

FINAL TRANSCRIPT

Thomson StreetEventsSM

AME.HE - Q3 2008 Amer Sports Oyj Earnings Conference Call

Event Date/Time: Oct. 28. 2008 / 9:00AM ET

Oct. 28. 2008 / 9:00AM, AME.HE - Q3 2008 Amer Sports Oyj Earnings Conference Call

CORPORATE PARTICIPANTS

Tommy Ilmoni

Amer Sports Oyj - VP of IR & Corporate Communications

Roger Talermo

Amer Sports Oyj - President & CEO

Pekka Paalanne

Amer Sports Oyj - CFO

CONFERENCE CALL PARTICIPANTS

Maria Wikstrom

Handelsbanken - Analyst

Fitz Peters

Goldman Sachs - Analyst

Lowdie Peteren

Ohman Securities - Analyst

Peter Testa

One Investments - Analyst

Tia Lehto

Carnegie - Analyst

PRESENTATION

Operator

Welcome to the Amer Sports quarter three 2008 webcast and conference call. My name is Sarah, and I will be your coordinator for today's conference. For the duration of the call you will be on listen-only. However, at the end of the call you'll have the opportunity to ask question. (Operator Instructions) I'm now handing you over to your host, Tommy Ilmoni, to begin today's conference.

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

Good afternoon ladies and gentlemen, and welcome to Amer Sports third quarter 2008 webcast and conference call. The agenda is the following. President and CEO, Roger Talermo will start by presenting the highlights of the quarter after which CFO, Pekka Paalanne, will discuss in more detail our financials. CEO Talermo will then conclude by presenting Amer Sports' outlook. After this we will be open for the conference call for questions. At this point I would like to hand over to Roger Talermo. Please.

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

Thank you, Tommy. And welcome also on my behalf to this conference call. As you all know we have given out our numbers today, and now as it was mentioned, it's time to conclude a little bit, and maybe go a little bit more in detail on some of the issues. If you look at the general environment it's evident that it continues to be a very challenging environment in its whole. And as we all know, there is a lot of turbulence in the market on a general level as we speak. It wasn't different from the second one. The third quarter continued to be a rough one.

The net sales in local currency terms decreased by 2%, up to EUR433.2 million, and the EBIT in local currency terms decreased 9% to EUR51.5 million. I will come back to the divisions more specifically, but at this point I can say that we clearly see the good

Oct. 28. 2008 / 9:00AM, AME.HE - Q3 2008 Amer Sports Oyj Earnings Conference Call

success continue in our Apparel and Footwear. Also the Ball Sports division had a very solid quarter, progressing pretty nicely. And the challenge we've had was the same as we had in the previous quarter, which was Precor's consumer business, which didn't reverse from the disappointing trend we saw already earlier this year.

Evidently, going forward, I would say the outlook is more uncertain than we've ever had before, just simply because we don't know how consumers are going to react in the month to come, and therefore of course we are more blind, so to say, than before. We expect our full-year operating result to be somewhat below last year's level, and we've indicated it to be between EUR80 million and EUR90 million without the exceptional item of EUR13 million that we have disclosed earlier that comes from sale of the headquarter earlier this year. So we want to take a cautious look in going forward for the full year.

If we look at the sales side now, we can see that for the quarter, the Winter and Outdoor was in local currencies 2% below last year's level, at the same time -- and I'll come back to this to explain it little bit later -- Ball Sports were up 8%, and Fitness was down 18%, which makes that we were down 2% on the quarter in terms of net sales. If we then take the first nine month, the Winter and Outdoor is still plus 5%, compared to our previous year same time. The Ball Sports is minus 1%, and fitness is minus 12%, which gives us then similar sales in local currency compared to previous years -- previous year, excuse me. So we had -- we were up approximately 1%, 2% in the last quarter, so a small, slight degradation has continued in the third quarter.

If you look at the EBIT, Winter and Outdoor down 3%, Ball Sports down -- excuse me, up 27%, and Fitness down massively 63%, which gives us then total down 9% for the quarter. If we take the first nine month on EBIT, clear improvement in the Winter and Outdoor. We go now from minus EUR14.3 million to EUR4.4 million positive, as it should change here in the third and the fourth quarter for this category very clearly, as big shipments are going out for Winter Sports products. Ball Sports down 8%, and Fitness down from EUR24 million to EUR6 million roughly, for the first nine months. This gives us EUR43.7 million in EBIT compared to EUR38.5 million in the previous year.

Now, if we look little bit more in detail in the different business units, I will not comment any more on the numbers, as we have already tackled the number part just earlier. But I will give more comments on the different disciplines. If we look at Winter Sports Equipment, it's down 13% to EUR134.8 million compared to last year. I wouldn't be too worried about this number at this stage. Yes, it's negative compared to the positive numbers we've had before, but there is a clear timing issue, timing of deliveries. We have a strong order book for the quarter four, which is up 14% at this stage, compared to previous year. And it really comes out from lot of small things. But I think the main and most important reason for this timing is that as -- past year, if you recall, was a tough year in the plains, but a very good season in the mountain areas.

The mountain orders, pre-bookings were up clearly in many places, over 20%. Whereas in the plains it was flat, or ever down some places. This then made that the mix shifted from the plains more to the resort stores. But of course the resort stores are delivered later as many of them won't open before end of November, beginning of December. So that is one of the big reasons why there is this shift. So the order book is not [degraded] momentarily, and we don't momentarily see any issues with this, so we are in fact shipping these products.

