

FINAL TRANSCRIPT

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PRESENTATION

Operator

Good afternoon and welcome to Amer Sports' financial results 2009. My name is Ina and I'll be your coordinator for today's conference. For the duration of the call you will be on listen-only and at the end of the call you will have the opportunity to ask questions. (Operator Instructions)

I'm now handing you over to Tommy Ilmoni, Vice President, IR and Corporate Communications to begin today's conference. Thank you.

Tommy Ilmoni - *Amer Sports Oyj - Vice President, IR and Corporate Communications*

Thank you and good afternoon, ladies and gentlemen, to Amer Sports' Q4 and 2009 webcast and conference call. With me here today I have acting President and CEO, Pekka Paalanne. The agenda of the call is the following -- Pekka will go through the highlights of Q4 and 2009 after we will take questions from you.

I would now like to hand over to Pekka Paalanne. Pekka, please.

Pekka Paalanne - *Amer Sports Oyj - Acting President and CEO*

Good afternoon also on my behalf and welcome to Amer Sports' webcast. As Tommy said so I will very briefly first cover the highlights of both fullyear 2009 and the Q4, then few slides, a little bit more going -- going a little bit deeper into segments, not too deep, but little bit deeper. Then followed by -- then some slides on financials and then the outlook. And then, as Tommy mentioned, then we have certainly time for some questions.



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So if I now start with the full 2009, full year 2009 highlights. So our net sales fell by 4% last year. As you can see, there was very big differences both between geographic regions and different business segments.

Americas; sales dropped in Americas by 12%, and indeed, the sales fell in every kind of key category in Americas.

EMEA grew 3%; and that was very much driven by our good progress in Winter and Outdoor segment. Asia Pacific was -- fell 3% and that is really mainly due to the fact that Japan continues to be our biggest sales area in that region and the economic situation certainly affected our sales in Japan. At the same time our sales in South Korea, China, and Australia grew.

Winter and Outdoor so was flat full year, Ball Sports minus 7%, and Fitness minus 15%. Really Ball Sports and Fitness which have both a very strong position in North America then also -- then experienced clearly more than the others from the recession in Americas.

EBIT was EUR43.8 million, again very much affected by the business situation in North America but also the result includes a one-time charge of EUR5 million whereas a year ago we had a net income of EUR7 million. So that might be needed to be taken into account.

Earnings per share was EUR0.28 and we have positive taxes of EUR6 million due to increased deferred tax assets.

We had one -- we really got a very important priority going to 2009 and that was to strengthen our balance sheet in -- using various measures. By far the most important internally was the working capital reduction plan, and I will come back to that a little more in a minute. But already here I can say that it was successful, it was very successful and we managed to reduce our net working capital by roughly EUR137 million.

We also have raised EUR151 million from the rights offering towards the end of the year, and hybrid, we had the hybrid bond issue then earlier in the year. Board proposes a dividend of EUR0.16 per share and that is the same as we shared a year ago.

Then moving to Q4 highlights, net sales fell by -- actually net sales increased by 1%, not fell. Americas was still down but now clearly less and that was mainly due to the fact that our Fitness segment experienced growth in -- during the last quarter.

EMEA was up 8%, so more than the year overall, and that was very much the timing of the Winter Sports equipment which was really beyond that. And Asia Pacific continued basically the same way as it has been in previous quarters. Winter and Outdoor all-in-all grew 3%. Ball Sports went backwards 8%. And as already mentioned, Fitness grew 10% during the quarter.

EBIT was EUR39.4 million and earnings per share was EUR0.37, both up compared to the same -- to the last quarter previous year.

Then just a few highlights or at least more highlights here about the last quarter. So Winter and Outdoor net sales was up 3% and it was really mostly timing of Winter Sports equipment deliveries and the profitability was really improved mostly due to improved profitability in -- also in Winter Sports equipment. Ball Sports net sales fell by 8%, and that was -- actually the fact that nothing really changed in the trade -- trend line for Ball Sports and particularly in the USA.

