

FINAL TRANSCRIPT

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AME.HE - Full Year 2008 Amer Sports Oyj Earnings Conference Call

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PRESENTATION

Operator

Good afternoon, ladies and gentlemen, and welcome to Amer Sports financial statement 2008 hosted by Tommy Ilmoni. My name is Ina, and I'll be your coordinator for today's conference. For the duration of the call you'll be on listen-only. However, at the end of the call you'll have the opportunity to ask questions. (Operator Instructions) I'm now handing over to Mr. Ilmoni to begin today's conference.

Tommy Ilmoni - *Amer Sports Oyj - VP - IR & Corporate Communications*

Good afternoon, ladies and gentlemen, and welcome to Amer Sports Q4 and 2008 webcast and conference call. We published our Q4 and 2008 numbers two hours ago. And with me here I have CEO and President, Roger Talermo, who will go through the business highlights, and the CFO, Pekka Paalanne, who will discuss the financials in more detail.

CEO Roger Talermo will start by giving his presentation followed by Pekka Paalanne, and then after that we'll close it up with a Q-and-A session. Now, I'd like to hand over to CEO, Talermo, please.

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

Good afternoon, ladies and gentlemen, and also on my behalf welcome to this web information on our fullyear and Q4 numbers and results.

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The net sales of EUR1.576 billion compared to last year of EUR1.652 billion were equal in local currencies, but of course decreased in reported currencies. EBIT, EUR78.9 million compared to EUR49.5 million last year. It's in progress. But this includes the capital gain of EUR13 million from selling our corporate headquarters in last April.

And as you have seen reported, earnings per share EUR0.47 compared to EUR0.25 the year before. Evidently, in these numbers, as you know, we had last year quite a few restructuring charges, and this year we also have some charges or incomes of, let's say, one-off nature.

The Board had today decided to propose to the AGM a dividend of EUR0.16 compared to EUR0.50 last year. We are aware of our financial situation from a balance sheet standpoint, and of course this will -- as you will hear a little bit later -- be certainly one of our priorities to go forward.

There is probably three important things to mention, to really highlight, from our past year. First of all, on the positive note, our Apparel and Footwear sales moved very well forward, gained shares, and the business grew with 19%. So we are quite pleased with the continuation of growth in this market. Our restructuring of our Winter Sports equipment business, that was a -- the three-year plan that we decided upon in 19 -- 2005 -- end of 2005 when we bought Salomon is now completed. So we worked through the three years as we decided in the beginning.

However, I have to say and admit that there were much, much more work done than we originally planned. It's almost up to 1,000 people less in this business in the Winter Sports business than we had when we started. The -- and that's positive news that we are now up and running on this side. And we should be able from the current setup to be competitive in terms of producing good products, and also being cost-efficient in the manufacturing.

On the negative note, it's evident that our great disappointment was the sales and the profitability of our business in Fitness. One could even call it the collapse, as the result really went down, especially due to the environment in United States, driven by the home fitness equipment, which we have actually reported earlier.

If we only look at the Q4 we have to say that of course it's evident that our sporting goods business is not in any way different from any other businesses. And we are affected by the financial crisis like anybody else.

On the Q4, our net sales decreased with 3%, and was EUR495 million, so we have -- so a little weaker Q4 than the other quarters. Our EBIT was EUR35.2 million, but that number includes a voluntary recall which of course generated costs around about EUR6 million from our Mavic component business, and I'll come back to this little later. And just to remind you that the last year number was including the EUR42.7 million restructuring cost for our Winter Sports business.

We have already in the Q4 started to actively work on our working capital, and to adjust our organization to current market conditions. We have done a lot of work there. It's a very strong programs that's going forward that hopefully will then reduce strongly our working capital for this current year.

If we look at the Q4 highlights compared to our earlier thoughts going into fourth quarter I think that a little bit -- maybe a little surprising for us was that reorders of the Winter Sports equipment business were lower than we anticipated. You probably all know that there is excellent snow conditions everywhere in the Alps, and my read on this is that the dealers were cautious. They wanted to show as strong balance sheets as possible going in, in the year 2009. And I have to say that coming back -- a little bit jumping ahead here, but coming back from the big trade shows that took place this week and last week, the mood is quite positive in all the main markets in the Winter Sports business.

But though there are still seasons to go. This winter, however, it's on the 2009 year side. But it gave us a slower end of 2008 than we anticipated.

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Also we saw some slowness in the commercial fitness equipment market towards the end of 2008, which clearly was reasoned by the fact that the planned openings and new openings of fitness clubs did not materialize the sales volume as planned, because of the financial situation. And as I already mentioned, the good progress in Apparel and Footwear continued in a very positive way.

And very briefly going through some of the numbers -- as Mr. Paalanne is coming back to these numbers a little later, and I don't want to take the story off from him. But if we look at the Q4 in the different segments compared to the full year like for like '07 to '08, we can see that the Winter and Outdoor business took up a little speed, which is certainly related to the good snow conditions.

So we grew in local currencies -- just to leave it somewhere -- 6% in the Q4. So we got a good 5% growth on the annualized numbers for our Winter and Outdoor.