If you look at Apparel and Footwear, strong 26% gain, up to EUR87.4 million, very, very strong in Central Europe. But positive thing is also United States, especially with footwear has been solid, and not only solid to dealers, but also good sell-through both in United States and Europe. Good news is also that pre-orders for Spring, Summer, as we have been taking them now, is positive, and continues to grow with double digit numbers. So all in all, Apparel and Footwear very much driven by the footwear. And the Arc'teryx brand looks strong.

Cycling is down 14% to EUR23.5 million. We've had some small supply chain issues in the third quarter, mainly due to the fact that we got quite big orders at the very, very late stage, and we have not been able to deliver everything. As some of these orders that we recorded were OEM orders for bike manufacturers, and the lead time being three months, we haven't been able to ship them as quickly as we planned. We've taken measures, and we tried to do our best to regain as much as possible of this.

Oct. 28. 2008 / 9:00AM, AME.HE - Q3 2008 Amer Sports Oyj Earnings Conference Call

Sports Instruments, plus 5% to EUR21.9 million, very good performance driven by, especially outdoor and training products. Those continues to grow with a very, very nice pace. Actually, this number could be much bigger, but the dive business has been struggling because it's mainly very expensive dive computers that usually are purchased when you travel for diving to remote dive locations. And we know that downturn has taken certain toll on dive vacations. And the second part of that comes from the United States market.

We then move over to the Ball Sports division. I'll start with the Racquet Sports. Strong 7% gain, EUR56.7 million. The real good news from our perspective is that the K Factor which is the technology -- the top line of our tennis racquet continued to do well. Some of you might recall that this is the third year when this K Factor is now on the market. Usually, they hold two years. We had with the predecessor, nCode, we had three-year cycle. It looks like we can clearly go with the three-year cycle with this too. And then next year we will come up something new.

We maintain our good number one market share position in all major markets. We are now reorganizing also our local Chinese commercial operations so that that will now be under our own umbrella through Amer Sports China. And why it is under the Racquet Sports is because in China for us, Racquet Sports is clearly the biggest business. So, so far so good with the Racquet Sports business.

Team Sports, good, good recovery from kind of sluggish early part of this year, coming up strong, plus 15% to EUR38 million. There were some deliveries, it was last year this time. So part of this is -- this good improvement comes from lower delivery season last year. But there is a strong momentum going on. All categories are performing pretty well. And we have to say especially that baseball is very, very strong in sell-in towards 2009 season. So we feel quite bullish momentarily with the Team Sports business, and would not expect anything dramatic on this side.

Golf, minus 5% to EUR15.9 million. As you know, this is really, really the end of the golf season. And again, compare this apples to apples; last year we had Golf business under our own umbrella in Japan. Now it's licensed, and we had some OEM business as we were delivering them out from our plant in Humboldt, Tennessee, which we do not have any more, and therefore apples to apples, it's not too bad.

Our target to reach black numbers in the Golf business remains intact, and I'm quite convinced at this point that that will happen. As you all know, Pdraig Harrington has been resigned and the [Ireland] business line is in pretty good shape.

Now, moving to Fitness and Precor. Sales were down 18% to EUR55 million in the quarter. And we have to say that this still clearly divided to commercial, which continues to see, I would say, acceptable momentum. We have not seen any degradation of that business so far. And then on the other hand, we see a very weak consumer business that has not recovered from the earlier problems. And actually there is a duality -- a dual problem in the consumer business, as of course weak demand that comes from the fact that the housing market has been sluggish, and it's part of that business usually, to renew or put in exercise equipment in private homes, and partly from the fact that the dealer network is experiencing financial difficulties, and we've seen already two bankruptcies within our dealer network, both in Mid-Atlantic and California. And of course, it takes time to be able to replace those. So there is from that perspective, a quite tough market in the consumer business in the fitness industry in United States especially. We have taken measures to adjust the Precor's cost base so that going in towards next year, we would be in a much better situation also from that perspective.

Unfortunately, the outlook, especially here on the Fitness side is difficult, is hard to predict, and therefore this is mainly -- maybe the main driver for our new projection for the full year for the full group, as we still don't really see how this will fold towards the end of the year as Fitness business usually is a quite strong business in the fourth quarter. So with these words, I would like to hand over now to our CFO, Mr. Pekka Paalanne. And he will take you through the main financials, and then after I'm closing it for the presentations part, then we can come back to the questions and

Oct. 28. 2008 / 9:00AM, AME.HE - Q3 2008 Amer Sports Oyj Earnings Conference Call

Pekka Paalanne - Amer Sports Oyj - CFO

Good afternoon, everybody. I have few slides, and I would start with -- by the key financial ratios. As you can see from that slide, most of our key financial ratios are in previous year level end of Q3. Earnings per share EUR0.22. Net debt was EUR604 million, down slightly around EUR10 million from previous year. Here we had around 24%, slightly up from previous year. So all in all, third quarter, the numbers are pretty much in line with the previous -- the same period.

I would like to actually at this point I will draw your attention to the fact that -- so that we all have to keep in mind that from the seasonality point of view, the end of Q3 is the period when we have most capital tied up in our business. Then going forward to our Q4, actually the working capital needs to go down, therefore typically our net debt reduces during the Q4, and likewise then, gearing improves.

