



FINANCIAL STRENGTH TO ENABLE FUTURE GROWTH

September 1, 2011 // Jussi Siitonen, CFO

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Towards the long-term financial targets set in 2010

- Execute the glidepath guided by the long-term financial targets
 - Continue investments in growth categories and distribution to secure profitable growth – long-term
 - Drive scale and synergies in operations not directly related to growth

- Secure long-term financial flexibility
 - Maintain strong balance sheet and actively manage cash flow
 - Ensure access to various long-term sources of funding

- Deliver the year
 - Well sequenced building blocks to deliver results also short-term
 - Contingency plans in case of economic downturn



Long-term financial targets – status

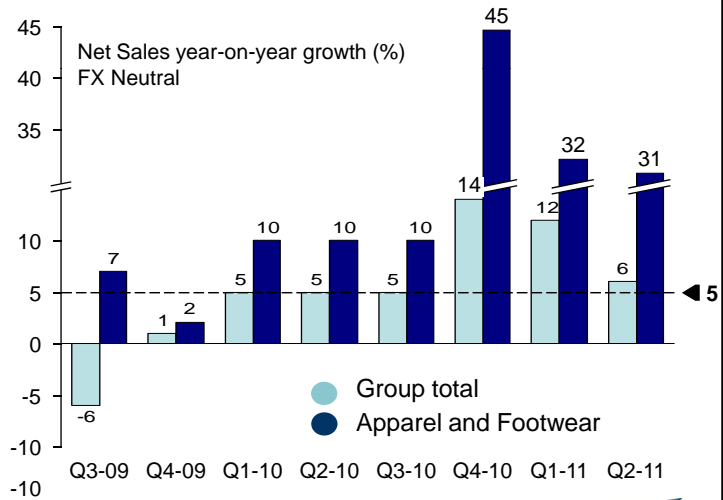
Target		Dec 31, 2009	Dec 31, 2010	Dec 31, 2011
Growth	Delivering organic, currency-neutral annual growth of 5%	-4%	8%	
Profitability	EBIT of at least 10% of net sales	3.2%	6.2%	
Cash flow	Annual free cash flow equal to net profit	C/F of Net Profit 4.5	C/F of Net Profit 0.7	
Balance sheet structure	Year-end Net Debt / EBITDA ratio of 3 or less	3.6	2.2	



Long-term financial targets: **Growth**

Sustainable growth with strong focus on softgoods

- Softgoods up from 20% to 25% of Group Sales. Result of executing the strategic objectives set for Apparel and Footwear
- Pre-orders are indicating that the strong momentum will continue in Softgoods
- All businesses except Golf and Racquet are growing above the group target (H1/2011)



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Long-term financial targets: **Profitability**

Gross Margin level to be safeguarded in 2011

- Actions taken in 2010:
 - Number of SKUs down 19%
 - Improved demand planning
 - Operational efficiency measures in Winter Sports Equipment (full impact in 2013)
- Gross margin pressure in 2012 approx. 150-200bps due to cost increases excluding mitigation actions
- Mitigation actions underway:
 - Category based operations, especially consolidation in sourcing (full impact 2013)
 - Operational efficiencies in Winter Sports
 - Price increases
- Long-term: evaluate options for European sourcing/ in-house manufacturing

Cost Element	% of total COG	Expected Inflation
Plastic	14%	++
Labor (Asia)	9%	+++
Steel	7%	+
Polyester	6%	+++
Labor (Europe)	6%	+
Rubber	5%	+++
Textiles	4%	+++
Aluminum	3%	+
Decoration Materials	2%	+++
Electronic components	2%	+
TOP 10 Total	60%	

COG = Cost of Goods

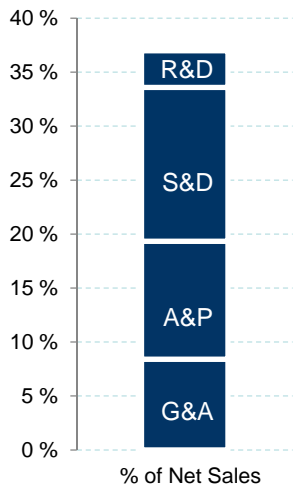
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Long-term financial targets: **Profitability**

