

# FINAL TRANSCRIPT

**Thomson StreetEvents<sup>SM</sup>**

**AME.HE - Full Year 2006 Amer Sports Oyj Earnings Conference Call**

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## PRESENTATION

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

Welcome to the Amer Sports fourth quarter announcement. This event is being broadcasted over the Internet. The program is such that first [CEO] and President Roger Talermo will present the highlights of the quarter. After that we will have a questions and answer session, where also CFO, Pekka Paalanne will participate.

Please use the microphones provided when asking questions and also state your name and organization. So -- and after that we will have a question and answer session from our international audience. Thank you.

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

Alright. Welcome everybody in the audience as well as the people who are over the Net. We will proceed, as our Communications Director, Max Alfthan pointed out earlier, and answer all the possible questions at a later stage.

Before that I am going to give you a brief outlook for -- the other way around, a brief information on the numbers which you probably all have seen already. And then we go business unit by business unit, to talk a little bit about 2006 year and then the outlook on going forward. And then at the end we'll take the whole Group as [itself].

This 2006 year continued to be a pretty good year in the sporting goods market. As we've indicated earlier last year, it looked good in the beginning, continued to be okay throughout the year, despite the fact that we had some abnormal weather which then affected the winter sports market. I'm coming back to that a little later.

But, overall, the year has been a very positive year. For us, as we said already going into the year we said that this is a year of transition. We have a lot of things we want to achieve this year, a lot of things we want to change so that we are ready to grow towards the EUR2b mark which is our next target. It is not very long ago we were a EUR1b Company and now we are approaching

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the EUR2b. And, therefore, we have to assure us that it's not only a question of integrating Salomon, which we bought in 2005 and now full year in our numbers, but also so that the whole Group structure lives up to the opportunities to grow.

We have initiated a lot of different changes. I am not going to go through all of them here. But there is an enormous amount of different things that we have done. As said, Salomon is now fully integrated for the full year. And the cooperation between Salomon and Atomic, which has been crucial, has gone well. The synergies that we are looking forward to achieve that will save plus EUR40m are well under way. And there is nothing to report that would go against these numbers towards 2007 and 2008. And we have indicated that the majority of these synergies will be materializing this year and next year.

We achieved what we wanted to achieve this year 2006. We had quite high hopes. As you remember, we had informed the market about a very strong order intake, especially for the winter sports market, already early in the year, as the previous winter was very strong, as the winter before that. And the stock levels in trade going into this season, this winter season, was very low. Now unfortunately, we all lived through the very warm end of the last year, the Q4, which meant for us that the re-orders that we expected to get were below normal and, therefore, the Winter Sports business did not achieve those optimistic outlooks that we saw earlier in the year.

Regardless of that, we believe that the numbers we achieved, very close to EUR1.8b, and we're coming back to that in a second, is a good achievement. And our Q4, especially our December month, was very, very strong compared to the previous December months. And a strong driven by a good fitness product sales at Precor, continued to be very strong. Salomon had the delivery problems earlier in '06 October early part of November, and we said at that time that we're probably around three to four weeks late.

We caught up. We delivered all our pre-season bookings and continued to deliver very well in Q4. That's part of why the Q4 is so strong because some of the sales that were to be materialized in Q3 then actually materialized in Q4 because of these deliveries issue. But also Suunto also had a very strong end of last year.

So, all in all the year, finished up in a positive mode, not really exactly with a businesses as planned, as Winter Sports was below and the others higher up, but regardless of that.

So as we can see here, the Q4, should be Q4 '05 pro forma, as it was already incorporated at that time in our numbers, the Salomon numbers, we had organic growth of 4%. In reality, reported growth was 31% as Salomon is now fully in our numbers. So strong 31% and good organic growth of 4% on top line.

EBIT was up 3% and EBT up 5% and this then gives us a net result of up 15%, EUR47m compared to EUR40.8m. And I think it's worthwhile mentioning here that our tax rate in this '06 was then at the end of the year 27% as we indicated, it being lower than the previous year.