Ball Sports went down 2%, compared to 1% of the full year. So there was a little more downward trend in the fourth quarter. And also the Fitness business deteriorated more in the fourth quarter than the full year. Mainly both Ball Sports and Fitness degradation comes from the US market.

If you look at the EBIT level, it follows very well the -- more or less the same pattern. In the Winter and Outdoor we were up 5% year-on-year -- on quarter. And a very strong improvement overall on the full year from EUR20.9 million to EUR41.1 million, very much driven by the first results of the 2006, 2007, 2008 restructuring of Winter equipment, and then the good float of the Apparel and Footwear, that also improved of course its profitability.

Ball Sports profitability went down quite a lot in the fourth quarter, very much driven by the Team Sports closing out end-of-year inventories, which is the main driver of this.

Likewise, Fitness had a very bad, very tough fourth quarter. And actually the numbers were negative on the quarter. But it's evident that here also as we close the books we take all the necessary measures to have a clean year going forward.

And unfortunately, the real loss, the real disappointment for us was that Precor EBIT profitability went from 36 -- EUR37.2 million to EUR3.8 million. Headquarter on the paper improved a lot. But don't forget, here it's the gain that we booked in these numbers for the sale of the headquarters building.

And if you look at the business area information from a sales perspective you can clearly see that the real issue lies in the Fitness equipment, which then went down 20% year-on-year, and likewise Apparel and Footwear that went up 19%. Golf went down 15%, but here again I have to remark that in 2007 we still had Humboldt golf ball factory which was discontinued, that sold OEM products, and also the distribution that we had in our own hands in Japan was also discontinued, which were the two big loss-making areas.

Otherwise, it's more or less, I would say, flat with either equal sales or 1% up, which is almost equal sales.

Now, if we look a little bit more in detail on the different things -- I don't want to repeat too many things here. But if you look at the Winter and Outdoor Q4, as I said, good -- small improvement, but still not as much as we expected. Profitability improved very well due to the cost-cutting measures. And it will continue to improve because here, as I'm stating a little bit further down, is that now in 2009 we should really see the benefit of all the issues that -- or all the measures that we've taken over the year.

Apparel and Footwear, goods growth. The strong trend continued throughout the year, and the profitability is on a good level. So we're very, very pleased with that development.

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Cycling, a small growth, not too much. But all in all quite, I would say, okay year. The underlying profitability is good. Unfortunately, we had to recall this R-SYS wheel, which is a product -- front wheel which is made out of carbon, and we have had some technical issues, so it's -- it was wise for us to recall that product. And now we have solved the issue, and can forward in a positive mood.

Sports Instruments declined with 3%. However, we have to specify that the trend of wrist-top computers, especially t-line, which is our training line heart rate monitors, and the outdoor line, which is the core line, they grew very well. Why then the Sports Instruments' Suunto brand went down 3%; it was very much due to the fact that the diving market was in a very, let's say, difficult environment, due to a lot of diving business done overseas beyond the traveling in the resorts.

So our outlook for 2009 year, the current year, is that we think that the Winter and Outdoor segment is going to improve, because as I mentioned the full use of the restructuring will be applied. So we think the -- especially the equipment business is in good shape going forward, assuming though that the volumes are remaining on at least on the current level. And there should be no reason why at least in the beginning it shouldn't be the case. As I said, dealers look quite healthy. They are still careful and cautious, that's sure, but the business has gone pretty well through to consumers.

The only area which I would be little careful of putting in this context is the West Coast of United States. As you know, going to the Rockies you have to travel quite far and therefore that market most likely is going to suffer more than any other market. And we know that, for example, during the recession in '92, '93 or early '90s, especially the Europeans tended to stay on car distance from their homes, and that helped certainly the Winter Sports business in Europe. We see a little bit the same trend in -- on the East Coast, United States where business has been quite okay.

Footwear and Apparel business, the order book looks okay. We have very good spring bookings, which is half of the year. And we're just in a position to take orders then for the autumn time. And, as I said, at least the market should be quite cleaner. Inventories are on lower level than the previous year. But so far that looks quite okay.

On the Mavic I would be little bit more cautious, reflecting the uncertainty which we feel that exist in the bike market today.

Suunto are expected to grow, and mainly through a very ambitious plan to continue to push the t-lines, and also through the fact that we are opening up new channels of distribution. And we have quite interesting new products in the pipeline that we are going to introduce in April. So there is something to look forward. And we believe that that would be quite interesting. So overall, this sector, this segment should be improving its results.

Then if we look at Ball Sports, as I said Racquet Sports is down 1% and mainly due to the weakness in United States. Europe has been pretty good, pretty solid. However, the customers are cautious also here in every market. And the profitability of Wilson Racquet Sports have maintained strong positions throughout the year.

Team Sports grew a little bit, 3%. But as I said, there was a close-out session at the end of the year to sell out excess inventories. And we can see a price competition that is most likely intensifying a little bit. So there is a small concern momentarily, but we'll see, that might turn out to still be improved.