Selective OPEX investments according to plan

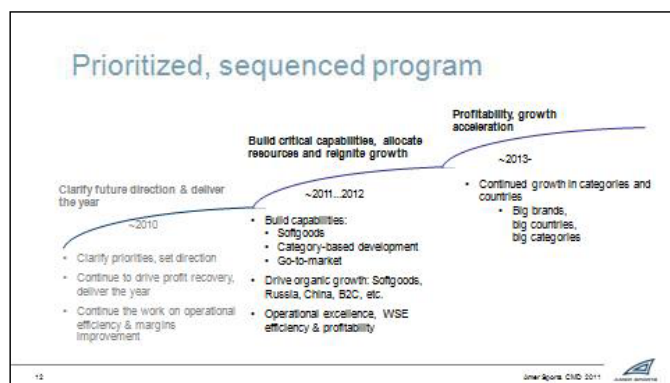


- We continue to make selective OPEX investments
 - Increased distribution and new channels (S&D)
 - Future product creation (R&D) and brand/category expansions
- Topline driven OPEX (S&D) follows topline growth max. linearly
- Actions in place driving scale and synergies in "Maintenance OPEX" (G&A, partly A&P)
 - Shared services for Support operations
 - Target: HQ operational costs down 10-20%



OPEX investments follow the glidepath

- We are investing in OPEX to accelerate the programs
 - Build capabilities
 - Drive softgoods organic growth
 - Geographic expansion
 - New channels
- Started in 2010, plans in place for 2011 and 2012
- Guiding principle is sustainable profit improvement
 - OPEX release for investment when good visibility on the current year's profitability
 - We can postpone or accelerate the plans



Long-term financial targets: **Cash Flow**

No change in long-term cash flow target

- Cash flow target unchanged: free cash flow equal to net profit
- Aligned with the 5% growth and 10% profitability targets
- Growing faster than the long-term target with lower than the targeted profitability, the sustainable free cash flow is less than 100% of net profit

Recap from CMD 10 Sep, 2010

Free Cash Flow equal to Net Profit

By setting Free Cash Flow to be equal to Net Profit we can combine our profitability and growth targets with tight working capital control.

When committed to 5% growth with 10% profitability we are also focusing on continuously decrease working capital/Sales ratio.

The target is set only for the Group but we can split it to components critical for each business like O&M, O&D and CAPEX.

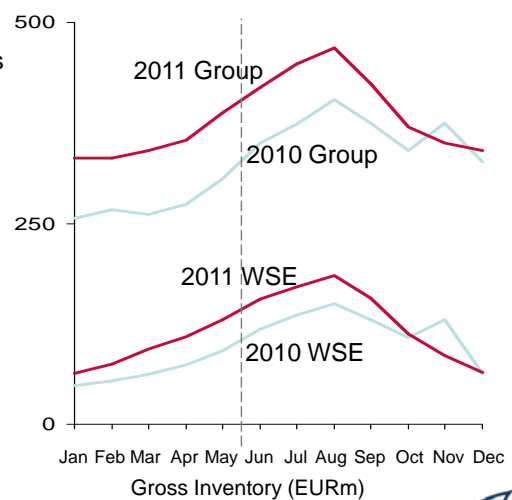
Critical Parameter	Current Status	Impact on C/F target
Sales Growth	> 5%	Negative
Profitability	< 10%	Negative
W/C, % Sales	~ 20%	Neutral



Long-term financial targets: **Cash Flow**

Higher working capital reflects the quarterly shift in Winter Sports production and higher pre-orders in Softgoods

- Winter Sports Equipment order-in-take and deliveries some 3-4 weeks ahead of 2010
- Fall/winter pre-orders growth in Softgoods impacted end of June inventories
- Increasing Softgoods' share of Group sales impacts slightly year end inventories
 - Preparation for spring/summer deliveries



Long-term financial targets: **Cash Flow**

Solid cash flow is actively managed

- H1 free cash flow reflects production shift and increased pre-orders
- Taxes up EUR 15m due to significant US tax returns last year
- Full year CAPEX estimate is EUR 50m

EUR million	H1		Year
	2011	2010	2010
EBIT	14.8	-7.4	96.8
Non Cash Adjustments	18.5	18.4	28.3
Change in W/C	22.5	86.4	-18.8
Net Financing Exp	-12.1	-7.5	-14.3
Net Taxes	-10.3	4.3	-11.9
Cash Flow from Operat.	33.4	94.2	80.1
Capex	-19.0	-11.5	-39.9
Sale of assets	5.6	1.2	9.9
Free Cash Flow (FCF)	20.0	83.9	50.1
Share Buy-Backs	-9.2	0.0	0.0
Dividends	-36.4	-19.5	-19.5
Hybrid Interests	-7.2	-7.2	-7.2
Change in Net Debt	-32.8	57.2	23.4