Also the full year numbers, as I said, very close to EUR1.8b, EUR1.792b, up 4% as well on a full-year basis. Three year as well on the EBIT reached EUR120m in EBIT and EBT up 4% to EUR96.6m. And now this 4%, we have to remember we booked some extraordinary income of sales of some properties in '05, so the actual number is even a little bit better in terms of improvement compared to what we have here on the board.

This now some -- now we get it. If we look at the breakdown of our net sales per business unit, we can record a very strong Q4 with Salomon and a good plus 6% on a full-year basis. Winter Sports business, skis were down a little bit, snowboards were flat, cross country were up, so all in all the hard goods a slight improvement. But a big gain was coming from the Soft Goods business and the Footwear. Funnily, when the winter sports re-orders wasn't there, at least our portfolio worked well because then dealers continued to purchase Soft Goods and products that could be used in the warmer climate.

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Wilson didn't gain anything, was flat in terms of top line. But we have to remember that we voluntarily took down the Golf business. We're coming back to that a little bit later. And that was fully compensated by the increase in both tennis or Racquet Sports and Team Sports, that both continued to grow.

Precor continued, as said, a good growth pattern, up 9% on a full-year basis, and therefore recorded very good results, above the industry to our understanding.

Atomic reported 4% down to EUR204m from EUR214m. But, again, here we have to remember that we have now included in the '05 numbers, which is excluded from '06 numbers, the Asics sales, as we dropped the distribution of Asics products in Austria. And if we take like for like, Atomic, let's say it was flat, it was up [0.06%] from previous years. Even here some [transitions], a very strong, ski boots and cross country year with a little less strong development of skis and bindings as they go together.

Suunto saw a good growth pattern that continued -- that started towards the end of last year, continued and we saw a very good 13% increase, thanks to the new product launches. But all these a little bit more in details as we go forward.

On the profitability level, EBIT level, we can see that clearly the Salomon business here driven by some of the restructuring, but also by the Soft Goods and Footwear, Apparel and Footwear business. It improved the business pretty well. So we were up 30% compared to the reported numbers of last year.

Wilson slightly improved its EBIT numbers. Precor continued to perform well. Atomic was down, maybe due to the fact that the fourth quarter sales volumes were down, and this then is visible here in the full year numbers and also, of course, the Q4 numbers.

Suunto continued to improve its business but it goes -- it has to be mentioned that here we recorded, as informed, the EUR2.5m added insurance premium that we got from the last year's fire that was [inaudible] in our [supplier] plant and the shortage of components and this way this is a little higher than in the normal case.

Headquarter is higher this year, but on a normal level as last year, we had some gains from a property sales. And, therefore, overall a 3% improvement in EBIT.

The development of our balance sheet very much according to the plans we've had. We have now an equity ratio which is 33.6%; a slight improvement from 31.8. And a gearing of 105 compared to 112. We did not pay back a lot of the net debt, or the debts as we said earlier. We used the cash flow we had this year from operations, not only to pay dividends but also to pay the restructuring fees or charges that occurred during the Salomon restructuring. Next year should be then already a clear an improvement from this side if everything goes according to the plan.

Then go into the different business areas, and we start with Salomon. As said, a very good improvement, a very good Q4. Winter Sports a little weaker compared to last year on a full-year basis, but driven very much by Apparel and Footwear.

Mavic also recorded a very strong 9% growth compared to the industry. We actually think that the industry was slightly down, to be confirmed when we get the information from our competitors a little further down the year.

So, all in all, a good strong year for Salomon, so it's completely proceeding as we had expected. As I already mentioned, the delivery issues are over, are solved. And this way we can now go forward with a more positive stance in that sense.

Salomon was affected, as all the Winter Sports businesses, by the mild climate at the end of last year. Not all of it -- I'll come back to this a little bit later. Not all of these businesses were affected, but some of the Winter Sports were. Now, how much will this impact on the upcoming year? That's a very tough call to say and I would like for a few minutes here to just exchange maybe a few of my thoughts on this issue.