Then I would like to spend a little bit more time then with the next slide, which is breakdown of our net debt, end of quarter three. Actually, it's breakdown of [cross-debt]. The cross-debt at the end of Q3 was EUR629 million. And so that was our outstanding interest-bearing debt, split into EUR448 million short term, and EUR181 million long term. And if you look at the first the short-term -- what are the -- what type of funding we have in place there, the biggest number is EUR268 million, which is the domestic Finnish commercial paper program. This is the program with -- where the maximum size of the program is EUR500 million, that's just a decision by the Company and by the board.

Why we have been using this commercial paper program so much is that it has been traditionally the cheapest way to finance our working capital need. Typical investors in commercial papers or Finnish money market funds. Also to some extent, the companies are placing their excess cash in short-term. The duration of this commercial paper program can be anything between, let's say, from one month to one year, but rarely longer than one year.

As a backup for this short-term facility, we have the syndicated long-term credit facility, totaling -- in total EUR325 million. So that facility we actually had drawn, end of Q3, EUR95 million, so the unused part of this facility was EUR230 million, end of Q3.

Then the next item is the bond, EUR75 million. In May 2007, we made EUR150 million domestic bond issue. That was actually in two parts, of EUR75 million, which has a -- had a duration of two years, and EUR75 million with a duration of four years. So now next year, the first EUR75 million is coming to its maturity. And the maturity is towards the end of May 2009.

Then we have some other smaller amounts of short-term debt. Then on the long-term side, then we have also as part of initial syndicate arrangement, we have \$100 million long-term loan, which in euros was, end of the quarter, EUR68 million. Then we have this other part of this domestic bond, the other EUR75 million which is long-term. Then we have some pension -- long-term pension loans, and some smaller amounts of something else.

So the maturity of this syndicated credit facility goes to -- mostly to 2012. So that's it -- may be part of our -- may be -- should give a good understanding of our debt situation, end of Q3, and the maturity of that.

Then next one is the gearing development. And so what you can see from here is, at the end of Q3, we had a gearing of -- we already got a 124%, and the gearing should come -- although it is down a little bit, by the end of the year.

But no doubt our goal is to get to this level of between 60% and 80% gearing, of course as soon as possible, because that is the kind of area which we consider as a comfort zone going forward. What is really also driving the gearing is the working capital measures.

We have a lot of initiatives going on to reduce the quantum of the working capital. We have -- and this, of course, the very main focus as before is the supply-chain related initiatives, and here we have basically three kinds of programs going on. We have the business-specific programs, which relates to sales and operations, planning, inventory management and SKU management, to name a few.

Oct. 28. 2008 / 9:00AM, AME.HE - Q3 2008 Amer Sports Oyj Earnings Conference Call

And then we have -- we continue this logistics consolidation we have been talking earlier on. So reducing the amount of distribution centers we have, and in that way gaining efficiencies. And finally, also we continue to implement our global IT platform, which then will significantly improve the transparency throughout the supply chain. So these are maybe the most important initiatives we have to get to this gearing, which we have stipulated for the next quarter.

Roger Talermo - Amer Sports Oyj - President & CEO

So we then wrap-up the presentation part. Evidently, as I mentioned earlier, we -- there is a very weak outlook momentarily on the consumer confidence, and how it's going to evolve over the next -- at least this fiscal year, without going too much into next year at this stage. And that is very [abnormal] to this time of the year. Usually, at this time of the year we know very -- I would say quite exactly where we are going to land. Thus we still have some orders to be taken in the Winter Sports business, as well as the fitness business.

It's evident that a mix of EUR10 million there or here will change our outlook, and therefore we want to be very cautious and say that the outlook momentarily looks like we would fall between EUR80 million and EUR90 million in EBIT without the EUR13 million exception of gain from the headquarters. So we are downgrading a little bit our outlook, but that's more because we want to be cautious in the sense of what will come in the months time -- few months time.

On our agenda for the remaining part of the year, but likewise also so the next few years, it's clearly to improve our balance sheet. And like Mr. Pekka Paalanne just earlier mentioned, it's very, very important for us to reduce the gearing going forward.

So we are doing a lot of things to improve our business, and the most important one from profitability and earnings perspective is clearly the turnaround in the Winter Sports business. And we have made quite a few calculations and validated the programs we've had. As you all know, the restructuring is over, people are -- mainly have already left the company, but there is still people to leave as we gear down the factory in France, and as we then put our new business model in place throughout the world, and especially in Europe, from a production perspective.

The EUR25 million that we promised EBIT improvements are based on volumes on current level. So we don't expect or we don't need more volumes to be able to deliver that, and that should be in fact what we understand in today's environment, likewise.

We're not only restructuring and trying to kind of get into the goal, so to say, these plans that we have been working on several years. They should all give benefit in 2009, but likewise, we are building new opportunities, new platforms so that we could grow the business and find new growth areas.

We very much try to do them out of our current existing grants, and through grant extensions that make sense, grant extensions that are logical also from a consumer perspective, and this way build growth opportunity -- growth opportunities for our company.

So what I'm telling you here is that despite the fact that there are tough times, we are not abandoning our growth strategies, even though the short-term measurements are to work on the balance sheet. Most of these and all of these programs that we are now working on are based on organic opportunities.

So our financial targets remain as before, of course in this environment they are quite challenging, I would say exceeding 5% organic growth which will be tough this year, it's evident. And we will not necessarily reach our 10% EBIT level of operating margin. But nevertheless, that is what we are aiming at midterm.

And so this is where I would like to stop the presentation part, and now I would hand over the word to our audience, and if you have any questions, please we would be here; Tommy Ilmoni, Pekka Paalanne and myself, to answer all the questions as well as we can.