Fitness up 10%. Sales became a little bit more predictable towards the end of the year, and which was of course positive, and maybe worth mentioning already here is that result -- Fitness result includes bad debt provisions of EUR5 million.

Then if you look at the Winter and Outdoor segment, all in all, Winter Sports equipment net sales were at last year's level. There was a growth in Europe which was offset by continued weak market situation in North America. The growth in Europe was in -- it was quite important in most of the key markets in Winter Sports.



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Apparel and Footwear net sales grew by 11%. And the growth continues to be driven very much by success in our trail running footwear category. Cycling net sales fell by 13%. There was a fairly significant drop in OEM orders as well as weak demand in the U.S. And so that's also worth mentioning here, the recall of R-SYS front wheel really had caused a lot of disturbance first and second quarter of last year to Mavic's operations.

Sports Instruments net sales fell by 5%. Growth of wristop computers was offset by decline in the diving market. So all in all, the EBIT improved for the segment from EUR41 million to EUR46 million.

Outlook for Winter and Outdoor segment, we believe that our Apparel and Footwear continues to be the fastest growing business for the Group. And we continue to extend our direct-to-consumer program in our Apparel and Footwear business. And we -- so also expect that the profitability will remain at a good level also in 2010.

Within Winter Sports equipment, cycling and sports instruments, our main focus is on the improving gross margins while at the same time maintaining tight cost controls.

Winter and Outdoor we believe is well positioned to continue to improve its profitability.

Ball Sports, racket sports sales fell by 5% and tennis rackets actually fell by 9%, where the sales of the tennis balls were at last year's level. I think here we have to actually now -- I have to make one comment regarding the tennis rackets. The [K]Factor line was already coming to the end of its life cycle actually. We extended that line by -- basically almost by one year, and it was already -- we started to see the line weakening.

So now in the beginning of this year, we have introduced a new line of premium rackets called BLX and we have started shipping already now in the second half of January. So we should have some impact of that then in Q1.

Team Sports, net sales fell by 6%, and as you probably -- most of you know, Team Sports is very US -- very much a US business for and a challenging economic environment then had a big impact on our Team Sports business, but also there was clearly some destocking in the -- of inventories by trade, which had also a negative impact.

Golf sales fell by 16%. So our sales developed more or less in the same way as golf in general. I think all the golf companies experienced significant declines in sales last year, particularly in the US.

Ball Sports outlook 2010, we expect a slight recovery, for that business. It's coming partly through retail distribution gains. We know that we are well-positioned in many of the big sporting goods distribution areas in the US. And so we will clearly -- we will grow our business in many places. And also we assume that there will be some amount of restocking due to low trade inventory levels. Ball Sports profitability is expected to improve, however, mainly due to gross margin improvements and tight cost control.

Moving on to Fitness, the commercial business, i.e. business to clubs and institutions fell by 14%. And that was really impacted by tightened credit markets and uncertain consumer spending which then forced Fitness customers to postpone their equipment purchases. It became very clear during the year that the club memberships actually did not change in any big way, but the club members used less ancillary services while exercising. And that of course then had a negative impact to the cash flow of our fitness clubs and then -- also then had an impact on us as our customers postponed the purchase of equipment.

The consumer business, mostly the home business fell by 19%. So that was the second year with a very strong market decline in the premium segment. And also I think it was partly due to the fact that now the special -- the fitness dealers, many of them actually are financially stressed and some of them are also -- have had to stop their business and that has had an impact on sales. But also now we made a provision of EUR5 million against some of these specialty fitness dealers in the US.



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Fitness outlook, near term, the outlook remains uncertain. But as I already mentioned, sales have become more predictable. We even -- we have announced, we have two bad -- actually bad years now in Fitness. We have continued to invest in our R&D and our product lines. And as examples we are going to need to have a good market penetration. And with the AMT we have lost two new -- our lines of strength equipment and we continue to also expand our hospitality business, i.e. our relationship with hotel chains internationally. We believe that Precor is well-positioned when demand returns in the fitness industry.

Then moving on to financials, that slide is -- it's actually very busy, I'm not going to go through all of that obviously. And -- but I would like to make a few comments here.