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What we can consider, what we can see today, we have had the trade shows in the most important markets, both in the United States and in Europe, and the dealer mood in itself is positive, but it's evident that it's very spotty from area to area. Some dealers say that the sell-through of pre-season bookings is not very high, depending on the area and the category, but somewhere between 10 and maybe 40% still remaining.

Now, we shouldn't draw too many conclusions about it, or of it, because first of all it depends very much on where you are and what business is your main business. The one extreme is the cross country which most of the European dealers had two excellent years in the past. They put a lot of investment behind it because there's a boom in Nordic fitness and Nordic in general. And it's evident that, especially on the plains of Germany and Austria that did not see any snow so far, all those products are still remaining in the stores. And that is probably the extreme on one side.

On the other side, in the mountain resorts, snow is there. It's not in big quantities, but you can ski everywhere and there has been quite a lot of people. Bookings go through to Easter. To my understanding there is no whatsoever cancellations from bookings of people going to the mountains. And there is really a lot of people out skiing today. Which, then again, for the rental operators and people up in the mountains it is an excellent season. Then you have everything in between.

So it's very early to say what the situation will look like, let's say, in a month's time. Funnily, if one can use that expression, if we look at the GfK numbers, which is market survey numbers in Austria, Germany that is supposed to be the worst hit, the dealer inventory levels, as I say, the dealer inventory levels are lower than last year in many parts. So there is clearly a phenomenon of de-stocking going on by dealers.

And I would like to claim that some of the, let's call it, the power shift has been going over to the dealers. And they are taking the situation in their favor in the sense that now they can wait and see then what kind of good offers they will get later in the year when a lot of products, assuming these are flying around or being offered to the dealers.

I think this is a trap we have to be very careful about. Because if now the industry suppliers are going to take down the production volumes to offset the lower anticipated pre-season bookings for '07, it will mean, with a normal winter, it will mean a shortage of products when we get to September, October or November.

As I earlier said that we need two bad winters in a row before we can really claim that it has an impact on the industry in a big way. We have had one bad winter now in our bag. And so I think it's very early at this stage to predict something that is then 100% going forward.

But at least it is evident that we most likely will see lower pre-season bookings than the previous year. What kind of conclusion should we draw out of that is then something we have to adjust according to inventory levels, when we know what they are towards the end of the year. But today it looks like the inventory levels will be very low, both with us and with the dealers. We do not have excess inventories, not with Salomon and not with [Atomic] [inaudible].

Apparel and Footwear pre-season bookings for spring/summer that are to be delivered now in a short while with Salomon are on a good level and we see good growth from the previous year. We think that Mavic's performance will remain on a very solid level. There's also a lot of new products coming out and we think that the year doesn't look too bad going forward.

Profitability of Salomon will improve in '07 and '08 as also, of course, as a result from the turnover that we are currently in with both Salomon and our Winter Sports business.

As mentioned, Atomic net sales declined 4%, but without Asics we're on the last year's level with very strong growth in ski boots. I think Atomic is one of the real winners in the ski boots market and also cross country, as cross country was selected by the industry retailers as one of the growing sports.

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The Alpine ski sales declined 5% which is clearly in the December pre-season -- in season order shortage that we mentioned, that I mentioned earlier. And this then gave us the EBIT of EUR16.6m compared to a higher number in the year before. The same goes without saying with what concerns the, what I mentioned with Salomon also that of course also concerns Atomic in terms of initial orders [inaudible].

If you look at the outlook, completely the same as with Salomon. We have more opportunities now when we work together in terms of cooperation, especially on the industrial side. And we think that we can improve our profitability going forward to '07.

To finish up with the Winter Sports part, I think that we have better opportunities than many of our -- or any of our competitors, as now having the volumes and the opportunities to cooperate on a full year scale between Atomic and Salomon. So our position actually is improved compared to the previous situation.