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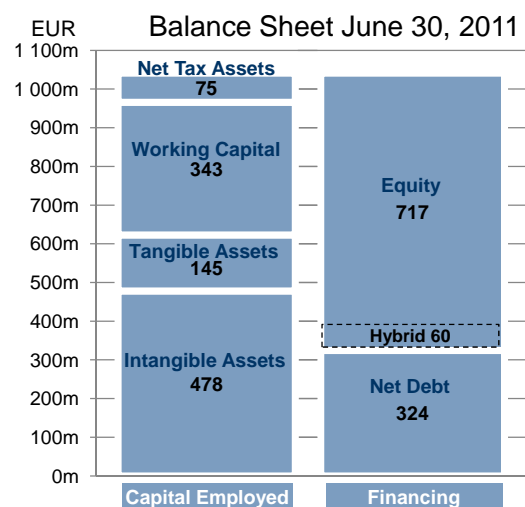
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Long-term financial targets: **Balance Sheet**

Maintain strong balance sheet for building the future

- Balance sheet is strong...
 - Net Debt / Equity 0.45
 - Net Debt = 2X EBITDA*
- ...and clean
 - SKU reduction and cleaning of overdue receivables in 2010.
 - Non-performing, non-core assets divested
- Clear priorities for active balance sheet management:
 - 1) Ensure faster organic growth
 - 2) Acquisitions
 - 3) Share Buy-Backs



*) Last 12 month

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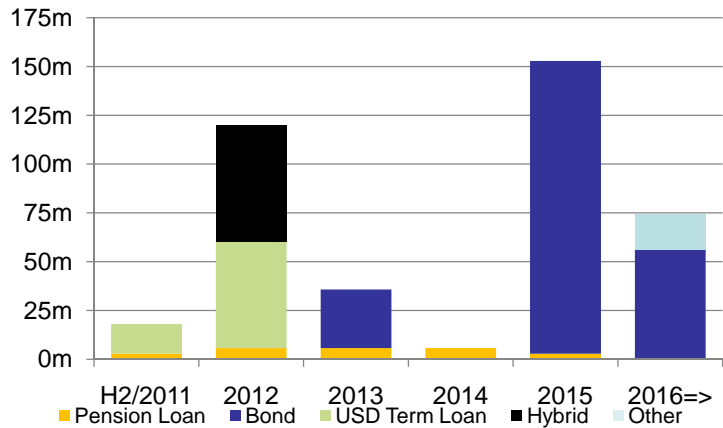
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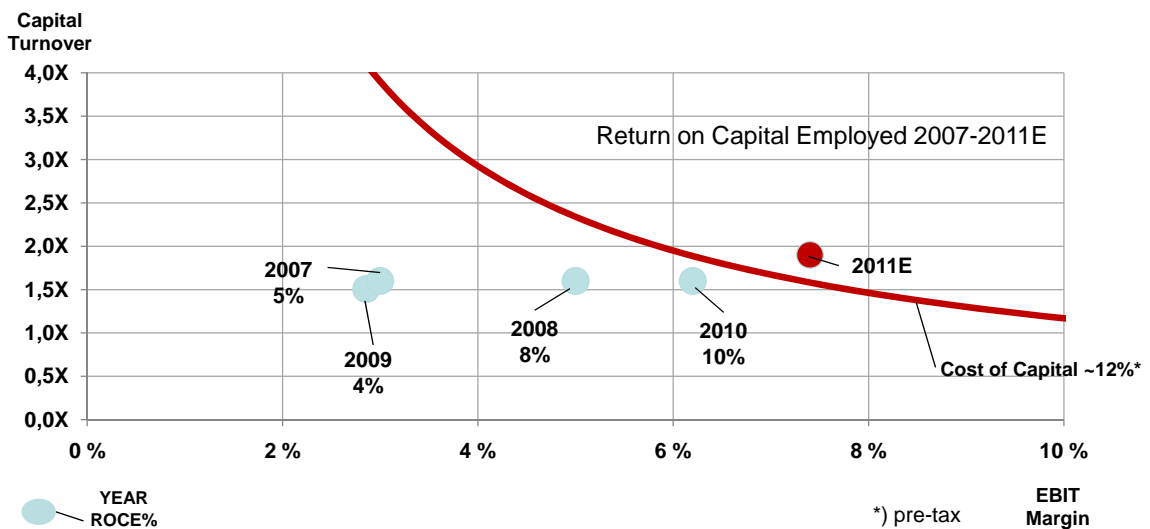
Long-term financial targets: **Balance Sheet**

