

FINAL TRANSCRIPT

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PRESENTATION

Max Alfthan - *Amer Sports Oyj - Senior VP, Communications*

Good afternoon and welcome to Amer Sports' first quarter presentation. The program here in Helsinki is following. President and CEO Roger Talermo will present the quarter. After that we will have a question and answer session where also Pekka Paalanne, the CFO, will be present. At this time we will start by taking questions from our international audience and those who are following this event over webcast and then continue with those in the room here in Helsinki. When you ask questions please use the microphones provided, and state your name and organization when asking questions.

So without further delay I hand over to Roger Talermo.

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

Ladies and gentlemen, thank you for being present or being listening to our webcast of our first quarter results in 2008.

As a summary the net sales increased in local currencies with 2%. Sales were up 13% in EMEA, which was the driver of our business in this quarter, down 6% in the Americas and down 1% in Asia in local currencies. And quite evenly split. EMEA was 43% of our total business, Americas 48% and Asia 9%. Best growth was recorded in the Winter and Outdoor. You remember we changed our segmentation now for full year and this is the first quarter presentation in this format. Winter and Outdoor grew 15% and was EUR162 million. Very good continuation of growth in Apparel and Footwear, fully driven by this category. It was also the tail end of last winter season, and as you all remember the winter season was pretty okay. We could see quite uneven recovery in the different markets and I'll come back to these details when we go through the business areas.

Cycling Components developed pretty well, while Sport Instruments remained more or less on previous year's level. Ball Sports was down 4%, EUR144 million. However Racquet Sports continued to grow, performed well in the environment and we saw some decreases in Team Sports and also so in Golf, but some of them were man-made, so to say.

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Maybe our biggest disappointment was the 13% decrease in Fitness to EUR57 million and especially the consumer side in the North American market was the one where we felt the biggest impact. However the commercial market, which is the bulk of the business, is doing okay both in North America and in Europe.

And all this gives us an EBIT of zero so we hardly break even, but compared to last year when we made a EUR7.8 million loss at least we could see an improvement in the numbers from profitability perspective.

It's evident that the currency rates are very much in our disfavor. Our last year's currency dollar-euro exchange rate was 1.38 and now we estimate this year it to be 1.58, so there is a 14% increase in euro value to dollar, and it's evidently impacting our numbers quite a lot.

If we take it in reported currencies, so the quarter ended at EUR363 million compared to EUR381 million, so it's a 5% decrease. Remember I said 2% increase in local terms but in reported it's a 5% decrease, so here already you see the currency impact.

EBIT, I said it was break even financials, I'm not going to go through all the details, but you can see the financials are more or less on last year's levels, which then gives the minus EUR6.9 million in EBT compared to minus EUR14.6 million the previous year -- previous year, excuse me.

If we then look at the breakdown of net sales, again, I'm not going to go through the whole material, all the numbers, but I would ask you to look at the column, just to take one, the change in sales in local currencies, which is the one left of the '07 numbers, so we can see the Winter and Outdoor plus 15%, Ball Sports minus 4% and Fitness minus 13% in local currencies, which then gives us the 2% increase in sales as I already mentioned.

Likewise, when we look at the EBIT level, we had a good improvement, still negative but good improvement in the Winter and Outdoor. We ended up the quarter at minus EUR14.6 million compared to minus EUR34.4 million the previous year. I'll come back to this a little bit more in detail when we go forward.

Ball Sports decreased with 12% from EUR19.2 million to EUR15.7 million. Likewise, we'll go a little bit more through this in detail and the Fitness business from EUR9.9 million EBIT to EUR3.7 million. In that category, when then added up with less the costs of headquarter-related operations, we end up at this zero compared to minus EUR7.8 million previous year, comparable quarter.

From the balance sheet, there's not too much to say. We are earnings per share at almost zero -- minus EUR0.07 million compared to minus EUR0.15 million the previous year at the same time. And we can see that the equity ratio is still 31.4% and will stay quite on a low level, and gearing at 112%. So those are maybe the most important numbers to just mention from this chart.

Now here we have the same numbers but a little bit presented in a different form. So we just can make a comparison to the previous years and the first quarter of last year. Let's go then into the business segment, which probably is the most important part and interesting part here, so we can a little bit see where we stand and what has happened.

As you can see from business, we start with the Winter and Outdoor. The Winter Sports equipment business was 23% of this business in the first quarter. The Cycling part was 43%, so it was very big cycling business in the first quarter and, -- excuse me, Apparel and Footwear, a very big part of the business was in Apparel and Footwear, 43%. Cycling was 21% and Sport Instruments was 13%. So selling all the Apparel and Footwear towards the summer season and the tail end of the winter season as I already mentioned.

EMEA of this business is the major chunk. It's almost 30% there and the Americas is 22% and Asia 9%.

I said net sales increased 15% in local currencies and the Winter Sports equipment increased 22%, being EUR37.3 million. This clearly indicates that when there was snow, there were some sales. So I think that, in a way, is good news. The Winter Sports has not disappeared, so to really phrase it in a bold way, normal year, normal sales and I think this is what I would say this would

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indicate. And that was clearly the case, especially in those areas that had the good snow and most parts of the world was in good shape.

Strong drive in Central Europe, meaning the alpine countries, Austria, Switzerland, partly Italy and France. The weakest parts of our business this first quarter was in the Nordic countries, because evidently Southern Finland, Southern Sweden had quite a mild winter and we had an extremely short winter if we had any and then that impacted mainly the cross-country business. That's very, very clear.