Our attitude is that, when market is very strong, then we take out the fruits so to say. When market is weak, then we have an opportunity to attack. And this is the moment to gain also market shares and business in a much different way than in a situation where market would be growing. So we don't necessarily see this as a negative situation and cry over it. We see it as an opportunity to fight forward.

If we then move over to Wilson, I said on Wilson level, brand level, net sales were on last year's level, declined a little bit in Q7 [Q4 sic see presentation]. There is a good few reasons for that. First of all, if you look at the [mid-year] level, Racquet Sports continued to grow 4% which is in my opinion a fantastic achievement as we know that the N Code line was in the third of its life.

We have not had in the past few years a top line in the Racquet Sports category that has lived more than two years. So that N Code three years was really a positive surprise for us. But we also saw that in Q4 it started to go down, partly because maybe it's becoming old, but certainly because the dealers know that we're going to launch something very interesting this month and they started to de-stock the old lines.

Team Sports continued its very strong growth, 8% on a year level. And Golf was pretty much according to the plan. I can't really say that it was much worse than we had planned so in that sense Golf is quite okay. The U.S. distribution strategy that we put in place, the new distribution strategy that we put in place, was successful. We are very pleased how the brand now works in the United States. Unfortunately, we've had some setbacks especially in Japan, the whole Japanese golf market has been in turmoil because of quite a few reasons which I will not go into at this point. Overall, the Wilson business improved with 5% and that's, of course, good news.

Now going forward, we are well positioned to continue to grow profitably. And special attention should be given to the racquet sports market which is in pretty good shape and we will make a huge launch this month. We actually have 500 dealers invited to Las Vegas for the launch of a very, very new product line. And to prove that this product line is very solid, in the Australian Open, both Roger Federer and Serena Williams already played with these new racquets. And those who listened to, especially Serena Williams, she was very, very happy about the product and actually mentioned it several times after her winning, in the interviews.

We're also expanding especially here into China. We're working more and more with China now on our own and we see that it's a special opportunity for Wilson Racquet Sports, that's one of the strong businesses in China in the sporting goods arena.

Team Sports, we don't see anything that would take down the trend. The trend is stable going forward and we expect the business to grow. And, of course, it goes without saying that we will work on profitability on Golf. And some of those actions that we took already last year, their impact will be [for] this year because a lot of things could not affect the previous year.

Precor, I said, continued to work very well, solid growth in the commercial lines, [I would say] in the lines sold to the clubs. That is the one that has been the good driver of this year as we also have already announced, for example, the quite extensive

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agreement with Hilton Hotels for branding their fitness centers. We think this will grow. We see no reason why the fitness market will slow down. It will continue to grow and we most likely will gain market share, especially in the commercial segment.

The consumer segment is kind of a [year around] transition because we're going to launch quite a lot -- a few interesting products, especially for the North American market. But the impact won't be too much on this year. They will be more on next year's level. So we are going to try to attack more the consumer market as well as the commercial market, because we see there a lot of opportunities, the consumer market being bigger than the commercial market.

As you can see, here Q4 was very strong for Suunto, up 34% compared to the previous year, very much thanks to the t-line was started to ship in the autumn and then continued to ship and continued to sell-through very well. Indications we have from our dealers is that it has been a good sell-through, that's not only a [pipeline fill].

Diving Instruments and Wristops are now 72% of the turnover. Slowly but surely it's creeping up, and this is the focus area which we want to be the big category going forward.

The focus will be on three main areas. Training line, where we see a lot of opportunities. We're just in the beginning of attacking that market. We're very small there, but the introduction of the t-line has really encouraged us to attack this segment in a much bigger way than anything else.

The Outdoor line will be renewed this year, so we see a lot of opportunities there. And, of course, the Diving continues to be the third important footstep in the Suunto business. So we see no reason why the business shouldn't improve, both on top line and on bottom line level.