I would like to remind you that most of the Team Sports business is done in United States. And in the United States, as you probably are well aware of, most of the big dealers, big boxes, who are the big sellers of Team Sports equipment, they're -- they close their books by the end of January. So at Christmastime and just after Christmastime, it's still what I would call a de-stocking period. And then we'll see what happens in the February, March. This was at least the case in the 2008 numbers.

Golf, I already mentioned, that was down due to exiting some of the businesses. The good news in Golf is that we clearly see the mix improving in United States. We have a very good mix in Europe. We have a good mix in Canada and Asia. But it's really driven by the lower mix in United States why the unprofitable business has been as it's been.

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And now we can see not only due to the fact that Harrington has become very popular, and really it's giving us lot of credibility, but also because our strategy based on irons is really working. And so we are somewhat optimistic on this [market].

I don't believe -- and our Company's view is that we probably will remain pretty close with our sales this current year compared to last year. Evidently, we believe that Racquet Sports and Team Sports businesses will maintain their very strong leadership position. And we think that Golf will improve its business through the mix improvement.

However, it's still -- as we all know, it's impossible to say how the North American economic environment and the consumption will develop, and therefore I think there is a certain amount of uncertainty in our outlook going forward.

This is certainly true also for our Fitness equipment business, where as we have seen, the Precor net sales were down 36% in the Q4. And we also, as I mentioned earlier, see a little bit of degradation of the commercial equipment market.

Customers are just simply very cautious, and they are concerned about the general economic outlook. Here, probably more than anywhere else, the tight credit market plays -- takes its toll. Because it's evident that to finance equipment, finance new club openings, it's not very, very easy at this point of time.

And just to illustrate a little bit the home market, we can see that our business in the consumer or home market is 13% of our fullyear sales when it was 26% last year.

We have taken several very important cost-cutting initiatives so that we could balance out the accounts in a better way this year. Evidently, the shockwave that hit us in 2008 were big -- so big that we could not cut immediately -- we could not take the initiative right away that would have had impact to offset the whole drop in sales.

We have continued, will continue, and we certainly believe that this is an opportunity going forward. However, it goes without saying that the game here, we don't have a crystal ball. And in short term, the outlook for Precor remains pretty uncertain.

We think that the tight credit market is the number one negative driver in this case. And this is what pushes our dealers and even consumers to postpone their purchase of new fitness equipment.

Said that, there is a strong belief though that the long-term fundamental driver in the Fitness market, which is to stay healthy, to keep on good work -- keep on working out, and to really have bigger and bigger masses behind this kind of -- let's call the fitness trend or health trend, it's certainly going to be there. So we think that the day when it starts to recover, most likely Precor will recover quite rapidly.

Now, I would like to hand over to Mr. Pekka Paalanne, our CFO, that would take you little bit more in details through our financial numbers. And then I would come up back a little bit later with the outlook for the short term. So Pekka, please.

Pekka Paalanne - *Amer Sports Oyj - CFO*

Good afternoon also on my behalf. I will pretty much focus my part by talking about the debt, and the debt situation. But before going there, first, few key ratios.

Earnings per share was, as already mentioned, EUR0.47 per share, and the corresponding earnings per share of 2007 was EUR0.70, so before these restructuring costs.

Equity was around EUR7 per share, which means that they stayed pretty flat compared to previous year. Net debt was up roughly EUR25 million compared to previous year, being EUR615 million. Equity ratio also stayed flat, around 31%. And gearing, as a

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reflection of the slightly higher net debt amount, went up from 115% to 121%. And then the other two equity-related measures, return on equity 6.7%, and return on capital employed 7.9%.

Then moving on to net debt, taking out the longer perspective to it and so one more time I'd like to draw the attention that -- everybody's attention that 2005 recorded a significant increase in our net debt was due to the Salomon acquisition. And as we fund the acquisition 100% with debt, and since 2005, our net debt has remained on roughly EUR600 million level.

Then moving on to the end of 2008, debt breakdown -- I'll take a little bit more time here. So end of the year our interest bearing gross debt was EUR688 million. And in the annual -- in the balance sheet the split between short and term -- short and long term and short term was EUR508 million, and break -- broken down in the following way.

We had EUR113 million domestic commercial papers outstanding at the end of the year, and maturity of these papers is less than six months. Then we had drawn EUR255 million out of our syndicated credit facilities, so the total amount of credit facilities, EUR325 million. And so therefore we had an unused part which was of EUR70 million end of the year. The maturity of our syndicated credit facility is 2011 and 2012, but the great majority of that expires 2000 -- end of 2012.

Then we had EUR75 million domestic bond. The bond which will be repaid spring of 2009. Then we had other short-term bilateral bank arrangements amounting to EUR65 million.

On the long term side, then we had as part of this syndicated credit facility \$100 million amounts -- in euros, EUR72 million end of the year, and of course also expiring in -- mostly in -- end of 2012.

Then we have the -- another EUR75 million domestic bond, which will expire in 2011. And then we have some pension loans, and some smaller amount of other. So that was the breakdown of our debt in the balance sheet, end of 2008. And so we had end of the year EUR130 million total rather unused omitted credits.