Oct. 28. 2008 / 9:00AM, AME.HE - Q3 2008 Amer Sports Oyj Earnings Conference Call

QUESTIONS AND ANSWERS

Operator

Thank you. (Operator Instructions) The first question comes from the line of Maria Wikstrom from Handelsbanken. Go ahead please.

Maria Wikstrom - Handelsbanken - Analyst

Hello, this is Maria Wikstrom, calling from Handelsbanken, Helsinki. I have basically two questions. The first relate to the Fitness segment where I would like to hear a bit more about the order levels of the commercial side of the business. As I understood this is very much, end of the year, lot of this orders, as teams usually renew the equipment before the -- or in the beginning of the year. So can you a bit more clarify what is the situation there?

And then secondly, my question comes from the goodwill that is currently associated with the Salomon acquisition that as someone -- you said yourself that the outlook has deteriorated significantly in the consumer business; what do you see that -- I mean, what are the ways that you need to write down the goodwill at the end of the year?

Roger Talerio - Amer Sports Oyj - President & CEO

If I pick the first question -- don't take me wrong here. I didn't say that the outlook or demand is diminishing big time. I was just cautious because we don't know what will come. So I think it's a slight difference in that sense. The order level on the commercial side looks pretty okay. There is no big, let's say, negative factors. We haven't got any feedback from our dealers that they would not take the orders that they have placed earlier, and so forth, we believe that if everything goes well, we should be able to deliver what was planned to be delivered.

As you remember maybe, from our commercial business -- 58% of our commercial business goes directly from us to our bigger clients. There we have pretty good visibility, and as it stands today, we haven't had any cancellations, and our people in Seattle and throughout the world, they say it doesn't look too bad.

As you know, Europe has been very strong, the quarter was very strong, and the end of year seems to look, at least at this point, strong. The only area where we clearly see a sticky market is in Japan. But the Japanese business is so small compared to the whole business. That will not change our commercial outlook.

So those new clubs that has been planned to be open for the rest of the year are, to our understanding now, going to be opened, and the renewal of the equipment in those parts that has been planned to be renewed is in fact momentarily. I think that the other question is then, the new plans for next year, which is a completely different question, is then the one we have to focus on at the later stage. So far we have really nothing negative to indicate there. But evidently there are some orders -- more orders still to be taken, and that's something we don't exactly know how it will go, and that is the remaining 40-plus part to the commercial market that goes via dealers. And that is little bit more -- let's say, we're little bit more in blind there because we don't have the direct dealer contact. What comes to the goodwill, I would actually want Mr. Paalanne to answer this one so he can phrase it correctly.

Pekka Paalanne - Amer Sports Oyj - CFO

Yes, so as you know, testing of goodwill has to be done once year, at least once in a regular basis, and if there is significant change in the trading conditions, then it would have to be done whenever this kind of situation arises. So we have been looking

Oct. 28. 2008 / 9:00AM, AME.HE - Q3 2008 Amer Sports Oyj Earnings Conference Call

-- of course now, when we look at the situations, how the trading conditions have been -- are developing, and so we have very recently done the testing, and gone through it with our auditors. So we have absolutely no reason whatsoever to do any kind of impairments, not this year, not next year or in any foreseeable future.

Roger Talermo - Amer Sports Oyj - President & CEO

Okay, so that takes care of the impairment part, and I -- if I recall correctly, there was also specific mentioning on Salomon's degradation. I would say Salomon is doing very well. The soft goods part is improving as you see, both in the apparel and especially in the footwear from a top line, and from the profitability perspective.

And the hard goods side, even if we don't have a lot of, let's say, increase there, as the recovery in the hard goods side seems to be slower in the industry than we planned in the beginning, but the profitability is improving clearly also on the hard goods side big time, as now the measures starts to take place more in next year than this year, but already we see some improvements on this year's side. So Salomon is today in much, much better shape than it was one year ago.

Maria Wikstrom - Handelsbanken - Analyst

Thank you very much.

Operator

Next question comes from the line of Fitz Peters from Goldman Sachs, go ahead please.

Fitz Peters - Goldman Sachs - Analyst

Afternoon, gentlemen. My first question is on Precor. And you talked about plans to cut costs at Precor. Would this be headcount reduction, or a broader structural change? What would be the expected timing when we will see this?

Roger Talermo - Amer Sports Oyj - President & CEO

There would not be any broader structural changes as we see today. We mainly mean -- when we say this, we mainly mean reduction of workforce in our Seattle operations as the main thing. There will not be a big cost associated to this, as the cost to do this kind of restructuring is not that high in United States. So it's a question of probably some hundreds of thousands.

We don't know the magnitude at this point as we start now to just work on these issues, but we will come later back to these things. And it's -- generally just be more cautious on the OpEx is whatever they are, and that's what we are referring to here.

Fitz Peters - Goldman Sachs - Analyst

Okay. Second, give a little more understanding of the winter order book, which is up materially because of the delayed sales as you had said. When would we see this be delivered? I imagine most of this is going to happen in the fourth quarter, but is any of it -- have there been any orders that are made now that are for delivery in the first quarter of next year?

And are there any conditions -- weather conditions in which a retailer can cancel those orders? I imagine that if the season ends up being very strong they would want to increase the end-season orders, but if end up being weak, they would want to somehow push back on the inventories that would be -- that would otherwise be delivered to them.