Now if we look at the outlook for the full year. Because of, let's say, the cautiousness, the uncertainty that we see from the weather pattern, especially impacting the '06, '07 season and the pre booking situation that I mentioned earlier, we want to be cautious. It's a question of wanting to be cautious. And therefore we think that we will remain on last year's level on our top line, despite the fact that there is quite a lot of areas of growth. Now this, I think it's better to be cautious. As you know us, we do not want to over-promise anything. We'd rather take a positive surprise in the year than a negative one.

And I don't want to repeat myself, but we don't know how the bulk of this upcoming season will look like. Now we have to take the pre-seasons booking from the winter sports. They most likely will be lower. And, therefore, because we have had less re-orders for the latter part of this winter it means that our Q1 will not be very strong.

But, regardless, we think that the full year still has a lot of opportunities. Having said that, the earnings will grow and the focus will be on profitability this year. The synergies that we foresee from Atomic and Salomon will start to materialize and we will have improvements in the other categories. So our estimate today, as first guiding, is EBIT between EUR130 and EUR145m, which then translates into EUR1.1 to EUR1.25 in earnings per share. And the cash flow is improving.

So this is our vision on how we go forward on this year. Yes, some uncertainty has increased, but the sport itself, Winter Sports is in no way, in our opinion, less important as a sport. And it remains a very strong part of our business -- one third, so we're not completely depending on that. At the same time we are in a very good attacking position as good winters will follow at some point.

Thank you very much. At this point, now I think it's time to answer questions, first from here from the audience, and then later over the Net. And we have a microphone here so if you have questions, I think it's important that we ask the questions in the microphone, so also the audience over the Net can hear us. Please.

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## QUESTIONS AND ANSWERS

### Unidentified Audience Member

[Inaudible] from [Ehrman]. Can you breakdown a little bit in more detail how you have arrived in your EBIT guidance for 2007? Obviously, there is savings coming in from Salomon but how much more into detail can you go where the improvement is coming in from?

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

I don't think we usually go much more details than what we have given here. But it's evident that we foresee, as I indicated, that some businesses, Salomon and Atomic, from the Winter Sports are going to improve. Then the question is what is the volume? And then the volume is then, of course, a function of the orders over the full year. And the others are going to improve.

So our prudent forecast is that we see some kind of a little setback in the Winter Sports business and then an improvement in the other businesses. And that's why we say the top line is going to remain on last year's level more or less.

The rest is then improvements from either the non-Winter businesses or the Winter businesses. I don't want to go much more in detail at this point.

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### Maria Wikstrom - Handelsbanken Securities - Analyst

Maria Wikstrom from Handelsbanken. I need to say that I don't quite understand the inventory level situation in the Winter Sports. If I understood correctly, in Atomic it's about 15% of the volumes, [are these] re-orders, and it's even more in Salomon. And now you say the inventory levels are lower this year compared to last year. Were you actually manufacturing lower volumes already before this season? Where does it come from that the inventory levels are lower, despite the re-orders have been at a lower level?

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

I think that's a good question. And to be broad on this question, Salomon inventory levels are more or less on the same year's level as last year, but slightly improved business, apart from the fact that the Salomon inventory level is more current than it was maybe the year before. So either you say it is on the same level or a little bit improved.

Atomic levels are slightly higher overall, but we have to remember that we have also products there that are next year's products. It depends on how we have produced on last year's side for the year '07. Overall, inventory levels are low exactly due to the fact as you're saying we have flexibility in our operations, especially with Atomic, as we already have been operating it for many years. And we have managed to slow down the production so that we don't build without the demand behind it.

And the business model that we used, or the production model that we used, going into this current season, was such that we did produce more to third party orders. So there we'll say that if we had the orders in hand, then we produced. And then, whatever, if it's 15% or 20%, to count the pre-season -- in-season bookings, when we saw that the snow doesn't arrive and we recognized that dealers are cautious, then we just kept the production volumes at very low levels. So those are the main reasons why we are on such a lower level relative to the business -- such a low level relative to the business.