First if you look at the Q4 and -- so we can see that as already mentioned that net sales was up during the Q4 by 1%. Gross profit was actually up by 11% which is really great news. So actually our margin was developing better than sales. And the EBIT then grew by 16%.

Then moving on to fullyear 2009 financial numbers then. So overall the sales declined 4% and margin as well. So even on the fullyear level then the margin was developing pretty much in line with sales. So we have -- we did not experience any erosion in the margin, overall.

EBIT then of course was, as I mentioned already, affected by, in 2009, by EUR5 million extraordinary type of expenses which related to these Precor receivables. And -- but at the same time then the year-before we recorded a gain of EUR30 million from sale of the head office building and also then EUR6 million provision for Mavic recall. So in net terms we had a year ago plus EUR7 million and now we have minus EUR5 million. So there was a little bit impact coming from those one-offs also.

Maybe worth noting is the financing income and expenses. So we had EUR18.4 million financing -- net financing cost and that's compared to EUR33 million a year ago. So without going to too many details in terms of building the bridge between the two numbers there were two things which really explained a lot of that.

First of all, last year we still recorded EUR6.2 million unrealized FX gains in our financing costs. And then also of course, the hybrid bond was treated as equity and also the coupon, EUR5.9 million, therefore was directly deducted from equity. So that did have -- it did not have any impact on the financing cost. But of course the hybrid is -- from earnings per share point of view it is treated as financing cost, so it may be important to add that one as well.

That was basically -- and then as already mentioned then the really strong focus key priority for 2009 was the strength in the balance sheet and you can also here see that the equity ratio stood at 48.2% and -- from 30.6%. And gearing came down from 121% to 38%. So our balance sheet was looking very different.

Then net debt, so our net debt here is a little bit longer time span for our net debt developments. And now you can see that in 2009 we more than halved our interest-bearing net debt from EUR615 million to EUR282 million in round numbers. That is really coming from -- very much from cash flow from operations, which was EUR180 million and then the net proceeds from the -- from rights offering, EUR151 million. And then if we, for this purpose, also then we include hybrid bond which was EUR60 million. So that made the reduction. Gearing then as a result then came from 121% to 38%.

Outlook for 2010. We do not anticipate a quick recovery of the sporting goods market. We can see areas, some pockets where we believe that they will be close, but overall I think there is no reason at this point to anticipate any quick recovery in the sporting goods market overall.

Our key priority therefore is to improve profitability through gross margin improvements and continued tight cost control. We also continue to focus on working capital and hope and believe that we can make some further gains there as well.



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Capital expenditure and other investments will remain roughly at the last year's level and the Company tax rate for 2010 now is expected to be approximately 20%. So we have already -- we have downgraded our -- or we are re-guiding a little bit our tax rate. I think we -- in the past we used 25%.

So that was the presentation part. And I'm more than happy then to take questions from the audience.

QUESTIONS AND ANSWERS

Operator

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

Fitz Peters - Goldman Sachs - Analyst

Hi gentlemen, good afternoon. Couple -- three questions, if I may. First question regarding the hybrid bond, I'm not quite sure if I entirely understand. If I'm looking at the income statement, the financial, the financing income expenses, that EUR18.4 million, is that including or not including the interest payments on the hybrid --?

Pekka Paalanne - Amer Sports Oyj - Acting President and CEO

That is excluding.

Fitz Peters - Goldman Sachs - Analyst

Okay. But then somewhere between that line and the EPS, the hybrid bond expense does come in.

Pekka Paalanne - Amer Sports Oyj - Acting President and CEO

No, it does not because it's directly taken from equity.

Fitz Peters - Goldman Sachs - Analyst

Okay, I misunderstood you.

Pekka Paalanne - Amer Sports Oyj - Acting President and CEO

Yes.

Fitz Peters - Goldman Sachs - Analyst

That is the way that I understood.

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Pekka Paalanne - Amer Sports Oyj - Acting President and CEO

Yes.

Fitz Peters - Goldman Sachs - Analyst

I thought that you had said that it did show up in EPS.