So that continues to be a challenge because it's now the second year in a row where cross-country business has been really, really a big challenge. But in the alpine side we can see that the business seems to have recovered in the first quarter as we've seen here.

Apparel and Footwear 18% up, good continuation, not a big surprise for us because a lot of this was already pre-booked so it was more of a shipment going in, but we can say that the introduction of the Wings running shoe - trail-running shoe took a good start, so to say. And it looks like it has been very, very well accepted by consumers because the indications and information we have on sell-through has been very positive.

Cycling, very good start of the year, plus 18%. I think there is a good strong trend in Cycling momentarily going on. We had a small dip not only in our numbers but generally in the Cycling last season and now it is still -- it's coming back again on the growth path. I think there are plenty of explanations to that, not only that it has been mild winters on the plains but maybe this [echo] trend is also again favoring cycling quite in a good way. So we look very bullish on the Cycling business momentarily.

Sport Instruments only up 1% but we have to remember that in Q1, we or our dealers knew that we are going to launch a revamped line, especially on the T1 series, that will say the training series, and that starts to ship or started to ship in April/May, so I think that there was a little bit of holding back in order placing in the Sport Instruments sector, waiting for these products to hit the market.

So in all in all, I would say quite well going on here. I would like to mention at this point, because we are in the Winter and Outdoor, as you know we have our restructuring going on in the Winter Sports equipment business. Everything is according to plans. Unfortunately, it takes a long time because we have to follow the legal procedures, especially in France and we should be finished, as it was planned in the beginning, during the summer now. So during Q2, we should have more or less everything done that we can do ourselves then evidently not all the positions will be vacant or eliminated during Q2. It's gradually then over the year, so we feel confident with the fact that the synergies and the savings that we announced that should be made through this plan will be made through this plan, but again, unfortunately, will kick in in 2009 not in 2008. But everything that has to be executed seems to be right on going on.

It's not an easy plan. There's a lot of different things we need to do. We need to ramp down close entities. We need to ramp up entities, and we need to move people from one place to the other and production, etc. So there's really, really big projects going on on this side but so far, everything is good and so far, people are encouraged to continue to do this quite big change. And the end result is very clear. From day one, we've said that we will get a very good increase in our cost competitiveness if we do this, we seems to be, and I don't want to blame any of our competitors, because they all are in big trouble in the Winter Sports business, but we seem to have done things at a very early stage, in a very kind of bullish way, so the advantage -- the competitive advantage that we were expecting from this to occur should be there. So, there's nothing that says to us today that it's not going to be there.

Just to show you a little -- I would say a little special graph here. If we compared the pre-season bookings -- oh sorry, not pre-season bookings but quarter one sales compared to last year, you can see here in the red, the EUR37.3 million in Q1 on the chart. That is the sales of Winter Sports equipment in our first quarter. And that's then compared now in reported currency, sorry to jump from reported to locals, but in reported currencies, I would say plus 18% from the EUR31.7 million.

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This is a good progress, but I just want to underline the fact that in 2006, on the first quarter, we were at EUR57.1 million, so it's still 35% below the level where we were two years ago. So we still have a lot to recover and the recovering seems to have started but we're still a way from the '06 levels. So don't draw the wrong conclusions that now we're back on track and now everything is fine, recovering will take some time, and the reference points just have been so much lower. And therefore I think we need to just understand that we still have a way to go.

If we then look at the Ball Sports business, likewise there's a pretty even split here between Racquet Sports and Team Sports, Racquet being 44% of the sales and Team Sports being 40% of the sales in this quarter, and Golf being 18%. This, however, is more skewed towards the American market. 65% of the business is done in North America and Americas in general, and only 25% in EMEA, and 10% in Asia. So we have a -- if you compare the Winter and Outdoor, that's more of a European type of business and this is more of an American type of business, at least split in this manner.

Net sales down 4%, as I mentioned earlier. Racquet Sports plus 3% to EUR62.6 million. Especially good development continues to be in the Accessories and Strings business. But likewise, the [key] factor is still a big factor in these businesses doing well. Team Sports down 2% to EUR58 million and it's only in one category we -- one channel we really see where the downturn is, it's in the general retail, big boxes, especially North America. All the others, the specialist channels, the other channels we're supplying, they are okay.

So whether this is an indication of the slowdown of the economy in the North America and America market, that's to be seen. It's little spotted that we had a weak January, we had a strong February, again we had a little weak March, and so on. So it's back and forth, it's a little difficult still to drive it, and lead a trend from this, but at least this is how we see it going forward.

Golf was down 21%. Now this looks dramatic, but don't forget, we did two very important things at the end of last year. First of all, we licensed our business in the second biggest market in the world, which is Japan, to Kasco, which is a Japanese golf manufacturer, a good, fine company in that market, which means that we do not consolidate the sales any more of golf in our numbers in the same way as before. It's a license deal.

The second thing is that we shut down our ball plant in Humboldt, Tennessee, which means that we're not selling any more OEM products. We used to produce golf balls to other manufacturers and that usually was queued into the first quarter as deliveries, then started for the second quarter to dealers, and that's out too. And this is one of the reasons why -- or the two reasons why we are so much down in Golf.

The good news is that Europe developed positively, and the second good news, which is not visible here, is that our margins are coming back. So we are clearly improving our margins, so our aim to improve the profitability of the Golf business is well on track.