Future scheduled repayments well covered

- Strong liquidity: cash and unused facilities EUR 270m (June 30, 2011)
- Scheduled payments in 2012 EUR 60m, in 2013 EUR 35m
- March 2012 first reset option for Hybrid (12% coupon)
- Average maturity has extended from 11 months to 28 months; target 36 months



We are driving value creation





Seasonality in pre-order based businesses

- We have significant seasonality especially in pre-order based businesses
 - Winter Sports Equipment, Apparel and Footwear
- We look at H1 and H2 results rather than individual quarters
 - Quarterly cut-offs are in the middle of delivery seasons in Q1/Q2 and Q3/Q4
- Typical features of seasonality are
 - Low H1 EBIT due to order in-take in Winter Sports, offset by softgoods spring/summer and Ball Sports deliveries
 - Strong cash flow in Q1/Q4 while Q2/Q3 are cash flow negative due to the inventory building
- Winter Sports Equipment is 80% pre-order based business
 - Pre-order in-take in Feb-June, deliveries in H2
 - 10% from re-orders in Q1 and 10% in Q4

We have two seasons in Footwear and Apparel to partly balance the Winter Sports driven H2 dependency

Footwear

- Annual sales 50% Spring/Summer (H1) and 50% Fall/Winter (H2)
- Pre-orders approx. 85% of total deliveries in both seasons

Apparel

- Annual sales 30% Spring/Summer (H1) and 70% Fall/Winter (H2)
- Pre-orders approx. 95% of total deliveries in both seasons



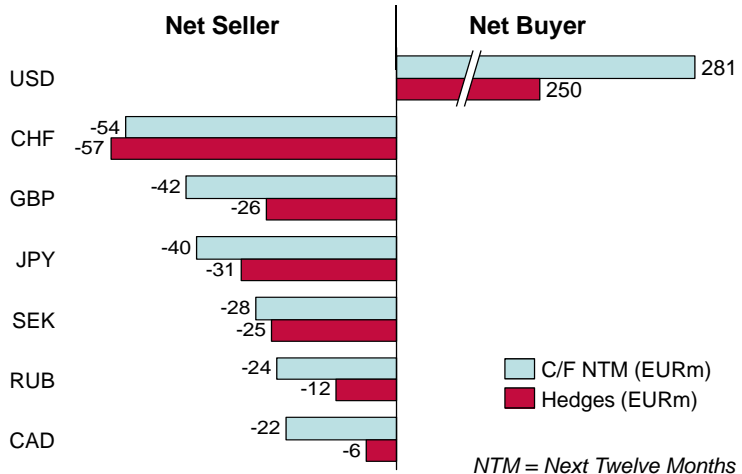
Orders and deliveries in Softgoods





Weakening USD benefits us long-term, however it has a negative short-term impact

- Weakening USD has a negative short-term impact due to translation difference
- As a net buyer of the USD, we benefit from weakening of the USD in the long-term (transaction difference)
- Pre-order based businesses: 80-120% of next 12 month cash flows hedged, hedging up to 18months
- Others: 30-70% of next 12 month cash flows, hedging up to 12 months





We have contingency plans in place in case of economic downturn

Focus on proven topline drivers

- Distribution
- Footwear and Apparel new product development and pipeline fill

Stop / limit discretionary spend

- Focus on commercial spend to build/retain distribution and in-store sell-through

Secure cash flow

- Postpone growth investment with front-heavy OPEX commitments
- Prioritize cash flow over uncertain growth opportunities in working capital management



SUMMARY & CONCLUSIONS

Financial strength to enable future growth

- Focus on continuous, year-on-year improvement towards the long-term financial targets
- Continue OPEX investments in prioritized, sequenced programs
- Actively manage cash flow and balance sheet to secure organic growth and to utilize M&A opportunities to accelerate the growth
- Deliver the year with contingency plans in place in case of economic downturn

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