Pekka Paalanne - Amer Sports Oyj - Acting President and CEO

No. But for EPS it is treated as interest. It is just the -- how the current rules are.

Fitz Peters - Goldman Sachs - Analyst

For the -- so it is for the EPS, but not for the --

Pekka Paalanne - Amer Sports Oyj - Acting President and CEO

For EPS it is treated as interest. For the P&L not -- it's been treated as not interest. So these are how -- this is how the rules are.

Fitz Peters - Goldman Sachs - Analyst

Okay, I understood. And how much cash did you pay for -- on the hybrid bond in 2009?

Pekka Paalanne - Amer Sports Oyj - Acting President and CEO

You mean the -- in regard to coupon?

Fitz Peters - Goldman Sachs - Analyst

Yes, the coupon.

Pekka Paalanne - Amer Sports Oyj - Acting President and CEO

So EUR5.9 million.

Fitz Peters - Goldman Sachs - Analyst

Okay. Second question is, can you tell us if Winter Sports in 2009 was profitable after the cost-cutting measures you've taken?

Pekka Paalanne - Amer Sports Oyj - Acting President and CEO

Winter Sports equipment business was profitable in 2009, so we -- that was the target going into 2009 and we reached the target.

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Fitz Peters - Goldman Sachs - Analyst

Okay. And then finally also on Winter Sports, you talked about the delivery -- deliveries being pushed back further in the season this year. I feel like we've seen that a couple of years now. Is that -- do you feel like that is a permanent change that the retailers -- like the retailers are taking more equipment in seasons rather than preorders? Or do you think that's just because currently they are destocking and so they're less likely to be taking on the risk? And that will recover once we do see Winter Sports sales come back.

Pekka Paalanne - Amer Sports Oyj - Acting President and CEO

I think there is a -- there is no sign that this -- that there would be a change in the way the Winter Sports business is done from the industry point of view. So the preorders continue to represent some 75% of annual sales. And the rest 25% then is split between the tail of the season which is January, February, March and then the additional orders then towards the end of the year for the incoming -- for the upcoming season. So there is no change in any significant way in this pattern.

Fitz Peters - Goldman Sachs - Analyst

Okay. Okay, thank you all very much.

Pekka Paalanne - Amer Sports Oyj - Acting President and CEO

Thank you.

Operator

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

Maria Wikstrom - Handelsbanken - Analyst

Yes. Good afternoon. I have two questions. First of all I would still want to touch on the Winter and Outdoor profitability, because you say many times in the presentation that you improved the profit on this segment, but then again at the end reserving the EUR6 million recall on the Mavic business on the Q4.

So basically if we exclude that from last year's Q4 result for Winter and Outdoor we were pretty much flat. And my question is, is that -- what is currently happening? Why wouldn't you actually report better results for the Winter and Outdoor Q4 this year compared to the last year?

And then if I may ask the second question, that is, on the working capital that you were able to reduce the working capital by EUR130 million. And my question is, is that on the sustainable level or if the demand picks up do you think you need to take more working capital onboard?

Pekka Paalanne - Amer Sports Oyj - Acting President and CEO

So the first question was regarding Q4 on Winter and Outdoor 2009 compared to 2008. And it's clear that when we look at -- and if you look at the -- Mavic sales was down some 13%. Suunto sales was down by 4% or 5%, and so also -- we had actually also these two business areas went backwards in profitability last year.

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And really the big improvement then is clearly coming from Winter Sports equipment where as I said the target was to make profits and we certainly reached that goal and it's got even -- that -- I think we have comfortably already got it on the positive -- on the positive result.

So there are -- unfortunately we have -- we are not disclosing the results by business areas within our Winter and Outdoor. I understand your difficulty you have, but these are the -- this is the way I would like to comment that question.

Then the second part was working-capital related. And so we -- when we introduced this, and I think I mentioned to many of you that we call this our P-100 Program. It's a program to reduce EUR100 million from inventories and receivables. And we not only reached this goal but we really made a lot better and that.

So we improved our all the KPIs around inventory management and receivables management. The question is that these are -- the way we did it was that it was not just squeeze out inventories, but really have programs which would give results in the sustainable way going forward.