Again, Golf business is not done in the first quarter. Also we still have the second quarter, which is very, very important in the Golf business. And then we can draw the conclusions where we stand with the Golf as we go through the second quarter.

Then Fitness. As you can see, it's also very much of a North American business. 77% not only North America, the Americas, but the bulk of the business is done in North America. Europe is 17% and Asia only 6%.

Net sales down 13% as I explained. And it was really driven -- this downfall was driven by the consumer products. As you know, we do sell in North America consumer products, depending on the quarter between 20% and 30% of the total sales. And this was the part which was affected most and mainly in this business.

Now whether it's related to the slowdown of the economy or whether it's related to the housing issues, that's a little bit of a debate. We think both have an impact as a lot of people when they took out new mortgages on their housing, they did refurbishments on their houses, put in gyms, etc. and now when that path is more or less blocked momentarily, it's evident that everything which is related to housing and investment in housing is having a halt here. So that side is what is a tough one.

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However the commercial side, which is to the clubs, to dealers -- through dealers to the clubs, etc., that is not impacted momentarily from this situation. Actually the sales to clubs doesn't look too bad. It's actually in pretty good shape and especially, as you remember, we introduced this new AMT Adaptive Motion Trainer, a very interesting new instrument, is doing very well and we can see very strong sales growth, especially in North America. And we're just launching into Europe so it's a little early to talk about Europe in this situation but it looks like it's very well adapted by or accepted by both North America and European -- or American, European and Asian customers.

So what does that mean then for the outlook going forward this year? It's evident that the US dollar and the softening of the North American consumer demand is creating some uncertainty in the way how we look at the full year. What's the impact? Unfortunately you cannot say. It's impossible to read the crystal ball and saying whether we will go deeper, whether we will stay longer. There's as many theories as there is analysts on this issue, and we all have our opinion. So I don't want to predict but I think it's important that we notice that this is a thing that we just have to take into consideration, and not believe that everything is very rosy for the years to go. Personally I believe that we still have a tough year ahead of us, very tough year ahead of us.

What comes to the Winter Sports, we have always, at this time of the year, end of first quarter, mid second quarter, have an idea of how the re-order -- excuse me, how the pre-order situation looks in the Winter Sports business. We are starting to recover pre-orders now. We're about halfway through but the problem is that the market is very spotted. It's been very good in the mountain areas. It looks like the traditional Winter Sports countries, again Switzerland, Austria, France are up, Germany even a little bit up, which is not too bad because we expected Germany to be very slow. And that looks good.

However, then the Nordic countries, with cross-country which I mentioned, is down and US is a little bit of a question mark. But it's evident that we have a tough time in US because of the dollar. So there is still a very spotted market, some markets are down, some markets are up. So it's very hard to read this at this point, there's a very big inconsistency. So we need to get more orders, we need to analyze more retailer per retailer, the big boxes versus the small stores, the town shops versus the mountain shops. And the mountain shops, they are now starting to put in the orders. So, it's also misleading if we take just the orders of towns and then start to make conclusions on that. So we'd rather wait when we have more information and then we can come back and be more precise on those numbers.

Momentarily, our understanding of this year, the full year EBIT, excluding non-recurring other income, that will say, if we compare apples to apples, they will say the real business performers is estimated, that it's going to improve from previous years. So we maintained the vision on the market as we had earlier. But however, we said that we will come back, as we said already earlier, we will come back at the Q2 then to specify when we get a little bit more information, a little bit further down the road. So it's a little early to draw the conclusions.

To finish up with, I would like to remind you that we will have -- the May 28 here in Helsinki where we will have a capital markets day and we will be extremely happy to see as many of you as possible, as we keep it here in our Helsinki headquarters, we have space so there will be no restrictions whatsoever of attendance, and hope that you have all a possibility to come and discuss with us whether it's strategic questions, whether it's other things concerning the sporting goods market. We will have people present here also from our other entities and therefore hopefully can give you as good a picture as possible on where we stand today and hopefully also, where the market is in this environment.

Thank you very much, that's the end of my official part and now as our communications vice president, Max Alfthan said, we'll start the questions from our broadcasted audience and then we'll come back here and then we'll still another chance to go back, so please, if there is any questions, either to myself or to CFO, Mr. Pekka Paalanne, we will be happy to try to answer you as well as we can.

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QUESTIONS AND ANSWERS

Operator

Thank you. (OPERATOR INSTRUCTIONS).

Our first question comes from the line of [Eric Tristad]. Please go ahead with your question announcing your company name and location.

Eric Tristad - - Analyst

Yes, hi, this [Eric Tristad] from (inaudible) in Oslo. Can you comment on how much of the EBIT improvement in Winter Sports, or Winter and Outdoor was achieved by cost cutting. And how much was achieved by a growing top line?

Roger Talermo - Amer Sports Oyj - President and CEO

That's a good question. I'm not laughing because I think it's funny but because I don't know if I really have the answer for it. It is evident that it's a very tough call in a situation where we do massive changes in the organization, how much comes from that or how much comes from the top line growth. Because in reality, as you know, the volumes are still going down in our production, which means that we are recording at least, in theory, more negative variances, what concerns the production. However, it's compensated by a leaner and hopefully meaner organization. And a lot of the things we're doing now will have more impact in the future. So it's very, very difficult to matrix this in a proper way. I would say, though, that most of what we see here comes from the reorganization we did previous year.