The last one is the gearing. Again, the longer development of our gearing. So basically there is the same reason, the acquisition, which took our gearing up to about 100%, and it has stayed there between 100% and 120% during the following years. So now it is -- and certainly now will be even more important that we will get to our -- what we call a comfort zone in terms of gearing, which is around 60% to 80%. And the measures have been taken to fast approach the target levels.

And I think that Roger Talerio will actually cover a little bit more in detail some of these measures we have taken.

Roger Talerio - Amer Sports Oyj - President & CEO

Thank you, Pekka. Evidently, as Mr. Paalanne mentioned, our really biggest challenge today without making it dramatic, because that's not the case, is to assure that our gearing is going down and our balance sheet is strengthening.

Already with the uncertainty in the market I think this is a must. And we are looking at all possible measures to improve our balance sheet going forward. The evident operational issue is to maximize our cash flow by working capital reductions. We have a very important program that has been already put in place, and you probably know that we created something that we call the supply-chain management and IT, which we put together as a new headquarter organization.

We have a new guy called Vincent Wauters who is really a specialist in supply chain. And this way we give much more attention and really strong -- we actually have a 16-point program -- strong priorities to improve our working capital during this upcoming year. We should see the effect right away.

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So it's both on the DSI levels, the inventory levels, and likewise on the DSOs. Evidently the DSIs was the tough call this 2008 as their consumption in a way came to a slower pace. And as you know, we have lead times usually which are longer than just two, three weeks as the sales -- slowing down of the sales came quite quickly.

Also CapEx management is something which we have control very, very sincerely. We are only investing in what is really necessary and where we have a very short term payback, not to forget to invest though in products because we have to also remember that the products and the good margin that we anyway manage to maintain, is really key for not only the short term but also the long term.

We have put in place a program that we are going to reduce OpExes, operating expenses, and we're very, very tight on not to increase anywhere where we don't necessarily need to increase. And the contrary, in quite a few places we're actually budgeting going down with our operating expenses.

Also on the COGS, that is to say, cost of goods sold level, we are doing everything we can to reduce our sourcing costs. And in quite a few cases that is possible as the market now is turning more favorable for negotiating new price levels. However, it's not only cost cutting because I think it would be very, very dangerous to just try to cut costs.

We have also identified nine very important programs that have to meet to longer term effect that can and should drive our sales increases. So we're not completely out of looking for sales opportunities. It's not only short term capturing more shelf space and more share of mind with consumers, but it's very much also to continue to innovate, have new innovative products.

And this way, give priority in the mindset of people on good new products that then of course hopefully can drive our margins. And I probably have to say that 2008, one of the successes, if there were any real successes, was our success of launching new good products in many different categories. That certainly was one of the reason driving good margin levels throughout the year, as we didn't see a deterioration on the margin levels.

And all this, as I said, to improve our gearing and to assure that the priority is to strengthen our balance sheet.

I know that you all want to have an outlook on 2009, but I also have to admit that to have a crystal ball in this environment is really tough. We think we will improve because we have taken so many measures over the years that will have an impact on 2009. So it's mainly on the bottom line we feel that this is where we can really do with things.

We cannot influence general trends, so it's hard to say what the topline will be. But we will do our utmost in everything to really push the topline too.

We are not too pessimistic on all fronts, because as I had mentioned earlier, the trade shows in Europe, now in January, has been very positive. Also, in other countries, especially in certain markets, we are actively continuing to improve our position, and we think that in the hit we took in 2008 were so sudden that we were not able to react.

And I don't know who could, but we have been reacting, we have taken immediate measures, and therefore we think that 2009 should give us improvements. However, to predict the topline is very difficult, and therefore, we do not have an official forecast or outlook for the topline going forward. But I can assure you that we'll do everything to fight for market share, and we are in a good position to do it.

That concludes our presentation. And now I would like to hand over to you. And we're ready to answer any question you have. So please, if there is any questions, don't hesitate.

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QUESTIONS AND ANSWERS

Operator

Thank you. (Operator Instructions) The first question is coming from the line of Fitz Peters, from Goldman Sachs. Please go ahead.

Fitz Peters - Goldman Sachs - Analyst

Good afternoon, gentlemen. A couple of questions. First off, you talked about working capital and the inventory being a bit difficult. Could you talk a little bit more about that, kind of with regard to the different segments, and also talk about the rest of the working capital situation with the receivables and payables?

Roger Talerio - Amer Sports Oyj - President & CEO

All right. As you know -- I'll start here and I'll hand over to Mr. Paalanne after that. As you know, we have an increase of EUR50 million from last year roughly, in inventories. All in all, as -- I also mentioned that our spring bookings on Apparel and Footwear are good. And that the winter market is in good shape now from a snow perspective.

We make roughly about 10% of our total annual years in winter equipment, in January-February. And our orders for the spring in Footwear and Apparel are clearly up, double digit numbers. So quite big chunk of our inventory is accurate. There's very, very few really old stock there.

And as I said, one reason why the profitability, for example for Wilson, was down a little bit was that we tried to clean a maximum of inventory in the United States. So all in all, yes, we have a worse position from a value perspective, but we have a okay position from a let's say -- from a valid new products perspective. So we do not have obsolescent inventory to any, I would say, excess degree.