Oct. 28. 2008 / 9:00AM, AME.HE - Q3 2008 Amer Sports Oyj Earnings Conference Call

Roger Talerio - Amer Sports Oyj - President & CEO

Yes, you are absolutely right in your analysis, how it probably could play out. What we feel today is that first of all, we have -- as I said earlier, we have a pretty good order book today, it's not very pushy, so to say. I think we have a lot of fresh products there. As you know, we gained the first victory and the third place with our new Doubledeck ski in Sölden when the world cup opened last weekend.

It's a very high-end ski, it's all sold out. It's all started to deliver few weeks ago, and so we have -- a lot of our products that we have in order books today are very fresh products. So I think the dealers want to have them.

Secondly, I think that the pipeline as such, or let's say, the inventory levels at trade is in good shape, especially in the mountain areas where the big orders have been taken. So I think the -- I think honestly that the dealers regardless of the weather will take the majority of these orders in the upcoming, let me say, four weeks, which are the very critical, and of course we have already started to deliver since beginning of Q4. So there's a full delivery going on momentarily.

So I am not too worried about that. We have also started to record already in-season bookings, or let's say, in-season orders about two weeks ago. It's a slow start as normal as usual, but it's started already. And the glaciers which usually take the first people on to the snow are in great shape. So I think that from that perspective, everything today looks like it would be completely normal season as far as we can say at this point.

Whether there is a risk that -- in what conditions the dealers could cancel orders, that's unfortunately little bit the name of the game, that in critical situations dealers would like to cancel. We usually don't accept cancellations. On the other hand, it's evident that we don't want to push into the dealers if they have financial troubles. So far we have no indications that mainly the European dealers who are the big block at this point do not at least record financial troubles. They seemingly have had a pretty decent summer.

In US, the dealers were extremely cautious. They -- if you remember, they recorded about 14% less in pre-bookings than the year before, and they had a great season. So they have been really anticipating the downturn. And even in Asia, the situation, especially in Japan, is not that bad.

So, yes, there is a theoretical possibility that dealers will push back and cancel orders, but I think there is more open to buy opportunities than cancellation. And therefore, we have still in our plans to sell quite a few tens of millions of euros in sales in Winter Sports, which is like last year. We are not trying to put anymore -- or we don't plan to put anymore in the market than the year before. But if season starts good, and if snow is on the ground, I really think that there is a slight, at least, opportunity to go quicker there.

We have some orders of course for the beginning of the year, because the season doesn't see the -- let's say the fiscal closure day. They go through to March. And what we've done this year which is very particular is that we did not put in on the -- we did not put on the market last spring any this year's product, especially the new Doubledecks. We really tried to be strict on the way how we controlled the product flows. So I think that will play in our advantage.

Evidently, if there is snow, if there is open to buy, we have done all our restructuring. We are in good shape from a Winter Sports business. Allow me to say that I believe that we are about almost two years ahead of our -- some of our main competitors in terms of adapting to the situation. We have now -- we bought the Bulgarian supplier in terms of skis, so we now own our two ski plants, and the two boot plants, and the two binding plants. Our source plants, they're all located in Europe, our plan is intact.

So we are going to be very aggressive when needed, because now is the time for us to take market shares. So I rather see the market going that way than the other way, but you never know. I hope I answered your question.

Oct. 28, 2008 / 9:00AM, AME.HE - Q3 2008 Amer Sports Oyj Earnings Conference Call

Fitz Peters - Goldman Sachs - Analyst

All right. If hypothetically we did have a bad snow year, would you be -- potentially, have a very high inventory problem. I mean, your inventory levels now, I'm assuming some of it has to do with Fitness, imagine some would also have to do with [Sports] business because of this delay. The inventory levels right now are a bit higher than they've been in the past. Could we -- I guess this is true in every year, but if the weather is bad, could we be setting ourselves up for a very difficult inventory issue?

Roger Talerio - Amer Sports Oyj - President & CEO

No, I don't think so, that we would be set up for a very bad inventory situation, because it's still -- every day that goes, it becomes smaller and smaller, and this way even in the worst-case scenario, it's something really December that then makes the difference. So I don't feel that we would have any inventory issue on this at all. Maybe Mr. Paalanne would add here something.

Pekka Paalanne - Amer Sports Oyj - CFO

Absolutely not. What we are actually currently doing, we have taken the correct decisions fairly earlier on this year that we are going to drive the inventories down during this year in Winter Sports Equipment. So end of the year, our inventory levels in Winter Sports Equipment will be substantially lower than last year at the same time.

Roger Talerio - Amer Sports Oyj - President & CEO

This is part of our working capital reduction program. So this way we try to improve our cash flow.

Fitz Peters - Goldman Sachs - Analyst

Okay. Thank you, gentlemen.

Operator

(Operator Instructions) We have a question from the line of [Lowdie Peteren] from [Ohman Securities]. Go ahead, please.

Lowdie Peteren - Ohman Securities - Analyst

Hello, gentlemen, it is Lowdie Peteren from Ohman Securities. I have a couple of questions for you. I mean, one question I have is on just the significant improvement in the gross margins. Could you try to break that down between the different businesses?

Roger Talerio - Amer Sports Oyj - President & CEO

Mr. Paalanne is taking his files here, so that we can relate exactly to what you are referring to. But I can give you first part here is that, yes, especially for example in golf we have improved because we have reduced those elements, Japanese distribution OEMs that are very low gross margin product.

And in general, our strategy has been that we are not trying to play the game with gross margin, but really try to protect our margin progress. So even if the top line has been kind of a little struggle, which we probably can partly relate at least to the market environment, we have taken measures to defend our margin structure. So it doesn't look too bad at this moment.