Don't forget, we have this reorganization going on which we started this year or past year, but the impact is this year. We had another one, one year ago. And immediate when we bought the company in 2008 we started -- 2005, the end of 2005, we started a reorganization that ended up with roughly just below 400 positions eliminated. Disappeared in 2006-2007. Some fruits of that is beared certainly now. And that has certain impact -- impacted positively on our numbers. However, 2006-2007 season -- I would say not this season we've just finished, but the season before was catastrophic. So we even did a reorganization without this catastrophic season, because when we bought Salomon, we saw that there were a lot of issues that had to be fixed.

But then the bad season pushed us, rightly so, and hopefully we reacted as we think we did, right away, to second round, which was very hard to go through, which we are doing today. But I don't think the impact of that restructuring is really visible in these numbers yet, as most of that is occurring right now. So, my answer to your question is, unfortunately, a little bit on the gut feeling is that this is from the first restructuring process that impacts the numbers now, and we're still a lot to come, and the volume effect is probably minimal or non-existing in this situation.

Eric Tristad - - Analyst

Okay, thank you. And could you comment if the gross margin of this area has been changed a lot from Q1 last year to Q1 this year?

Roger Talermo - Amer Sports Oyj - President and CEO

We usually don't comment directly gross margins but we have, I think we have a gross margin which is positive here. The development is okay. And especially I would say that on the Salomon side, the impact should be quite material in the sense that we have now -- I probably think that we even had negative growth margins last year and now we're starting to come into

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the positive side. But allow me to have Mr. Paalanne here to support me on this question on gross margin, improvement in Winter Sports.

Pekka Paalanne - *Amer Sports Oyj - Senior VP & CFO*

So in Winter Sports we have seen some improvement in the margin. There is no doubt of that, but of course when talking about Winter and Outdoor segment as a whole, so we also see a further improvement in gross margin in basically in all areas. And what comes from that improvement of the result of Winter and Outdoor that is of course also being part of a positive driven by not only Winter Sports equipment but also Apparel, Equipment and Cycling. All of them have developed very favorably in the beginning of the year.

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

I think that's a good point, I kind of forgot that one. The increase in sales in the Apparel and Footwear side, has improved the gross margin especially on the apparel side which is not coming to the levels where the, let's say, the break even point is passed and now we're in positive numbers and so on, so we have a certain volume now to talk about. Footwear has been okay already until now. From a margin percentage perspective.

Eric Tristad - *Analyst*

Okay, thank you.

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

Thank you very much.

Operator

(OPERATOR INSTRUCTIONS).

We appear to have no further questions at this time.

Actually we do have a question from the line of [Michael L Hatch]. Please go ahead with your question announcing your company name and location.

Michael Hatch - *JP Morgan - Analyst*

Thank you. Good morning or good afternoon. From JP Morgan in London. A quick question. Can you comment on whether or not the private placements that you were successful in issuing include covenants and what they might -- what they are?

Pekka Paalanne - *Amer Sports Oyj - Senior VP & CFO*

Can you actually repeat your question, right. I kind of lost it.

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Michael Hatch - *JP Morgan - Analyst*

Sure. The private placements that you were successful in issuing in the quarter, presumably they come with certain covenants, and I was wondering if you could disclose what those were?

Pekka Paalanne - *Amer Sports Oyj - Senior VP & CFO*

We have not issued any sort of private placements during March. We are not quite sure to what you are referring there.

Michael Hatch - *JP Morgan - Analyst*

Okay. And then I was wondering, can you,

Pekka Paalanne - *Amer Sports Oyj - Senior VP & CFO*

But that was a year ago.

Michael Hatch - *JP Morgan - Analyst*

Can you comment on the cash restructuring that you believe will be entailed over the course of this year and next?

Pekka Paalanne - *Amer Sports Oyj - Senior VP & CFO*

Cash restructuring?

Michael Hatch - *JP Morgan - Analyst*

Yes, the cash cost associated with the restructuring efforts that are underway.

Pekka Paalanne - *Amer Sports Oyj - Senior VP & CFO*

So that is quite a -- most of that -- the reserve which we made in the last deal, was around EUR43 million, most of that is cash related. And most of that will be paid out by the end of this year.

Michael Hatch - *JP Morgan - Analyst*

Okay.

Pekka Paalanne - *Amer Sports Oyj - Senior VP & CFO*

Most profit of Q3 and Q4.

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

And as it stands today, it looks like there is no bigger cost in terms of restructuring that we have planned, so there is no unpleasant surprises from this Winter Sports restructuring coming up.

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Michael Hatch - *JP Morgan - Analyst*

Okay, thank you.

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

You're welcome.

Operator

We appear to have no further questions at this time. I'll hand the conference back to you.

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

Thank you. And then we'll probably have some questions from the audience here in Helsinki. Please.

Maria Wikstrom - *Handelsbanken - Analyst*

My name is Maria Wikstrom from Handelsbanken. I would like to come back to the Winter Sports, the development of the pre-orders. You said that it's unequal in different customer groups. Can you refer, if there is any difference in orders from the rental operators and then the store operators, and then on the, I mean the pricing outlook of Winter Sports skis?

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

Usually when we record and when we work on the pre-bookings, we start on those customers that have finished their season first. That evidently drives us into the cities and into the plains, so the recordings where we've done today is mainly the sports stores, general sporting goods stores, some key accounts in the cities and the main market.