And I will (technical difficulty) for Mr. Paalanne, something to add here, I would hand over to him.

Pekka Paalanne - Amer Sports Oyj - CFO

Yes. Maybe I've got a few comments on this. Absolutely, the quality of the inventory is good, there is no -- nothing there. The fact that we have -- we ended up the year with a kind of a higher-than-anticipated inventory is that -- is really due to the fact that it was little bit challenging for our supply-chain organization to manage the big fluctuations in the demand of the products.

In some cases, the demand was so high that we had to take -- to secure the -- to be early in the shops, springtime, that we had to take the products out earlier than we would normally have taken them. And that of course then unfortunately had a little bit negative impact to the yearend inventory levels. But -- so that's one example. And then of course there are other examples that were recorded.

The demand towards the end of the year was a little bit softer, and therefore we ended up with slightly higher inventories than what we anticipated. So that is regarded -- as already mentioned, it's regarded as an area where we not only -- where we really -- we really got to focus now this year. And in terms of management, better the supply chain now going forward in various areas.

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Fitz Peters - Goldman Sachs - Analyst

And also with regard to receivables, are you having to extend terms? Are you having increased -- increasing difficulty getting payment from customers?

Pekka Paalanne - Amer Sports Oyj - CFO

No, actually we certainly watch very carefully the receivables development, and in -- because the current business environment of course would imply that the risks would go up and -- but we don't really have -- we very rarely actually experience anything difficult in significant -- and bad debts, and it has lot to do with the fact that our client base is so diverse that we really (inaudible) bad debts.

However, last year we had clearly more than ever got bad debts at Precor, where the retail, the dealer network which is really dealing with the consumer products actually, it really felt the slowing down in the business. And quite a few of them were not in a very strong financial position. So we had -- we ended up having a fair amount of bad debts, and of course that is included in Precor's results.

But other than that we don't experience any difficulties during the collection, particular problems in collection, but are very focused now to keep everything under control. At the same time we don't actually experience also particularly pressure on extending the terms.

Fitz Peters - Goldman Sachs - Analyst

Right. Now in the last call you had said that it was very rare that you had -- on the Winter Sports side it's very rare that you would have order cancellations, but at the same time you wanted to make sure that you weren't bankrupting the retailers. Has that become an increasing issue? Have you been seeing an increase in order cancellations?

Roger Talerio - Amer Sports Oyj - President & CEO

No, not really. I think actually there was not really anything to mention in order cancellations. What we were missing was roughly about EUR10 million in pre-orders. So it wasn't booked orders, but we had anticipated a little bit more. And this didn't materialize. So not really.

And we have been pretty firm on that, that we don't book orders if they aren't sure orders. Evidently, you can't be 100% sure, but we haven't had any cancellations there. I think it is more a question of what is then the total amount that we can get through the sales. But so far nothing on that side.

Fitz Peters - Goldman Sachs - Analyst

Okay. All right. Thank you, gentlemen.

Roger Talerio - Amer Sports Oyj - President & CEO

Thank you.

Operator

Thank you. The next question is coming from the line of Maria Wikstrom from Handelsbanken. Please go ahead, Maria.

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Maria Wikstrom - Handelsbanken - Analyst

Yes, this is Maria Wikstrom, Handelsbanken. I have basically two questions where the first one relates to Winter Sports equipment. Some -- and last year you said that you lost some EUR27 million in the Winter Sports equipment business, and I would like to have a bit of a feeling that -- are we currently in the breakeven level, where we are at the Winter Sports equipment profitability.

And second question is on the Precor business side. You said that you cut off 40 jobs during Q4 from fitness equipment segment, but is that really enough, to defend for the weaker market? And would you see similarly? Are you -- do you see that the possibility that we see that 2009 will be completely in the red figures for the fitness equipment segment?

Roger Talerio - Amer Sports Oyj - President & CEO

Now, those two questions, one what concerns the Winter Sports, this equipment business breakeven. No, we weren't 100% in breakeven yet. We're very close, but not completely there, due to the fact that, as you remember, in 2008 we still had almost full production of skis in France. And we did all the restructuring in 2008. But that should be now behind. And at least if it stands like today, 2009 should be okay. So the answer is here that not yet, but going very strongly in that direction.

What concerns in Precor, what's enough, and what's not enough, we have done a lot of things. Now, of course in United States or -- we don't have had the habit to always tell how many people we have reduced from the different entities. But very recently we have laid off almost 80 people in the Seattle area. And -- now, unfortunately there is some voice coming through. I hope you are okay there.

Yes, so we have reduced people there. We have taken a lot of measures. And as was mentioned, we have also booked some reserves going forward.

If business continues on this low level, we should be okay we -- not a great result, but we should not go into the red. And then we are still taking in measures, we are still doing things to -- we are doing utmost to improve the profitability of it. And then of course we wait until the tide turns, so to say, and then we should be quickly into strong profit numbers again.

Maria Wikstrom - Handelsbanken - Analyst

Okay, thank you very much.

Roger Talerio - Amer Sports Oyj - President & CEO

Thank you.

