficiency as a whole and how do we then allocate the resources differently or in a different way. But of course it's an efficiency gain too.

The second part is R&D. Our intention has not been to cut R&D issues. Our intention is to be more efficient on that side from better use of R&D because we're not very high in the R&D expenses overall.

And when it comes to marketing questions, marketing, it's something we wouldn't like to cut because we would like to keep as high marketing expenditure as possible. But we have to be very efficient with the marketing expenditure. So we are looking at racing teams. We are looking at marketing expenses which are non-fixed like advertising and communication etc., and to see what is the forward-going thing. Some of them are fixed for a longer period and some are fixed for a shorter period.

Take the racing team. We have taken, in my opinion, quite dramatic measures what we could do this year to focus on the young, upcoming stars. And quite a few of -- or some of the say, let's say, long-term supporters of us and our supporting them, we have had to separate because of this situation.

So I think we are seriously looking into all of these. But the impact, as you said, would be more on '08 than in '07 in quite a few cases. And, of course, I'm sorry to add here, but of course all the measures we've taken, there are charges that are of a one-off nature to get rid of these programs etc.

Tia Lehto - *Carnegie Investment Bank - Analyst*

Tia Lehto from Carnegie. Question's about Wilson. And you talk on the half-year period that there was a shift in terms of team sports sales. Is it really realistic to assume that this is just a shift, given that first quarter, usually, is the strongest in team sports?

Roger Talermo - *Amer Sports Oyj - President and CEO*

That is our understanding. I see what you mean, and usually the team sports, as you know, all it's consisting of different sports and they have their seasons. But where we see some shifts appearing is mainly in the baseball, softball business, which is not related to the leagues, but related to, I would call it, more recreational play. And of course as it's more all the year round but you have this tendency that it's sold, the equipment is sold during one period, and if the market, as we referred to, especially in April, March, was soft in some mass-merchant categories, there is a tendency that there is a shift going later on.

It's also a little bit linked to the product introductions. We are introducing more products now at the later stage.

And of course there is also, which we have to remember, there's some mix change within this business. There's some businesses where we're a little lower, which was early part. And some businesses where we are in a latter part of the year where we are stronger because there is campaigns that carried from previous years compared to this year. We had very strong campaigns with NCAA last year. We didn't have them this year because there was some uncertainty of the contract. Now the contract is there. Now we're able again to start to work in the longer-term perspective. And it's not only us, it's also the dealers, they want to see this longer-term approach.

So I think that there is an opportunity to do this, but of course it's limited. But what we are saying here is that what we have lost in the early part is not, in our understanding, looking at the order books we have and the programs we have, it shouldn't impact the full year. This is what we are saying.

Aug. 09. 2007 / 8:00AM, AME.HE - Q2 2007 Amer Sports Oyj Earnings Conference Call

Tia Lehto - *Carnegie Investment Bank - Analyst*

And then on the cost base, will you continue to invest in marketing and IT also in the latter half of the year?

Roger Talerio - *Amer Sports Oyj - President and CEO*

Now we have to remember that in the first -- not only in the first part but also in the second part, we are rolling out our SAP program in United States. So Wilson is a big roll-out this year. So that's why there are more expenses in the books than in the previous years. And they will of course continue throughout the year.

When it comes to marketing charges, I don't -- unfortunately I can't answer your question. I don't have in my head the periodization of the Wilson marketing charges. There is certainly something coming up on the full year but I don't know if it's equally to the first part of the year. But the IT investments they are there because it's a very important investment for us.

The logistics investment, as you know we opened up this new logistics center in -- close to Nashville, [Rockdale]. It's up and running and we are putting more and products into that. We are still in a transition period so we don't believe we will get any extra costs, but the savings, the possible savings of going altogether will then start to materialize in the years to come. Momentarily our calculations show that we are not gaining anything but we are not losing anything either so it's kind of a zero/sum gain. But there will be gains going forward. But it's not forward second half of this year. It's in the coming years.

Tia Lehto - *Carnegie Investment Bank - Analyst*

Then a last question, I know that you answered it already partly in the beginning, but typically you know the pre-orders already mid-June, end of June, and obviously the season started a little bit later. But didn't you know already at the end of June that you wouldn't reach the EUR120m EBIT target?

Roger Talerio - *Amer Sports Oyj - President and CEO*

No we didn't, because as we said in the Q1 report, the pre-season bookings are about three to five weeks late compared to the year before. So we got orders much, much later than before. And the second thing is we couldn't see the mix and the volume differences on a big scale. And the reason for that was that there were so many differences between one market area and another market area. As I said Germany, Austria, some markets were very hardly hit and other markets were less hit in that sense.

So we were in a very let's say difficult situation in May, June, all the way into July, not really having a grip on where we stand. Not that we didn't know where we had our numbers, but how were the numbers related to the market and to the dealers. The dealers really wanted to take the opportunity to look at the market situation, to look at their inventories.