Then, from there, we start to move on up towards the mountains, some of them even have a season going on, however it starts to be finished now, but usually, the mountain stores, they want to kind of go through their inventories, they probably want to take a few weeks of holidays after a very, very long season. Like this year, was extremely long in the mountain areas, and then they come back and they start to prepare for the next season, and that's the reason why pre-bookings quite a lot appear also in May/June.

That's why we still have a lot to do. Also, likewise, some of our bigger accounts, who really make big orders, have several stores, chain stores, etc., they have more work in preparation, and they tend then to take a product group at the time, so they might take ski boots, they might take cross-country, they might take alpine separately in different occasions, and they might not be ready at this time either. So this is the way how it proceeds, over the next month in this pre-season period.

So, again, it's tough to draw a conclusion because the plains and the mountains are in a different kind of timeframe. However, what we understand, we have no statistics so far, but what we understand is that generally speaking in the plains, the season hasn't been very strong. There are even predictions that those areas will record lower pre-season bookings than last year. So whether it is 5% or 10% below is to be seen, I don't think it will be massively below, apart from cross-country. Cross-country is in quite a difficult situation because there are stores where it hasn't been a good winter, that has really probably not sold almost anything, so they keep on going there with their lines to next year.

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We know it, because first, we talk to the dealers and they'd say to us, please don't change the models from these and these skis because you would then degrade our inventories, and so we have the feeling that if cross-country was hit, and this is really out of the blue, but if cross-country has hit with approximately 50% below last year -- last year below the previous year, the good year. Don't forget that there was a good boom in 2005, 2006 in cross-country, 2007 was a bad year, it went down more than 50% in pre-season bookings, where it's about 25% to 30% in alpine.

Now a second bad year here will keep the bookings low, it's evident. Alpine will keep the bookings low, probably 5% to 10% on plains. Now, when we start to move into the specialty stores and the mountain areas, the season has been very good, so what are the bookings going to be there, to be seen? I don't know, but my guess is that they're going to be up between 10%, 20%, maybe even 25%. Now, what is the mix between these two, I cannot say today, I don't have the information. So this is the problem we see today in that.

Now, on specifically what your question was concerning rental, if you remember, last winter, what a lot of the mountain dealers did, and some others who had rental businesses, they moved some commercial products into the rental field. So that they used their own inventories and had some return on their investment through the rental business. Now, we don't know how this mix is now going to be next year, so you cannot really answer the question whether we have better rental or less better rental. The general trend is still that we believe that rental is increasing, but not necessarily as far as some people have thought, so that also is a market that we'd rather wait and see and get the facts, than just give our gut feelings to.

But, overall, anticipation is that pre-season bookings are going to be still cautious, compared to the winter situation, and this means that the recovery is certainly going to be a little slow, again with certainly lower inventories in the trade. So the inventory situation overall is going to be pretty clean quite quickly if this continues like this. Again, there's a big question which remains to be answered which is what is the in-season sales? What is the open to buy the dealers will have going into the season, affected by have they changed their practice in terms of pre-season bookings versus in-season bookings, in terms of percentage, and of course, what is the snow situation?

So that's why it's extremely difficult to predict today what will happen. The good news is that it looks like when there's a winter, normal winter, there's normal business. We can see that from Q1. How will this, Q2, this is more of a Q3, Q4 fall, depends very much on this fact. So I'm a little reluctant to spend too much on this issue. Let's take first in the orders, then we know a little bit more about the market, and most likely our prediction will be better.

I understand that you would like to right away know how the winter will look like, and what the year will go like, but unfortunately, it's too early to say. In a few months time, we are much, much more advanced on this question.

Maria Wikstrom - Handelsbanken - Analyst

So is it impossible to say anything about the pricing, the levels you have been selling these current pre-orders?

Roger Talermo - Amer Sports Oyj - President and CEO

Yes. Sorry, I just forgot that part of it. So far, it looks like it's okay. So far, it looks like there's no discounting extraordinary or out of the ordinary that we would say that is going on today, no. Margins are okay.

Maria Wikstrom - Handelsbanken - Analyst

My final question is that this, your sales growth guidance of 5% local currencies, is that valid anymore or not?

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Roger Talermo - Amer Sports Oyj - President and CEO

We have not changed our guidance.

Unidentified Audience Member

Okay, (inaudible) from Landsbanki Securities. On the pricing, what is your assumption on the pricing, compared to last year? For the [previous] order, in percentage points or something.

Roger Talermo - Amer Sports Oyj - President and CEO

Pricing, first of all, as you remember our strategy last year was not to go into the low price deals, we tried to maintain good margins, keep good brand value, and even, if needed, lose a little bit of market share.

This was our strategy. Momentarily, we have not changed this strategy. We went into the year in the same way. We said that we have very good new collections, both from the Salomon brand and the Atomic brand, let's not start with discounting, let's go in in a normal situation, keep the pricing as it is, increase where we can with inflation, and of course the big question has been North America.

We have tried to push pricing, but we're already now on the wrong side because of the dollar situation. But I don't have a percentage to give you.

Unidentified Audience Member

So are the average price is up or down?

Roger Talermo - Amer Sports Oyj - President and CEO

Average prices is probably, I would say, even or slightly up because of new models.

Unidentified Audience Member

But the retail channel, how's the sales distributed between the mountain shops and the plains shops?