And then what happened with dealers was that they simply -- as they did not -- you have to remember dealers went into this season mainly with low inventories as there were good snow years before that. Now the pre-season bookings usually are high-end products. And high-end products are sold out regardless of weather, climate or snow existing on the ground. Usually the inventory that's carrying over as winter's are warmer, it's an inventory of what we call the mid-range skis, the mid to low-range

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skis; those who go occasionally to ski, who don't buy their products every year or that often. And that inventory is the one which is mainly there today.

Now saying that, after Christmas snow arrived, ski areas are open now everywhere in the world and there is good business going on. How much of these inventories now can be sold out from the mountain resorts, as the town resorts usually don't very much sell anyway after Christmas except in the Nordic countries or in markets where there's snow all the way to the town?

And, as I said, the market is very spotty so there is an opportunity, and has been an opportunity to move around some goods. So my understanding to what I have as information is that the pipeline actually is not that bad. There is stock in the -- with dealers but it's spotty as I said. And it will affect mainly the low end of the market and maybe up to the mid range.

Even cross country, that I mentioned that there are lot of stock, I don't anticipate that there will be a lot of issues with pre-bookings in the cross country high-end racing skis as the racers even in this category buy their skis at a very early stage.

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**Maria Wikstrom** - *Handelsbanken Securities - Analyst*

Thanks for clarifying that. Then I have another question on outlook for Precor. As I understood correctly the market in the U.S. it's more and more the equipment manufacturers trying to get these frame agreements with the gyms and it is -- how do you see it impacting actually the pricing and then the margins of Precor going forward?

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

I think that, as it looks like today, I don't think there is anything that would really say that the margins should go down. Actually, we had a slight improvement in the margins in Precor between '05 and '06 so it went in a positive direction. Maybe there are several reasons and I'm not to explain the improvement but more what will happen in the margin, what has happened in the margin part in the fitness industry especially for us.

First of all we had the increase of raw material prices that we saw in '05 going into '06. Some of them were offset by the surcharges that we had of the product. This is where the impact was. Yes, it was there but it wasn't that huge, as one could believe.

Secondly, we have a quite important amount of our business now going direct with our customers, not necessarily all going through our dealers and this, at least in theory, allow me to say that way, should improve the margins. Of course, it generates some more expenses too but at least we have then more of a direct control with our dealers. That's probably the area you're referring to.

The third thing is that margins can always be improved by new products and new product innovations as new products are possible to price in such a manner that they are fresh and gives appropriate margins.

And the third -- the last thing to be mentioned is that as we have had more products in the lines directly for consumers, those products are sourced overseas. And this way also manufacturing expenses are lower, cost of goods sold are lower than in a case where we would do it in overseas.

So those all affecting the margins, so I don't think we have specific pressure on margins what concerns the fitness industry as a whole apart from maybe a normal competitive environment. Yes, please.

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**Dee Alester** - *Carnegie - Analyst*

[Dee Alester] from Carnegie. I have three questions, one regarding Mavic. We had a very nice top line growth but still you said that the earnings declined. What was the reason for that?

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

Now I need some help from my Financial Director here. Mavic earnings declined despite the top line growth.

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

There was a slight change in the mix at Mavic, so there was more OEM sales which has a lower margin. That's one reason. The other reason is that was a little bit more sale of accessories where again the margins are somewhat lower.

**Dee Alester** - *Carnegie - Analyst*

Okay. Second question is regarding the Golf division. What's your feeling on your pre-order book for that?

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

At this point we usually very little of pre-orders. Golf is a business where you don't see too much going forward. But what concerned the commercial lines, especially in the United States, we have more references with the big dealers than we've had before.

**Dee Alester** - *Carnegie - Analyst*

And then on the Racquet Sports, when do you expect to deliver the new tennis racquet?

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

Right after the launch. We actually started already in United States with few models right in the beginning of this year and Europe will start to -- and the United States of course will continue. And Asia we'll start to deliver when the, let's say, the summer season starts so we will have a good spring, full delivery capacity there going forward in this year.

**Dee Alester** - *Carnegie - Analyst*

Okay, thank you.