Operator

Thank you. The next question is coming from the line of Laurie Pietarinen from Ohman Securities. Please go ahead, Laurie.

Laurie Pietarinen - Ohman Securities - Analyst

Good afternoon. I have several questions, please. The first one, I would like to -- for you to walk us through how you are actually going to cover the bond loan that is maturing in May. If I understand correctly, you have commercial paper of EUR130 million outstanding, and a bond of EUR75 million. And if you were unable to refinance these, your committed credit limits, or total

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unused credit limits of EUR130 million would not be sufficient for covering that, so could you walk us through how you have planned to handle this?

Pekka Paalanne - Amer Sports Oyj - CFO

So we have -- repaying this EUR75 million, we have a -- as I said, we have EUR130 million committed lines end of the year, so we have more than enough to pay back this EUR75 million.

Laurie Pietarinen - Ohman Securities - Analyst

But if you are unable to roll over the commercial papers that are maturing?

Pekka Paalanne - Amer Sports Oyj - CFO

There is a -- we have roughly EUR600 million committed lines for this year, which means that we are -- we should manage to get our normal working capital needs with the committed lines we have. And we also, as already referred by Mr. Talermo, so we are also looking for other measures to further strengthen the balance sheet.

Laurie Pietarinen - Ohman Securities - Analyst

Okay. But if you wouldn't have these other measures and the commerce -- would you be able to handle the situation if the bond would not rolled forward?

Pekka Paalanne - Amer Sports Oyj - CFO

I think that we will not have a -- we've got to manage the working capital as we have planned. And the measures we have taken and the measures we are going to take, we have more than enough to cover all working capital needs.

Laurie Pietarinen - Ohman Securities - Analyst

Okay. The second question relates to the guidance. Did I understand that you are looking for the EBIT to improve in 2009 versus 2008 on the reported level, so including the fact that you had a capital gain in 2008?

Roger Talermo - Amer Sports Oyj - President & CEO

Yes. Our guidance is that the EBIT level should improve.

Laurie Pietarinen - Ohman Securities - Analyst

The reported -- including everything?

Roger Talermo - Amer Sports Oyj - President & CEO

Yes, that's how I would say it is.

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Laurie Pietarinen - *Ohman Securities - Analyst*

Okay. And one final question is on -- still on the working capital side. You initiated the inventory reduction program almost two years ago, which was -- which had a goal of reducing inventories by 100 million. How is this program progressing? And what are the additional measures that you are at the moment considering?

Pekka Paalanne - *Amer Sports Oyj - CFO*

First of all, I think the -- I don't know if you are referring to this inventory reduction program of EUR50 million, which was -- which we did when we -- fairly shortly after we acquired Salomon. That is the one I can at least recall. So we have made a -- if you could really go back to those days, and so lot of the improvements have been done. For instance, also including last year, the inventories in Winter Sports equipment went down compared to previous year. So we made a progress.

Did we meet the kind of expectations on winter? I think no, we did not. And that was because we ended up a little bit lower by revenue as compared to what we had estimated. So we have made programs. We have made progress, and we continue to make progress this year.

Likewise, then on the -- in the Salomon soft goods, we have made a significant progress since the acquisition. What happened last year, and what really -- that I already explained -- that there is so high demand now for some of Salomon products, and because we've got capacity constraints in Asia, so we have to actually take a conscious decision to bring the product forward so that we can supply the market in time.

So that for sure now -- then had a negative impact, but basically that the progress has been made.

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

I can add on this that when Mr. Paalanne referred to capacity constraints in Asia, our main supplier on the Footwear side, their sales in 2008 compared to 2007 were up 30%. So there's been really a struggle. And then of course all the cost increases that were foreseeable in the Chinese market. So there was lot of good reasons at that time to do this way.

Laurie Pietarinen - *Ohman Securities - Analyst*

Okay. If I should think about the working capital difference going into 2008, end of 2008-2009, what kind of -- how much do you think that you could extract cash flow from the balance sheet based on how you see the situation at the moment?

Pekka Paalanne - *Amer Sports Oyj - CFO*

So we have -- let's say that without actually now giving a very specific number, but I would say that already during 2009 we should be able to make significant reductions in the inventories, and then continue from there. And significant for me means at least around EUR50 million.

Laurie Pietarinen - *Ohman Securities - Analyst*

Okay. Thank you.

Operator

Thank you. The next question is coming from the line of Peter Testa from First Investments. Peter, please go ahead.

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Peter Testa - *First Investments - Analyst*

It is Peter Testa, hi. A couple of questions please. Firstly, just on the outlook, on Winter Sports, could you give a sense as to whether your feeling is that the cost reductions will be retained versus re-invested to support growth?

And then secondly on Ball Sports, you are talking about the stable outlook for 2009, but you -- so the business development through the year was difficult. And you described it as an uncertain US situation. Can you explain why you think it will be stable? And then I have one more question.

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

Your -- as you're referring to the Winter Sports cost reductions and gains, whether we are going to put them back into the business, I don't think it's necessary to do that in this environment. I think we should show decent profits before reinvesting in the Winter Sports business.