And I'm also very happy to say that this is exactly what we have been doing also. So I foresee further gains in these two areas in 2010, but equally, I think it must be clear for everybody that we will not see anything in the magnitude what we achieved in 2009. I hope that this answered your question.

Maria Wikstrom - *Handelsbanken - Analyst*

Thank you very much.

Operator

Thank you. The next question is coming from the line of [Carina Beckman] from JPMorgan. Carina, please go ahead.

Carina Beckman - *JPMorgan - Analyst*

Yes. Good afternoon. I just have two quick questions. The first one is (technical difficulty).

Pekka Paalanne - *Amer Sports Oyj - Acting President and CEO*

Sorry, but I can't really hear you.

Carina Beckman - *JPMorgan - Analyst*

Can you hear me? Sorry, I need to speak up a bit. We saw in Apparel and Footwear growth slowed a few percentage in the last quarter. Would you be able to comment on the spring-summer order book?

Pekka Paalanne - *Amer Sports Oyj - Acting President and CEO*

Spring-summer order book, I don't have the -- all the details, but we hope and believe that we will actually be able to grow the business, but I'm not -- I am unable to give you more specific information on this point.

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Carina Beckman - *JPMorgan - Analyst*

Okay. And in terms of the tax rate that you lowered to 20%, can we actually expect that that's sustainable in future years?

Pekka Paalanne - *Amer Sports Oyj - Acting President and CEO*

We believe that it will be sustainable for some -- for few more years. It's not only 2010.

Carina Beckman - *JPMorgan - Analyst*

Okay, and one also a final question. In terms of the gross margin, obviously Q4 saw a very strong improvement, 350 basis points. Would you be able to guide the terms of what were the key drivers behind that, what were the basic parts?

Pekka Paalanne - *Amer Sports Oyj - Acting President and CEO*

So that was regarding improvement in Q4?

Carina Beckman - *JPMorgan - Analyst*

Yes.

Pekka Paalanne - *Amer Sports Oyj - Acting President and CEO*

Yes. So of course early part of year we certainly suffered from the fact that end of 2008 we had a lot of inventories. So there was some cleaning up which we did during the first -- particularly first half of the year, and that had a little bit negative -- certain negative impact to our margin at that time.

So now all that was already behind when coming into last quarter, and I'm really happy to see that the margins were really holding very well then after we did the necessary amount of closeouts during the first half of the year.

Carina Beckman - *JPMorgan - Analyst*

Okay, so you've [marked out fewer closeouts] (technical difficulty). Okay. Thank you very much.

Operator

Thank you. The next question is coming from the line of [Eric Hustad from Orakla]. Please go ahead Eric.

Eric Hustad - *Orakla - Analyst*

Hi. I have a question on the Winter and Outdoor results again. You said that you reached the target of cutting EUR20 million in costs in Winter Sports equipment. Yet the operational results for the Winter and Outdoor segment is so far only EUR5.4 million.

Would those -- that necessarily mean that the combined operational result of Apparel and Footwear, Cycling and Sports Instruments is down by EUR14.6 million, am I correct?

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Pekka Paalanne - Amer Sports Oyj - Acting President and CEO

Unfortunately, I have to basically repeat what I said a few minutes ago that we --

Eric Hustad - Orakla - Analyst

I heard that but I --

Pekka Paalanne - Amer Sports Oyj - Acting President and CEO

-- disclose the details by business area. And I can only say that for instance unfortunately the Mavic profitably was significantly down last year. And so there was areas which really were very much affected by the economic situation. And Mavic as I said also really suffered from this recall of R-SYS.

Even if we took the provision for the recall itself in -- already in 2008 books, but it continued to have a -- it continued to distort the business throughout the first half of the year. So basically what I'm saying is that Mavic was really suffering last year and a lot.

Eric Hustad - Orakla - Analyst

Okay. And secondly I noted that your competitor Life Fitness have done considerably better than Precor in 2009. Why do you think that is? Why have they managed so much better than Precor?