Oct. 28. 2008 / 9:00AM, AME.HE - Q3 2008 Amer Sports Oyj Earnings Conference Call

Mr. Paalanne, if you want to add something, please.

Pekka Paalanne - *Amer Sports Oyj - CFO*

Yes, maybe. So really on a overall level, you're right that our gross margin is up compared to previous year, and if you try to analyze it very briefly. So most of the improvement is coming from Winter and Outdoor. And there again it's very much been driven by the profitability improvement measures in Winter Sports Equipment. But also the gross margins in Apparel and Footwear are quite a bit up. So all in all, most of the improvement is coming from Winter and Outdoor.

Wilson or the Ball Sports are [at par] overall, compared to last year. And we have got a big improvement in Golf, where we've exited the low margin business, and our hope is in now high-margin product, Wilson's top line. So that is actually now starting to give results.

The only area where the gross margins are down a little bit is the Fitness business. And that is because, as we have already discussed a few times here, it's the toughest of the business season right now for us.

Lowdie Peteren - *Ohman Securities - Analyst*

All right. My second question relates to the Winter Sports business. I mean, are we going to see the Winter Sports business posting a profit this year, or will it be loss-making?

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

The whole Winter Sports business has probably been okay, but then more detailed than that, I cannot comment at this point.

Lowdie Peteren - *Ohman Securities - Analyst*

But then can you say whether it's going to be under red or on the black?

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

Hard to say at this point. No comments.

Lowdie Peteren - *Ohman Securities - Analyst*

All right. Let me --

Pekka Paalanne - *Amer Sports Oyj - CFO*

Significant -- we are expecting anyway significant improvement compared to last year.

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

Yes, I think that is very important.

Oct. 28. 2008 / 9:00AM, AME.HE - Q3 2008 Amer Sports Oyj Earnings Conference Call

Lowdie Peteren - *Ohman Securities - Analyst*

All right. And then my third question relates to the US dollar-euro impact. I mean, you have earlier indicated that you are not exposed to the currency movements. But I would like to still go through the logic. I mean, how much of your revenues and costs are in dollars, and how much are in euros?

Pekka Paalanne - *Amer Sports Oyj - CFO*

So without actually going to exact numbers. I've just got to go with the logic once again that basically we have got a -- we get two impacts; we get the translation impact and we have the transaction impact.

And when -- of course, as you all know already so, the translation impact has -- translation has a big impact on the top line. And as euro has been now -- last year has got strengthening vis-a-vis US dollar, than we have been negatively (inaudible).

Whereas what we have set and then we still got to maintain it, that when it comes to the profitability, the impact of euro-dollar is not limiting, because these two kind of impacts offset each other. So what we now -- what we gain in translation -- or what we lose in translation, we gain in transaction. So we have got almost a natural kind of a balance right now when it comes to US dollar-euro kind of conversion, when it comes to profitability.

Now, however, short term, very short term -- now short term is less than a year -- there can be a couple of millions pluses or minuses depending how fast the rates are moving. And now as we -- since end of Q3, of course, the rate between dollar and euro is very different.

So now, what we can expect if the current exchange rates continues to the end of the year, is a little bit more translates -- positive translation impact coming through both in top line and in the consolidation of the profits. Whereas then the -- we have the [hedged] in place for transactions. So that is going to be neutral. So some positive short-term impact may be coming. We talk about couple of millions. We are not talking about bigger amounts in the P&L.

Lowdie Peteren - *Ohman Securities - Analyst*

But I think -- as I understand you have a sizeable -- sizeable amount of your revenues are coming in US dollar terms, and I understand that's even a bigger proportion. You should be somewhat exposed, I guess, in the long term. So is the neutrality of the exchange rate because of the hedges that you have in place, or have I jumped on to something completely wrong?

Pekka Paalanne - *Amer Sports Oyj - CFO*

So obviously, we have the -- we are (inaudible) purchase of US dollars. And also we have -- we have the profits in US dollars. And these have -- tend to have a different impact.

Lowdie Peteren - *Ohman Securities - Analyst*

Okay.

Pekka Paalanne - *Amer Sports Oyj - CFO*

They start -- tend to offset each other. So I just want to repeat that we have almost natural kind of hedge.

Oct. 28. 2008 / 9:00AM, AME.HE - Q3 2008 Amer Sports Oyj Earnings Conference Call

Lowdie Peteren - *Ohman Securities - Analyst*

Okay.

Pekka Paalanne - *Amer Sports Oyj - CFO*

But of course it means that on the transaction side, then we have to be depending on how the currencies go, we ought to have to be able to keep the benefit or increase the price.

Lowdie Peteren - *Ohman Securities - Analyst*

Okay, thank you very much.

Operator

The next question comes from the line of Fitz Peters from Goldman Sachs. Go ahead please.

Fitz Peters - *Goldman Sachs - Analyst*

I got two follow-up questions. One on the Fitness business. Do you think the gross margin might turn as we see commodity -- I mean, it won't recover everything, because I know that this shortfall has more to do with the volumes. But do you think the impact of the commodities could turn around as we see the commodity prices falling?

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

If I -- did I understand you correctly here that your question was that if -- what's the impact on the gross margins in the Fitness business? That's -- if I can have a clarification there.

Fitz Peters - *Goldman Sachs - Analyst*

You had cited in the Fitness business one of the reasons for the gross margin fall was from the increased raw material costs.

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

Yes.