**Ute Driver** - *Elsing - Analyst*

[Ute Driver] at [Elsing]. What do you sell -- what sort of cross-country skis when winters are so modest they have been? And missed out on skis. And how import for you business are the cross-country skis?

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

We had, as I said, the year before was a very strong year throughout the world in terms of snow on the plains. And the Nordic fitness boom, if you call it like that, that has especially been sweeping Europe but also North America being more fitness orientated found that cross country is an interesting sport, with all this new equipment more geared in this direction and more what we call fitness skis as a category. Not necessarily something that we experienced that much in Scandinavian or in Nordic countries as we have been used to the outdoor cross-country skis quite a lot.

Now these together, the snow and the trend, meant that a lot of the big buying organizations, especially middle Europe decided that cross country is an interesting category. And we have see the world-wide volumes, not only for us but generally, going from 1.2m pairs of skis to 1.5m pairs of skis, to almost, I'm not saying fully 2m, but close to 2m pairs of skis in the past few years.

This meant that a lot the buying organizations made cross-country as one their core businesses going forward into this season. That's why we have delivered quite a lot of cross-country skis in September, October, November, for this upcoming season. Now, unfortunately, the bad luck was that the plains didn't have the snow, especially in middle Europe as I mentioned. The Sunday skiers', or the weekend skiers' products are still remaining in stock.

However, in Scandinavia and Nordic countries even if the season started too a little late, to my understanding the sell-through has been very good. So there's been a lot of demand for cross-country products. But I assume that the market will be lower going into next year because of this situation.

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

Cross country represents roughly 3%, 3 to 4% of Group annual sales, so it's not more than that, or 10% of winter sports.

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

It's a small category for us but being a full line supplier of winter sports equipment we consider alpine skiing, snow board and cross country equal from a business perspective regardless of the fact that they are of different sizes and different volume.

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**Unidentified Audience Member**

Yes, it's [inaudible] Enskilda. If we start of with the Salomon headcount which is now down about 200 people, year end to year end, could you talk us through how many of that is involved in the actual ski business? And how do you see that evolving as the manufacturing is integrated with the Atomic business?

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

The program that we talked about earlier and executed during the year concerning Salomon resurrecting, we announced round about 370 positions to be eliminated. Now, I can't recall exactly the numbers of people from the different sections, but the idea was that we first of all take down the production volumes in our [Romanian] factory from several hundred to closer to 100, 150,000 pairs, so that it became more of a pilot factory and a factory of high-end of ski products. That was my understanding, and excuse me if I don't have the exact number but that was a little less than 200 people.

These people have been and will be gradually departing the Company. So not everybody has left at the end of the year because we still produce as the next year's collection will then more be produced out of from Romanian factory and the other factory. So it's a kind of gradual change. All those people who are out from their white-collar staff have left the Company more or less in June/July.

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And, going forward, momentarily we don't foresee any big new strategies in this respect. We continue to build our skis in Romania where the capacity has been taken up, in Bulgaria where the capacity has been taken up and in Altenmarkt, our Austrian plant, where some bottlenecks has been opened up for more capacity. Now we have certain amount of flexibility and within the frame of that flexibility we hope that we can manage the season. And now depending on then how the season will go forward.

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**Unidentified participant**

Can I continue with a few more housekeeping questions? Firstly on the Team Sport side that [inaudible] cautious now it's fairly lower or below trend growth rates. Is that mainly a currency translation issue or is there something underlying which you're worried about?

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

I can't say that there is anything underlying that would worry us or make us kind of worried. You have to remember that the Team Sports division consists of quite a few different sports that have their own seasonalities, and there is nothing that I would say that is below where we planned to be and we don't foresee anything to go wrong either on this side. At least momentarily we have no information [inaudible].

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

Team Sports growth was very well in line with the last few years, [got] 7, 8% [guided] growth and basically all product categories grew quite nicely.

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**Unidentified Audience Member**

Okay. Finally, is there anything extraordinary in the Q for marketing expenses?

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

Not to what I know. Shouldn't be.