Pekka Paalanne - Amer Sports Oyj - Acting President and CEO

I cannot really comment specifics about Life Fitness. There is a -- if you look at -- I can comment that as far as Q4, Q4 for Precor was already actually positive, so if we take into account the EUR5 million hit into the result. So we clearly already turned the profitability of the Precor during the last quarter.

Then I think maybe that is more like a assumption rather than a fact that we -- Precor is more US brand in the sense that bigger part of the business is done in US compared to Life Fitness. And I suspect that Life Fitness suffered then less outside US and therefore their numbers look what they look. But as I said I don't know about their numbers in real terms.

Eric Hustad - Orakla - Analyst

Okay. Thank you. And also you seem to hire more people in Fitness now. The number of employees increased from 700 in Q3 to 737 in Q4. Does that reflect a more positive view on the sales or development in general in 2010?

Pekka Paalanne - Amer Sports Oyj - Acting President and CEO

No, I don't think it -- that actually it reflects anything and -- yet, so I can't actually even comment. We are not certainly -- we are not increasing the amount of people because we see that the business is going up. But actually there is one thing that maybe -- which really actually starts to explain that. And I think we did make a comment about it in the past. And that is that we are now -- we have been built -- we built during 2009 a new strength factory in North Carolina.

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Eric Hustad - Orakla - Analyst

Okay.

Pekka Paalanne - Amer Sports Oyj - Acting President and CEO

And we -- the factory was basically operational. Operational at least to some extent, already end of the year and we have started hiring people there. At the same time we still had our Californian plant working. So we have a little bit maybe a double impact now short term in strength production. That must be the reason actually behind it.

Eric Hustad - Orakla - Analyst

Yes. Okay. Thank you.

Pekka Paalanne - Amer Sports Oyj - Acting President and CEO

Thank you.

Operator

Thank you. The next question is coming from the line of Tia Lehto from Carnegie. Please go ahead, Tia.

Tia Lehto - Carnegie - Analyst

Hi. Can you hear me?

Pekka Paalanne - Amer Sports Oyj - Acting President and CEO

Yes, I can.

Tia Lehto - Carnegie - Analyst

Okay. Some questions, overall on the market, looking forward, is that what is your feel for the overall inventory levels in the retail channel in all the divisions, and particularly in the Alpine skis, given the good or the extremely good snow conditions we had?

Pekka Paalanne - Amer Sports Oyj - Acting President and CEO

That is a very good and very important question indeed. And now I know that -- of course and we can all see that -- most of us that the winter is great and there is a shortage of certain products in the trade and in many markets. So the inventory levels are going down. And by the end of this season I expect that the inventory level should be on a very good level in most of the markets and in most of the product categories.

So that certainly then is very positive then when we -- should be positive when we look forward. I -- what I understand is that this is very -- pretty much the situation also really in North America in not only Winter Sports but basically in all kind of trade channels.

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The inventory -- or destocking has been the thing of the year in 2009. So overall the inventory level should be on a fairly good -- in a good level. But of course it's the real -- the real issue is that will the consumers then come and buy products. So it's hard to say that how much this restocking actually would happen. But there I believe will be some of that also going forward.

Tia Lehto - *Carnegie - Analyst*

Can we assume that you have made all the cleaning up in your inventories and everything you have is current and going out as planned?

Pekka Paalanne - *Amer Sports Oyj - Acting President and CEO*

Yes. Absolutely. Our DSI -- so our inventory -- our KPI, DSI went down 13 days. Our inventories came down significantly in absolute terms. We have a very clean inventory now.

Tia Lehto - *Carnegie - Analyst*

Then going forward, what are the cost cuts you are looking for in 2010? I mean, you've done already quite a lot, so where do you plan to find some more?

Pekka Paalanne - *Amer Sports Oyj - Acting President and CEO*

We continue to work with these some -- several key initiatives to gain benefits from scale on the group level and these relate to specific programs around supply chain as well as our sales organization. So we will continue to actually to gain efficiencies both in supply chain and sales organization going forward.

Tia Lehto - *Carnegie - Analyst*

Okay. Then what do you mean by a broader distribution in the Ball Sports, really? Do you have new customers or do you get more shelf space or what is it?