Fitz Peters - *Goldman Sachs - Analyst*

Should we see these raw material costs reversed, have you entered into long-term contracts where you might not be participating in the fall in commodities we've seen over the last couple of years?

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

Okay, yes. I don't know exactly the impact at this point because we -- as you're right -- correctly saying, the raw material prices have come down pretty significantly in the past -- in the very short -- past months or so.

Oct. 28. 2008 / 9:00AM, AME.HE - Q3 2008 Amer Sports Oyj Earnings Conference Call

We usually don't make very long-term contracts. However, some of the contracts are up to one year which has been in -- played in our favor until now. Now, when they are turning the other way round, it's evident that they would be against us if we have these long-term contracts.

However, we are in a situation where there has been quite a lot of pressure especially from the Asian suppliers of different materials and we buy -- and products too. And we buy parts of our finished goods in the fitness industry also from Asia, especially our low end which is the mid-end of the market.

And there has been a lot of pressure on salaries, on taxes, and different types of costs that are going up in China, which we all are aware of. So the pressure has been there, which has meant that we have been little, let's say, cautious of making too long contracts with them.

Now, will these two offset each other? That's the big question. Or will there be a net gain in terms of raw materials in the finished goods? And then of course, what comes to the raw material that comes to us directly is then of course another question.

This is something which we have decided to look into very carefully, and of course try to get as well corresponding prices to the market prices of the materials as possible. Now, what kind of time lag is there, I cannot answer you very specifically on that.

Fitz Peters - *Goldman Sachs - Analyst*

One more question about the committed revolving credit facility. You talked about how attractive the commercial paper market have been -- facilities have been for you. As you start shifting this to the revolving credit facility, will we see an increase in the interest rates you have to pay?

Pekka Paalanne - *Amer Sports Oyj - CFO*

Yes, there is a small difference. It's not a huge difference, but there is a small difference. So the syndicated credit facility is a little bit more expensive. But then we talk about the difference, it maybe 20 to 25 basis points.

Fitz Peters - *Goldman Sachs - Analyst*

Okay. Thank you, gentlemen.

Unidentified Company Representative

Thank you.

Operator

The next question comes from the line of Peter Testa from One Investments. Go ahead please.

Peter Testa - *One Investments - Analyst*

Yes, thank you. Maybe just following on, on the debt question please, can you give a sense to what your plans are on refinancing next year's bond coming due in May, and the extent to which you use facilities, or what your is there? And maybe also can you remind us what proportion of your debt is in US dollars?

Oct. 28. 2008 / 9:00AM, AME.HE - Q3 2008 Amer Sports Oyj Earnings Conference Call

And then there is a question on your intention to get your 60% to 80% leverage goal. Can you give a sense as to how much you think control of working capital will contribute to that?

And then a question on the business please, if you could give a sense within your production planning, what sort of decisions you are taking looking at your production planning, and by when you need to make decisions for key divisions to make a difference to those seasons? Thank you.

Pekka Paalanne - *Amer Sports Oyj - CFO*

Okay. So maybe before I start the first -- first part of the question was that as we have this EUR75 million bond -- domestic bond which will come to its maturity May, next year. So that is something that we are -- we will -- we are going to replace to have a right maturity in our debt credit portfolio. So that is something we are going to do then during the next, let's say, six months.

Peter Testa - *One Investments - Analyst*

Okay.

Pekka Paalanne - *Amer Sports Oyj - CFO*

The other question was that the amount of US dollars. So we have this -- we have a 100 million in US dollars. That is the EUR68 million which we have on the long-term side.

What was the third part?

Peter Testa - *One Investments - Analyst*

Just -- within your goal of bringing leverage down to the 60% to 80% range, if you could give a sense as to how much you think will be contributed by working capital control.

Pekka Paalanne - *Amer Sports Oyj - CFO*

I think that's the working capital will have a significant contribution to that, and I don't actually want to kind of get into the number about -- but as to -- it's the biggest single contributor towards that goal.

Peter Testa - *One Investments - Analyst*

Okay.

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

Then on the production planning and -- the key question -- the decision in terms of timing; usually it's like this that the scope is something like between three to six months prior to the delivery of finished goods, two to three months depending on -- little bit on the materials.

And then in our own facility production, it's partly the material and partly then, of course, just labor, which we can take decisions on a quite late stage. So main business is rolling, beginning of next year, are mainly sourced products apart from the ski production that is already intact.

Oct. 28. 2008 / 9:00AM, AME.HE - Q3 2008 Amer Sports Oyj Earnings Conference Call

And then for 2009-2010 season, ski production and ski boot binding production, we start to plan in January and then the production actually starts somewhere in the spring depending on what kind of strategy we will have for the upcoming year. I cannot tell it today because we usually kind of look how the previous year went and then [align] up accordingly.

So we are still not in hurry in most of these things, but in some of the early season decisions that has already been taken, but for majority of next year's business, we are still in the stage of negotiating.

Peter Testa - *One Investments - Analyst*

Okay. So if I can ask two short questions please. One is just on Precor. Am I right that the second half of the year is more driven by the commercial part of the business, and the second was just -- you made your comment on your medium term -- your goal, you wanted to hedge your financial goals in the medium term, in the 5% and the 10% margin. What do you mean by medium term, please?

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

You are right. The second half of the year is more commercially heavy, so to say. As lot of clubs change their gear and equip up their products, tune up their products and their facilities for the new start of the new season, which usually comes with the New Year's promise of becoming leaner and fitter, and being in better shape for the next year. So that's this.