Roger Talermo - Amer Sports Oyj - President and CEO

I don't have a percentage for you. Usually, I can say it in volume but I can't say it in value.

Unidentified Audience Member

Okay. Just to give an idea.

Roger Talermo - Amer Sports Oyj - President and CEO

I don't want to give you a number on this. I don't want to give you a number. It's too mixed bag because there is cross-country, there is alpine, there is snowboard, there --?

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Unidentified Audience Member

Let me ask you this way. You have seen pre-orders from part of your retail channel and you haven't from the other part. From which part or how big of a part have you seen or received the pre-orders already? What size or share of your distribution channel is it now?

Roger Talermo - Amer Sports Oyj - President and CEO

We don't analyze our sales per distribution channel in the way that I could give you a percentage here. We have approximately -- the only thing what I can say here is that we are approximately just over half of our pre-season bookings recorded, but no more.

Unidentified Audience Member

Thank you.

Unidentified Audience Member

(inaudible), Carnegie. Do you see any difference between Salomon and Atomic sales development?

Roger Talermo - Amer Sports Oyj - President and CEO

I don't think it's possible to comment because it depends on the category. Some categories it's up, some categories it's down, it's really mixed because don't forget that Salomon is strong, especially on boots, cross-country boots and cross-country bindings and alpine bindings, whereas Atomic is more strong on skis and have a different challenge in boots coming up, etc. So they vary so much that I won't take any conclusions out of that.

Unidentified Audience Member

Then on the Fitness business, it seems that this is the only division that has increased the number of employees and at the same time we had a quite weak start to the year. Can you comment on the increase in number of employees, for what is that? And then, are you already taking some measures to cut costs or to react to the weak market?

Roger Talermo - Amer Sports Oyj - President and CEO

We have taken measures to cut costs, we generally speaking everywhere in the whole organization, we are very tight with OpEx this year. We have not increased our OpEx from last year, which is already assigned at, usually you should budget a little but more, but now this year we haven't done it. We are going to continue to be very tight on the OpEx because we feel that this is the area where we can still work on in many ways if needed, and evidently we have shifted people with Precor from consumer side to the commercial side. Whether then we need to cut employment, etc., that's something that I have no comments on at this point.

Unidentified Audience Member

On the AMT product, has that started shipping really already or is it --?

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Roger Talerio - Amer Sports Oyj - President and CEO

It ships, yes. We wanted, if you remember, probably your question is related to the fact that we said that we shipped very cautiously in the beginning. It's, I would say, not too complicated, but it's a quite complicated product, there's a lot of moving parts there, and as there is a free motion, adapted motion -- and therefore it's evident that we want to be sure that every single part of the product is okay. And even if we test very well before we ship anything, the best test is the field test. So we gradually wanted to put that product onto the market. And this way it has been then improved, or its penetration has been increased. So we are shipping it more or less normally today and, as we mentioned in our notes is that we are also taking it now to Europe and Asia, which means that we feel that it's okay.

Unidentified Audience Member

My last question is still a little bit related to Precor. You said that your sales overall was a disappointment and refer to Precor as the reason, but was there any other division or category that you were disappointed on?

Roger Talerio - Amer Sports Oyj - President and CEO

I would say that the two areas where we went backwards more than we wanted was Precor and maybe Team Sports. And especially then Precor consumer products and Precor Team Sports products through the big boxes. Institutional sales and the specialists of Team Sports were okay. So those were the two areas where we felt that we could have done better.

Unidentified Audience Member

Thank you.

Unidentified Audience Member

(inaudible) Pederer from Oman. A couple of questions as well. My first one is that previously you've said that US dollar doesn't really have such a big impact on your results, but it seems like it's kicking in. Could you quantify how much, say, a 10% move into the US dollar exchange rate has an impact on your EPS?

Pekka Paalanne - Amer Sports Oyj - Senior VP & CFO

Maybe I'll take that one on. So we have actually said that we are not that sensitive to dollars or euros when it comes to the result. We are pretty sensitive when it comes to sales. So now if I look at the development of the euro or strengthening of the euro against the dollar during the last 12 months, let's say that the average '07 and what seems to be an average '08. So that's already mentioned at 14%. That will have a negative translation impact of around EUR10 million, but I have to add that that's not the whole story yet, because there is a positive impact coming from the transaction side which reduces the overall FX loss. I can't put the exactly 100% right number but I think the truth is that yes, we are now impacted by the further strengthening of the euro, also in terms of result but the impact is around let's say EUR5 million plus on an annual basis in the results.

Unidentified Audience Member

How much of your cost structure is at the moment in dollar terms and how much is the figure for your US dollar terms sales?

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Pekka Paalanne - *Amer Sports Oyj - Senior VP & CFO*

We have a majority, a big part, although I don't a percentage from the top of my head but we are sourcing extensively out from Asia and that is a dollar-based business. And of course then the Precor production or factories is also in the dollar zone. So the dollar is by far the biggest currency we have in our purchase. And we do get the positive impact then from the fact when we are buying in dollars and selling in euros.

Unidentified Audience Member

The second question I have relates to Precor. The Home Equipment segment is about 20% to 30% if I understood correctly, and Precor sales in local currencies were down about I think 15% -- 12% to 15%. So does that mean that almost everything has disappeared from the Home Equipment segment, or does it mean that there's also been weakness actually on the commercial side? How is the split between these two businesses?