Pekka Paalanne - *Amer Sports Oyj - Acting President and CEO*

You mean that in Ball Sports?

Tia Lehto - *Carnegie - Analyst*

Yes. I think in Finnish (inaudible). I read it somewhere.

Pekka Paalanne - *Amer Sports Oyj - Acting President and CEO*

Where is that?

Tommy Ilmoni - *Amer Sports Oyj - Vice President, IR and Corporate Communications*

Are you -- yes, you're referring to the retail distribution gains that we are talking about.



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Pekka Paalanne - Amer Sports Oyj - Acting President and CEO

But that's not -- that's not Racket Sports. That is okay if you mean the balls in Ball Sports and the gains in the distribution. Okay. Now, I'm with you.

Tia Lehto - Carnegie - Analyst

Okay.

Pekka Paalanne - Amer Sports Oyj - Acting President and CEO

So that we have -- for instance in Golf, now we have in USA we have gained significant distribution at Wal-Mart, something we did not have in the past.

Tia Lehto - Carnegie - Analyst

Okay.

Pekka Paalanne - Amer Sports Oyj - Acting President and CEO

And there are a few other similar examples where we either we are getting more SKUs in general or then we just have more business and we have been able to gain a category leadership in some cases.

So we have really -- that is most of it will be the key driver for growth in North America for Ball Sports, really gaining distribution in that sense.

Tia Lehto - Carnegie - Analyst

All right. Then for the first half of the year or so, what is your assessment of the product mix development? Because we saw it was quite bad last year.

Pekka Paalanne - Amer Sports Oyj - Acting President and CEO

In which product though?

Tia Lehto - Carnegie - Analyst

Well, maybe mostly in the Ball Sports in the US.

Pekka Paalanne - Amer Sports Oyj - Acting President and CEO

Product mix in Ball Sports; if we take last year, so there was this trend that was lower price for us, particularly for Wilson Racket products and there again particularly for Team Sports products. That was really -- that was the thing what's going on in USA.

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Now, when we think about the mix then going forward now for 2010 then at least in Racket Sports the mix will improve, because of the introduction of the new BLX line, introduction of the new racket line which is really the premium line with high margins. So we should see rapidly some margin impact in Racket Sports coming from the product mix.

Tia Lehto - *Carnegie - Analyst*

Okay. Then lastly, how much is Precor orders book up year-on-year?

Pekka Paalanne - *Amer Sports Oyj - Acting President and CEO*

Perhaps -- you mean Precor?

Tia Lehto - *Carnegie - Analyst*

Yes.

Pekka Paalanne - *Amer Sports Oyj - Acting President and CEO*

We don't have Precor -- in terms of Precor really order book information as such which will be really meaningful in any way. But as I said, the market has become a little bit more predictable. So we have a little bit better visibility into it but it will be far too early to say anything more about it.

Tia Lehto - *Carnegie - Analyst*

Okay. Thank you very much.

Pekka Paalanne - *Amer Sports Oyj - Acting President and CEO*

Thank you.

Operator

Thank you. Our next question is coming from the line of Manu Rimpela from Deutsche Bank. Manu, please go ahead.

Manu Rimpela - *Deutsche Bank - Analyst*

Hello, gentlemen, can you hear me?

Pekka Paalanne - *Amer Sports Oyj - Acting President and CEO*

Yes.



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Manu Rimpela - Deutsche Bank - Analyst

I have two questions, firstly related to the cost savings, [we've] touched on the subject already. So can you please quantify some kind of amount that you assume or hope to achieve in 2010 compared to 2009 level? And are these cost savings still in that fixed cost savings?

Pekka Paalanne - Amer Sports Oyj - Acting President and CEO

Referring -- and we are referring in the -- in our release that the focus will be much in improvement and continued tight control in operating expenses. But we have not really cut -- and we don't want to quantify the amount. But we have very strong focus on these two areas and we expect really significant improvements if we are successful in executing our plans as I think we will be.

Manu Rimpela - Deutsche Bank - Analyst

Okay, if I try my luck and turn the question other way around, so if we assume no sales growth, so what kind of margin improvement would be appropriate to assume for 2010 based on these measures taken by you?