Then the other question is a little tough to answer because we are in such turmoil today that what will happen to the consumer spend, I think that is really the biggest question; when we will be there and what will happen to the market?

But the businesses that were underperforming in terms of EBIT, in terms of profitability, were the Winter Sports businesses, Winter equipment, and all the measures on these volume levels have been taken. So they will gradually now starting to the -- to moving towards the good profitability zones. Next year will already be a big, big improvement.

Fitness is now degrading its profitability, its unfortunate fact. And it's very much a question of when that demand is coming back. It should turn because the basics are in shape, the general demographics and everything supports a good strong business on that side. So I cannot answer when that would come, but I think we need to go a little bit ahead of time, few years before we start to see the turnaround.

But we should be in good shape anyway from the profitability perspective, but to be at 10%, maybe we need another few years to be there.

Peter Testa - *One Investments - Analyst*

Okay, thank you very much.

Operator

Next question comes from the line of Tia Lehto from Carnegie. Go ahead, please.

Tia Lehto - *Carnegie - Analyst*

Yes. Hello, it's Tia Lehto from Carnegie. On the US markets, a question related to the retailers and the retail channels. How have the different retail channels that you are selling through like the big box channel, the general sports retail channel, and then

Oct. 28. 2008 / 9:00AM, AME.HE - Q3 2008 Amer Sports Oyj Earnings Conference Call

most special, [Pro Shop]. How have their sales developed in terms of your product going into these channels during the third quarter?

Roger Talermo - Amer Sports Oyj - President & CEO

I am a little hesitating to answer you on this because I don't have really strong information. I don't have any fact at this point. So you have to accept my gut feeling here.

Tia Lehto - Carnegie - Analyst

Okay.

Roger Talermo - Amer Sports Oyj - President & CEO

Overall, the big boxes seem to do quite okay, because they tend to sell lower priced items, and some of our real big customers, especially on the Ball Sports side are doing very well. And that you can reflect -- see the reflection in our numbers.

As well as some of the better general sporting goods stores are not doing too badly. We don't really feel in the real economy yet, the one which you feel in the housing market or in the cars business, et cetera. Pro Shops and the specialists, who has maybe the toughest liquidity problems generally speaking, as the business is smaller than more mom-and-pop operations, they are very cautious.

We saw the -- I refer to what I said earlier about the pre-bookings for the ski business. The ski resort shops, the smaller private specialists, they are very careful because they don't know how much people will visit the ski resorts, especially in United States, because you have to travel, you have to take your car, gas prices have been very high; now that's coming back, so that's giving a lot of confidence to the American consumer's request.

In US, differently from -- at least to us here in Finland, there tends to be a quicker correlation with -- between the oil price drop and the gasoline price at the pumps. And we already referred earlier that that's completely -- the extra money paid for the gas is completely away from all kind of different consumer goods. So this should be a positive note.

But so far we have not really seen any major big difficulties with our retailers in terms of buying in products or even selling out products, but again this is my gut feeling. This comes from our people throughout the United States in the different businesses, and not only those who has -- who have a business which is depending on traveling or anything like that are the ones who are little bit more careful. And that -- as I also mentioned, there are some dive resorts in United States too, and they tend to suffer to a certain degree.

Tia Lehto - Carnegie - Analyst

Right. What about Europe? And if you look at your main countries like UK, Germany, and some other important -- how do you see those sales going forward? If you exclude the Winter Sports. I mean, if you take the [X] Winter Sports.

Roger Talermo - Amer Sports Oyj - President & CEO

We don't see any big negative impact at this point. It's funny -- I am sorry to say it this way, but it seems to be funny. We talk about the recession coming in, we talk about all the negative things, with financing et cetera, but on the shop level, on the street level we really don't feel a lot of that today.

Oct. 28. 2008 / 9:00AM, AME.HE - Q3 2008 Amer Sports Oyj Earnings Conference Call

Again, I think the best proof is our numbers from that perspective. The real numbers that we are suffering with is the fitness business and in United States mainly.

We were up almost 40% in our fitness business in Europe. We have had very strong deliveries of our other products in Europe. So it's not really visible at this point.

Tia Lehto - *Carnegie - Analyst*

Right. Good, and then further on the cycling, you mentioned that you had some supply chain problems. Is that something that -- I think, it was mentioned already earlier. Is that kind of a big issue? May that be that when the stuff is done, then the buyers don't want it any more, or how does it work?

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

It's not a big issue. It's just a shame that it was a missed opportunity in the sense that we would have beaten our numbers really big time if we would have been able to deliver all this extra. We just -- it was simply an order -- a few orders that came in really at the end of the season, at the time when we did not expect any orders to come in in that OEM category, and most likely, those are for deliveries of bikes into next season, 2009. That is my read on this.

Have we missed them? I don't know. To be honest, I don't know. I don't think we have missed all of them, but we might miss some of them. And it was kind of an extra added opportunity that we couldn't really take into to our numbers as we wanted.

Tia Lehto - *Carnegie - Analyst*

Okay, thank you very much.

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

Thank you.

Operator

(Operator Instructions). We have no further questions coming through. So I hand you back over to Tommy Ilmoni to wrap up today's conference.

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

Yes. Okay, thank you everyone. This concludes our Q3 webcast and conference call. Thank you. Bye-bye.

Operator

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

Oct. 28. 2008 / 9:00AM, AME.HE - Q3 2008 Amer Sports Oyj Earnings Conference Call

DISCLAIMER

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

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

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

©2008, Thomson Financial. All Rights Reserved.