I think our cost levels today in general to the volume that the market is generating, and we in that market with approximately one-third of the Winter Sports business, the costs are too high, just put it simply.

I don't think the market requires more investments or expenses to -- either to maintain or improve our share. I think the improved share comes from a more efficient approach to get the products on the shelves. We have very good network and contact with our dealers. And then really the most critical thing is that we continue to develop new, interesting products. All the other mix elements, I would say, is more or less there.

The only area where I -- without disclosing any details, the area where I think we would need to improve and where probably we would need to fund it from the existing cost base, I will say we would just shift from one side to the other, it's digital marketing. But apart from that, there I think the benefits should then come in terms of profitability.

Then your second question was Ball Sports business, Racquet Sports business, and Golf business, equal level. And if I understood your question correctly, you question how can we keep it on level? I don't assume you say why don't we grow it?

Peter Testa - *First Investments - Analyst*

Yes, it's that. That's right, yes.

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

And it -- I have to say it's a tough call. I don't really have the crystal ball here either. However, I know what product introductions we are going to do. I don't see momentarily that the market with low-ticket items like especially Racquet Sports, where the most expensive product is \$300 or EUR300 racquet. Or the Team Sports business where the most important, the most expensive product apart from maybe some equipment that -- which are particular, is \$300, \$400 bat or something like that. So I don't really see that being that difficult to maintain on a certain level. Might be wrong, but at least today the indication from our network is that this should be sustainable.

Peter Testa - *First Investments - Analyst*

Okay, I guess my question is -- through the -- the -- say business momentum is then a bit worse as you've taken on quarter by quarter, which -- to maintain a level 2009, you would need to see some sort of recovery to reverse that business momentum effect through the year. And I was wondering where the reversal would come from.

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Roger Talerio - Amer Sports Oyj - President & CEO

Well, now I have -- I have to say I don't follow you because why do you think we would need to see a reversal? We should maintain the momentum more or less.

Peter Testa - First Investments - Analyst

Well, the year-over-year development and profits in this business, I know that's very seasonal, but --

Roger Talerio - Amer Sports Oyj - President & CEO

Okay. Sorry --

Peter Testa - First Investments - Analyst

-- the year.

Roger Talerio - Amer Sports Oyj - President & CEO

So if you are talking about profits, I think that momentarily the negative trend in the profits we've had with the Ball Sports business comes very much through the closeouts that we have. And we have taken measures to be much more focused on the buying, and therefore, at least we don't budget or we don't plan to have any closeouts, and therefore, the momentum from that perspective should be okay.

The Golf business should improve in profitability. The Racquet Sports should at least maintain its level. And then the Team Spots should not have the closeouts, and we are reducing OpExes. We have a very clear program to reduce OpExes also in the Ball Sports. So I -- momentarily I think we have the programs in place. And therefore, I'm quite confident today, early season, I have to admit, to say that we should be able to maintain our situation.

Peter Testa - First Investments - Analyst

Okay. And then the last question, you've emphasized a couple of times in the release and verbally that you're looking -- for other measures to further strengthen the balance sheet. Can you give us a sense please as to what this means? Does this mean new debt facilities, new bonds, shareholders' equity, what do you mean by that, please?

Roger Talerio - Amer Sports Oyj - President & CEO

Therefore, we have not specified it because we are going through the full spectrum of all measures that can be taken to improve the balance sheet. And on it, yes, I wouldn't like to specify anything at this point. We have had lot of discussions with the Board even today, and in the management team we have been preparing this for quite a while, and we have different scenarios. And we'll see what -- then we'll come out from it, but we should be able -- if even a small fraction of our plans materialize to improve the balance sheet.

Peter Testa - First Investments - Analyst

But would you exclude showing new equity at least?

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Roger Talerio - Amer Sports Oyj - President & CEO

That's a Board decision. I don't have a -- to answer that question, but it's -- that is not on the agenda.

Peter Testa - First Investments - Analyst

Okay. And then just the other question of course is, you seem to have in mind a view as to where you would like the debt to be. Can you give some sense as to where you would like to have your net debt?

Roger Talerio - Amer Sports Oyj - President & CEO

Let's put it this way, that as Mr. Paalanne was referring to our ideal gearing level to be between 60% and 80%. I don't think we probably will get there necessarily right away, but we'll certainly work -- looking in that direction. And it depends on now again what measures are -- the biking, and what measures are we being able to go through, and -- or take through. And then of course that will be then the end result. But there we're really trying to improve it so that we would clearly go below 100%.

Peter Testa - First Investments - Analyst

Right, okay. Thank you very much.

Roger Talerio - Amer Sports Oyj - President & CEO

Thank you.

Operator

Thank you. The next question is coming from the line of [Khalid Karasinan] from Danske Markets. Please go ahead.

Khalid Karasinan - Danske Markets - Analyst

Hi, this is Khalid Karasinan from Danske Markets. Couple of questions about the Ball Sports business, first about the guidance of maintaining flat sales. Can I assume that's in local currencies?

And second question about the Golf business. Several times during the year you repeated a target of breaking even with the Golf business for the full year. So can you tell us whether you made that target or not, during 2008?