Pekka Paalanne - *Amer Sports Oyj - Senior VP & CFO*

Maybe first of all just to look at the first quarter and to draw any conclusions on anything is a little bit to hasty, but clearly Colin the first two quarters the consumer business was significantly down, and that was really absolutely the main reason for Precor's poor development during the first quarter. But it's far too early to draw any conclusions, even on the consumer side, whether the drop will be so deep and dramatic also throughout the year.

Unidentified Audience Member

What kind of sales do you predict for Precor in local currency terms for the full year? What kind of full year trends should we draw from this? I understand there's quite a bit of seasonality between single quarters here, but looking at the sales side as well as the profitability side, it's such a big movement from basically everybody's estimates that it would be very helpful to have some further color on what to do with our estimates.

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

I understand your question very well. It's very tough to make a good conclusion of what it looks like here. If we look, of course we follow the trends actually a week basis, but if we take month by month we can see that there is one month which was weak, January was weak. February was strong, then again it's becoming better and the structure how, because we sell through dealers or directly to clubs who buy it as an investment for their activities. There is a tendency also that, towards the end of the quarters and towards the end of the year, there is a kind of a peak, and this is the big question that we are asking ourselves now, is that, will the market deteriorate over the year because Q4 is quite important in fitness industry?

And whether can we draw any conclusions from what we have here now, or should we look at any other figures to say how the end of the year will materialize is very difficult. This is one of the, I agree, one of the bigger risks we have, not that there's a lot to lose, but visibility is quite low at this point.

However, the indications, as I mentioned, we get from our big customers, with whom we have a direct relationship, which are the big fitness clubs, they tend to tell us today that they have the funds for the investments for the year, the cash flow in those clubs are okay, based on Q1, and the indication that there would be some major problems is not there. There's no indication of that.

So, now are the dealers who are selling to the consumer market, are they destocking, are they doing what? It's very hard to say. What we know is that their sales are roughly down 30%, based on Q1 to Q1. Those are dealers now to consumers.

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And the thing is that I don't know how to read this in a proper way from a simulation perspective, say that are we ending up 5% up or 5% down. And we just, unfortunately, have to live with this uncertainty until we get a little bit further down the road.

And I, like Pekka Paalanne has said, I wouldn't draw too many, too far-reaching conclusions out of the numbers we have today, because we have seen, both in Team Sports and both in Precor, that the sales from week to week or month to month, they tend to vary. We have had very good months since January 1, and very, very strong weeks.

So, it's a little uneven, the situation, and that's what makes it difficult. I'm sorry I can't answer better than this to you. I will come back, of course, immediately when we get more information on this.

Unidentified Audience Member

Okay. One last question relating to the Winter Sports, actually, two. Have you changed your view about the normal level where the market will rebound eventually, or now that there's quite a bit of uncertainty even after a good season where -- how things will go? I mean, what's your view nowadays?

Roger Talermo - Amer Sports Oyj - President and CEO

No, we have not changed our view since we met last time in February, when we announced the Q4 results, the full year results. We don't have enough information to do that. The only information we have is through the dealer discussions and simulations, on the numbers we've seen. I've said mountain shops are going up, good speed, plains shops are soft, or even down in some cases.

And this indicates to us that maybe, depending on how the end of the year will look like, maybe it's a little slower, the recovery, than we planned in the beginning. I don't say that -- remember we said that the recovery probably is in three years back to where it's going to be. I'm not changing that or my opinion on that. I think it's still -- there's a good, fair chance that it will be in two years. In three years, excuse me.

But, if there is a destocking going on momentarily, it means that they are just improving their balance sheets and their business situation, which means that in a normalized year, the rebound then should become quicker again.

So, I think it's not going to be leaner over the three years. There will be a bumpy road still to come, and what concerns the question of rental, which usually is a big question in this context, I don't believe that the rental will jump out as a huge changing factor, compared to the previous years. Yes, its part will increase, but it will not change the pattern too much.

Unidentified Audience Member

The last question I have is on the retail level, on Winter Sports, you must have some data on how retail sales have developed in Winter Sports in Europe and in the US, so could you give us some light on what has actually been the sell-through, versus the previous season?

Roger Talermo - Amer Sports Oyj - President and CEO

Yes. Q1 numbers are not out yet, unfortunately. But we have the indication that, again, good increase in the mountains and slow sales in the plains. When I say this, and I've said this now many times, it's not only based on our numbers. It's also based on the retail reflection that we have. So, exact numbers, 6% up, 3% down. I don't have those numbers to give you.

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Unidentified Audience Member

Closer to 0% or 10%, if you look at the overall market --

Roger Talerma - Amer Sports Oyj - President and CEO

Overall --

Unidentified Audience Member

At the retail level.

Roger Talerma - Amer Sports Oyj - President and CEO

In Q1, or compared to last year?

Unidentified Audience Member

The whole season that we have had thus far, for which you have data.

Roger Talerma - Amer Sports Oyj - President and CEO

Well then, now you're asking me to predict anyway, from saying it's a bit uncertain, say --

Unidentified Audience Member

For which you have data.

Roger Talerma - Amer Sports Oyj - President and CEO

I think there is an indication that the mountains will go up over 10%, clearly over 10%. Even 20%. But, again, then we come to he who left his question, that what is the mix between mountains and the valleys? Because there's a big trend, too, going on which we should not neglect completely, and this is one of the reasons why it's so difficult to answer the question.