Pekka Paalanne - Amer Sports Oyj - Acting President and CEO

No, I think that you tried to go around it in a different way, but I would rather not go into these details.

Manu Rimpela - Deutsche Bank - Analyst

Okay, fair enough. Then my second question is related to the fitness equipment. And if we exclude the provision you've booked in Q4, the margin was -- underlying margin was fairly good. So is this something we should assume that can continue into 2010 and that the profitability has truly turned around?

Pekka Paalanne - Amer Sports Oyj - Acting President and CEO

Yes. First of all, there are many things which will start to play here important role and -- but first of all, I think that, of course, we are extremely pleased about the development during the Q4 which really is the result of two things. The sales grew 10%, but of course we had a low comparable a year ago so we can hardly talk about any kind of significant recovery as such.

But anyway, it was a growth. Then of course as we have been working now already for more than -- clearly more than a year to improve the cost efficiency at Precor, so also our cost base is now significantly lower. And then that is basically that -- the reason that we had a little bit -- we have growth, but then also we have the lower cost base. And that's what we actually turned into decent profitability already in Q4.

So now we have to also remember that Q4 seasonally is the most important quarter. So you have to take that into account. So we cannot expect that we would make the same profitability then every quarter, even was then -- logically then this was the highest quarter.

So, no, you can't quite draw that conclusion. But anyway, I think we are on the right track now and really well-positioned to include the results again when the market starts to pick up. We are in a very good position.



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Manu Rimpela - Deutsche Bank - Analyst

Okay, thank you. If I may ask one question related to the Winter Sports equipment. And how do you see the reorder situation or the tail as you called it earlier, how is it developing? Do you expect retailers to come with reorders still, or could you just elaborate on that matter a bit more?

Pekka Paalanne - Amer Sports Oyj - Acting President and CEO

Of course, now, because there is good snow conditions and as I said that there is a shortage of products in many product categories. So we also, of course, try to now to serve it to customers and ship products still this season. And so I'm expecting that -- for sure that the tail, this tail -- the end of the season would be quite okay.

But at the same time, I have to remind everybody that actually it's preorders which really -- for the next season which really determine the final outcome of Winter Sports always. So it's not looking bad. I mean, the winter is there.

Manu Rimpela - Deutsche Bank - Analyst

Okay, thank you. I have no further questions.

Operator

Thank you. We have a follow-up question from the line of Maria Wikstrom from Handelsbanken. Please go ahead, Maria.

Maria Wikstrom - Handelsbanken - Analyst

Yes. Thank you for taking my -- another question. I just want to touch a bit about the currency situation, because currently if we look at the US-euro exchange rate, the US dollar is some 6% below the level than it was last -- average last year Q1. And I would assume that given the profit in the first half of the year are mainly done by other segments under your Winter Sports equipment, that this would have a positive impact on the result especially on the Apparel side.

And now talking more about the transaction action impact, not so much on the translation, is that something that you are seeing yourself as well?

Pekka Paalanne - Amer Sports Oyj - Acting President and CEO

So of course the transaction impact should be positive than -- slightly at least positive compared to last year. But the way I look at it is really, it's both transaction and translation. And nothing has changed in the fact that we remain relatively neutral in results, in our profits -- profitability what comes to currencies. So these two impacts then tends -- still tend to balance each other out.

There are however then short-term timing differences. But we are not really talking about significant amount, millions, in terms of impact in our results. It's relatively limited.

Maria Wikstrom - Handelsbanken - Analyst

Okay. Thank you very much.

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Pekka Paalanne - *Amer Sports Oyj - Acting President and CEO*

Thank you.

Operator

Thank you. (Operator Instructions) We have no further questions coming through. I hand you back to your host to wrap up today's call.

Tommy Ilmoni - *Amer Sports Oyj - Vice President, IR and Corporate Communications*

Okay, ladies and gentlemen, thank you for participating in this conference call. If you have any further questions feel free to give me a call. Otherwise thank you for now, bye-bye.

Operator

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

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