Roger Talerio - Amer Sports Oyj - President & CEO

First question concerning guidance. Yes, in local currencies.

Khalid Karasinan - Danske Markets - Analyst

Yes.

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Roger Talerio - Amer Sports Oyj - President & CEO

Second, breaking even, I would say it's there. Maybe it's just very, very slightly under the tip. It's a question of a rounding issue. It's -- and there is great improvement there. We had -- I think it was 6% improvement in gross profit, and we managed to keep the expenses very low. So we are very close there. So it's fine.

Khalid Karasinan - Danske Markets - Analyst

All right.

Roger Talerio - Amer Sports Oyj - President & CEO

It's not good, but it -- we are where we more or less aimed to be.

Khalid Karasinan - Danske Markets - Analyst

In line with the plans you have, or --

Roger Talerio - Amer Sports Oyj - President & CEO

Yes.

Khalid Karasinan - Danske Markets - Analyst

Okay, thank you.

Operator

Thank you. We currently have no questions coming through. (Operator Instructions).

We have a follow-up question from the line of Laurie Pietarinen from Ohman Securities. Please go ahead, Laurie.

Laurie Pietarinen - Ohman Securities - Analyst

Yes. One more question. You specified that Precor's result included bad debt. Could you specify the magnitude of how much these bad debts were in Q4 and for the full year as a whole?

Pekka Paalanne - Amer Sports Oyj - CFO

The full year we had around EUR6 million.

Laurie Pietarinen - Ohman Securities - Analyst

Okay, thank you.

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Roger Talerio - Amer Sports Oyj - President & CEO

All right, thank you very much.

Operator

Thank you. We have one last question coming through from the line of Tia Lehto from Carnegie. Please go ahead.

Tia Lehto - Carnegie - Analyst

Yes. Good afternoon, and sorry for -- I pushed the one, so -- I didn't know it was --

Roger Talerio - Amer Sports Oyj - President & CEO

No problem.

Tia Lehto - Carnegie - Analyst

Anyway, couple of questions on the Team Sports, you mentioned briefly about price competition intensifying. Could you explain a little bit what is happening in the market? Is it current competition that is intensifying, or is it your clients enlarging their own label brands, or do you see any entrants coming in, or what's going on?

Roger Talerio - Amer Sports Oyj - President & CEO

I have -- this is now my own read, so of course you never know if this is then 100% true. But I have the feeling that in Team Sports it was more the selling for the last, let's say, quarter of the big boxes. You know that the big boxes in United States are the most important, or one of the most important channels for our Team Sports products.

As I mentioned earlier, they are closing their books at the end of January. So I think in December, end of November-December, the competition intensified due to the fact that our suppliers pushed a little bit more. We tried to really get more out of our closeouts as the whole year was more slow or slower than it was anticipated. Not by far, but a little bit slower.

So it could be well like this that the price competition was now -- and assuming that there is not the kind of continuation of this market then, and people buy in, in the proper portion to their sales plans, and they are not too optimistic, which I don't think they are, it might be that this will fade away in the second -- end of first or second quarter.

I don't think in all categories, especially in the Team Sports that the private labels have improved their position a lot. It's quite -- actually quite interesting. In some categories they have improved but in some categories they've gone backwards. And especially with more Internet sales it seems like the strong global brands are clearly being more attractive than private labels, because when you buy over Internet then you get an assurance that this brand is something that can deliver good quality products.

So I think it's my read today -- I might be wrong here -- it's that it was price peak competition during the last quarter of the year. And then most likely that will fade away, assuming then of course that the market doesn't collapse in the first or second quarter.

Tia Lehto - Carnegie - Analyst

What's your feeling on the DeMarini high-margin products, and the demand there?

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Roger Talerio - Amer Sports Oyj - President & CEO

Okay, it's nothing particularly I would say demanding or particularly challenging from that perspective. Still look okay.

Tia Lehto - Carnegie - Analyst

Okay, good, thanks. And another question related to Apparel and Footwear where the demand seems to be good. Could you break up a little bit, is it demand from current customer base and current distribution channels, or are you gaining new markets, new channels, new shops, or how do you see that?

Roger Talerio - Amer Sports Oyj - President & CEO

I would say it this way, we have had this strategy for the Apparel part, Arc'teryx and Salomon to improve the sales per door, and that seems to be the case in these things.

Tia Lehto - Carnegie - Analyst

Okay.

Roger Talerio - Amer Sports Oyj - President & CEO

We are clearly selling more to the current stores. On the Footwear side, however, this is also the truth, but as the demand seems to be very, very strong on the Footwear side we have been very successful with our trail-running shoes and the hiking shoes.

There's also new channels that are opening, especially in United States, where -- which has been one of the target markets to improve our distribution.

Tia Lehto - Carnegie - Analyst

Okay. Thank you very much.

Roger Talerio - Amer Sports Oyj - President & CEO

Thank you. So I think this is it for the questions. I -- on the behalf Amer Sports, I thank you very much for the interest, and we'll come back when we have the next quarterly report.

Pekka Paalanne - Amer Sports Oyj - CFO

Thank you.

Operator

Thank you for joining today's conference. You may now replace your headset.

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