In Germany, which is a huge country, a lot of skiers, very active people, and willing to spend also on ski gear. We clearly see a tendency on the German market that skiing is going down, from analyzing from a purchase perspective. They don't buy as many skis in Germany as before. However, I think quite a few of Germans, because they still ski a lot, they drive to mountains, to Austria, Switzerland and maybe France, and they buy their equipment there, or they rent their equipment there.

We have one fundamental let' say an issue in the Winter Sports business, is that when you have not had a good season, you have had bad seasons in the past, you might have your skis in your garage which are three years old. You have probably skied ten days, when you skied, in the past 15 days a year. Now you ski ten days in three years, or two years. And when you go to the store and you look at the new skis, and you say well mine was blue and these are orange, but they look the same, they're both carving skis. Why should I change? And mine are in pretty good shape, in the garage.

So, I think there is a tendency not to renew before you have a reason to renew. And the two reasons to renew is that you used the skis a lot and they wear, and this way, when you are [not] in the mountains, you start to look at new stuff and you start to

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feel that, now I need the change, or there's a big innovation coming up. And if you don't have that, there's no big reason to change.

We are coming out with big innovations in skiing, but they gradually start to bite. It's not that the whole park will change right away. And the problem is also that the innovation that we are comparing to is the carving boom, and I don't think we will see a carving boom, or similar, in the few years to come. That was so massive, because all skis in the whole world has been changed, more or less.

And I think we see, again, a kind of normal, gradually changing pattern, which is 10% a year, ten year cycle to change all the skis, which is quite normal. This is what we're probably going to see.

So, we'll see the accumulation of the built-in demand, because we have not changed our skis, and we see the normal pattern of 10%, which means that most likely it's bigger than 10%, at least in the three or four years to come for the recovery. Whether it is 15% one year, 25% next year, and then 40% third year, or is it 30%, 20%, 40%, depends completely on how the snow situation goes, and how the dealers play the game.

I'm really sorry about this, that I cannot give you more information. But I've tried to open up a little bit the logic, how the business is conducted.

The good news is; again, I just want to finish this question, and this point is that there is snow, there's people in the ski resort, everywhere in the world has been record years. The alpine countries have really had superb bookings, a lot of skiers. Even here in our small Finland, we have record numbers in the north, even that half of the country has not been covered with snow. So, skiing is popular, skiing is there, and it's just a question of time and how we play the game, how quickly we can renew the park.

Yes, please.

Sasu Ristimäki - *Enskilda - Analyst*

Yes, it's Sasu Ristimäki here, Enskilda. I just would like to talk a bit more about the summer sports season that's coming up now, in Q2 and Q3 that, you're probably quite well aware that volume commitments at this point of the year, in terms of those pre-sales and then in terms of the volumes that you have placed with the sub-suppliers.

Now, when you look at the number of disappointing retail sales announcements coming from any number of retailers, in both North America and Europe, do you have any concerns that there is, in effect, too much volume being pushed into the channel for what the actual outcome is going to be like? And are we heading for a problem that's going to hit us in some time towards the end of the season?

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

Of course, I think that the one who is not concerned about the outlook in general is probably considered to be a little bit too optimistic, or stupidly optimistic. I think everything trends downwards momentarily, except interest rates which they also trend downwards but that's probably positive. I think that if you look at, from our perspective, first to start with briefly, with the Apparel Footwear pre-bookings, as mentioned, are good. We think that they will continue to be good. We have a pretty bullish view on our own sales in that market, and all the indications are backing it up.

So I'm pretty optimistic, not stupidly optimistic, but pretty optimistic that we will do a good season in Apparel and Footwear, not only in the summer but also in the autumn, because they tend to go more spring and autumn collections in our situation, as we don't work with fall collections.

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Fitness, I think we talked about already, so I wouldn't like to add there anything on that.

The bicycle market, every indication we have in the first quarter looks very good, and there is no indication saying that it will halt, as part of our business is sold through what we call bike manufacturers, through what we call OEM products, so we sell rims and wheels to the bike manufacturers, that business is now at it's higher levels because the bikes have to be delivered during the summer. And then the bulk of the business is, for those who are the enthusiasts, who collect and put together their own bike, and there is a boom in that market. The market is in good shape. People -- we have introduced rims, wheels and rims, which are EUR2,000 a piece, or a set, and I think that we can sell almost everything we can produce. Don't take me wrong. This is not a huge volume product, but the market looks healthy. So I don't see any problems momentarily in that market either.

As I said, with Suunto, we're coming up with new products. Maybe the only -- allow me to take small niches like this, but to be complete in the answer, maybe diving could be something that could be hurt throughout the season if people don't want to travel because of expense. We all know that traveling is quite cheap today, even long distance traveling, so what's the impact there? But if the consumable amount of money you have in your position is going down then, of course, traveling is the question.

So, no I think the situation is not that bad, and I think, generally speaking, the summer should be okay. I think it should be okay. Competitors, I have no idea, but the tendency is that fight and competition is fierce even during hard times.

If no more questions then, probably, we should go back to the broadcasted audience and ask if there is any new questions that have raised there, please.

Operator

(OPERATOR INSTRUCTIONS). We appear to have no further questions at this time. I'll hand the conference back to you.

Roger Talermo - Amer Sports Oyj - President and CEO

Thank you very much. And, as there is no further questions, I end the session here, and I thank you for your attendance. Thank you.

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