The other very important thing was here, to mention here in detail though is that the rental operators which were quite important this year, they had a pretty good season this year, a lot of the rental operators are also dealers. And we said that we expected a good rental return on pre-season bookings. But what happened, which was a big surprise for us, was that the rental operators they had a very good year, there was a lot of renting skis, people rented more than before. But what we did not expect was that they took their skis they had in season and they moved them over to rental for the next year.

So that made a mismatch in our calculations in the beginning. And we got to understand is when we had finished the deals in the rental operators. And they are always much, much later than the normal shops. Why? Because when they stop their exercise here then they usually go for holidays. And then when they come from holidays they start to do preparing next season etc. And then the last part usually is then they start to look at their parts, what they're going to buy and so on.

Aug. 09. 2007 / 8:00AM, AME.HE - Q2 2007 Amer Sports Oyj Earnings Conference Call

So I think there was a very natural delay of where we were the year before. Normally we know in June. We normally know mid to end of June. This year we didn't. We knew it in the beginning of August.

Tia Lehto - *Carnegie Investment Bank - Analyst*

Thank you.

Unidentified Audience Member

I have a couple of questions here. First on the first one in the beginning about abnormal net financials figures that you had in Q2?

And could you also comment a little bit on the relative profitability of Salomon's and Atomic's winter sports businesses?

And finally, if it turns out to be a good season how well will you be able to supply the market?

Roger Talermo - *Amer Sports Oyj - President and CEO*

I will answer first the profitability question then the supply issues and then Pekka Paalanen takes over the net financials as he's in charge of that part.

Salomon and Atomic profitability, in relative terms Atomic has a better profitability on the equipment side. We knew this, we are working on this on the Salomon side, but we didn't get there yet because we had to do and we're still doing a lot of changes. You know that we have downscaled their factory in (inaudible). We have changed a lot of ski production to Romania. There is a lot of things going on with internal planning in Salomon. So -- and we know we have been heavy there in organization. So clearly Atomic profitability has been better overall than Salomon.

However, as I said, the good news is that the profitability, the gross profit per product has been on a very high level on Salomon too. So the average net sales price has been on a high level too. But the cost structure has been partly higher.

So I think there it's a question of balancing it out. And same thing, vice versa with Atomic boots, the profitability has been much weaker than with Salomon boots because of the volume effect and because of maybe the experience of making boots for a longer time in a different way.

So in skis Atomic has been in charge so to say and in boots Salomon has been in charge.

What comes to the supply of '08 and the possible question there, this is a tough call. This is a very tough call. If we assume that there is a lot of inventory and the season is normal or a little weak, there will be no supplies whatsoever. If it will be a super flourishing winter with a lot of snow, there's a possibility for supplies.

Now I don't know what our competitors have done in terms of cutting production. What I read from the papers is that some of them have made 20%-30% reduction in their production planning. And that would then quite well match with the current situation. Whether then that holds true for all I doubt because I think there is quite a lot of smaller suppliers that cutting their production with 20%-30% they will be so far under the water that I don't know how they can surface when there -- or if there is not somebody backing them up.

So I think there is a risk that there will be, and I'm referring to what I said earlier about the price, possible price wars or possible discounting. But there will be some oversupply at the beginning of the season. But that's the beginning of the season. And I

Aug. 09. 2007 / 8:00AM, AME.HE - Q2 2007 Amer Sports Oyj Earnings Conference Call

don't think that dealers will have a lot of hoping to buy in the beginning of the season or if they have they probably will try to shop that in a proper way.

So that's impossible in today's environment to answer whether this will be short-term dip down of supply or lot of supply. Both can theoretically appear. However, I think the likelihood of being short of supply is smaller than being lots. I would think it would probably be more available products than shortage.

And then Pekka Paalanne, please could you answer this financial charges question?

Pekka Paalanne - Amer Sports Oyj - SVP and CFO

So the question relates to this interest rate swaps, okay. So as a rule we use derivatives to hedge interest rates on our debt, so that is (inaudible). We decided in May to enter into the bond market so we made EUR150m bond issue. Simultaneously we paid back EUR150m from our existing long term credit facility, the one which we made one and a half years ago, not to increase the amount of net debt overall. Attached to that loan facility we had interest rate swaps which according to IFRS had to be sold. So -- and that resulted into net gain of EUR6.4m when that transaction was done. So it was a consequence of basically entering into the bond market, okay?

Roger Talermo - Amer Sports Oyj - President and CEO

Okay. I think we'll shift over here if you don't mind to the international audience and see if we have any questions coming from that side. Please, the international audience please?

Operator

(OPERATOR INSTRUCTIONS). We appear to have no questions from the telephone lines at this time.

Roger Talermo - Amer Sports Oyj - President and CEO

Alright, if there is any more questions here in the local audience we can still take one or two more and then I think we'll cut the session after that. No more questions here in the audience. Thank you very much both the international audience and the local audience and we'll come back then in our Q3 presentation. Thank you very much.

DISCLAIMER

Thomson Financial reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES THOMSON FINANCIAL OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2007, Thomson Financial. All Rights Reserved.