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**Unidentified Audience Member**

Okay, thank you.

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**Unidentified Audience Member**

Just one more thing about this global warming. You are intimately involved in winter sports. Do you see any signs of investors, tour operators, [inaudible] heading for the exits, losing their faith, not so much because of one bad winter but because of this huge world-wide debate of global warming and snow melting in the Alps?

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

It's evident that we're worried about the trend of pollution and the trend of using too much energy in -- on our planet and we won't like to see that affecting our business. However, we're not specialists in dealing with weather forecasts or evolution of weather patterns, so I would like to give that role to those who know how to answer those questions.

But, as an outsider, it goes without saying that it's very hard to read what will happen because the scientists can be put in two different camps. And there's been a huge amount of media attention all the way to political interest -- to certain political interests. We believe that the ski industry will continue to be an important industry in the sports arena.

We believe that, even if there would be more consolidation of the industry, we have a very strong position in there and we feel that we need to be in there. And, momentarily, it's about one third of our business so it's not a life or death question for us. And I'm completely convinced that we will have strong snow winters also going forward as we've had in the past two years.

What happened this year, we had abnormal temperatures. And if you look at the interest of skiing, even in this warm situation, there are ski slopes, whether you are here in Finland, I have visited both in the past two weeks, they are packed. They are full with people and the snow-making equipment keeps the business going even in the very harsh conditions.

So, yes, I believe that we will see ups and downs as we have seen throughout many, many years going backwards but -- and we will see ups and downs also going forwards. But, I said, I believe that ski industry will be an important business also in the year to come.

If there's no more -- one more question here, two more question here then we meanwhile we go to the Net and we ask questions from overseas.

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**Unidentified Audience Member**

[Inaudible] I'd like to ask about the cost savings in Atomic and Salomon that your guidance is some EUR40m by 2008 and how much, if any, was already seen in 2006?

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

We haven't disclosed the split between the three years that we have indicated, but it's evident that some of it has been already materialized this past year. However, we have also recorded some costs to achieve these savings in 2006. I don't have the net number with me but it's evident that we had some savings already this past year.

In '07 and '08 the split, likewise, is difficult to say but everything coming out from the reorganization should be visible in '07. And most of that coming out from co-industrialization, cooperation and everything linked to the products themselves should come out in '08.

And we have also recognized that there is even more to do as this is not a one-time process and there certainly will be some overflow also into '09. Whether that's new savings, that's to be seen. Most likely, yes. But as we learn to work together between Salomon and Atomic we also learn to be more efficient and that the teamwork between these two formally competitive companies, and still competing out on the market, works very, very well and there is a driving energy to try to get the maximum amount of synergies.

And I think that everybody understands that if the market get tougher we even have bigger interest of finding more synergies and more cooperation without blending the brands, without jeopardizing the individuality of the different brands. I can't disclose any exact figures here. We're still convinced they're over the EUR40m plus.

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Then, there was one question here.

**Karle Carter** - *Mandatum - Analyst*

Yes, [Karle Carter] from Mandatum. Just a quick question. I'm not sure if you said it already, but do you have a guidance for tax rate for this year?

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

Yes, we have and so we expect that our tax rate will be 27% for this year as well.

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

Then, one question here.

**Unidentified Audience Member**

[Inaudible] one more time. During your [CMD] I believe you told that Salomon is starting at 10% EBIT margin, if I remember correctly by 2008, and Atomic had difficulties itself reaching the 10% mark this, I mean 2006. So do you still believe in this 10% margin or is there any reason why you should think differently at the moment?

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

I don't think we have actually announced 10% by 2008, if I recall it correctly. We have a target, internal target for 2008, which is clearly better than today, but it's not 10%. But we have said there's no reason why Salomon shouldn't try to get up to, or shouldn't get up to the 10% as we believe that that is a sustainable profit margin for our Winter Sports business.

The fact that, yes, Atomic was a little below now doesn't mean that Atomic wouldn't be there either. So it's evident that the target setting on having at least a 10% EBIT margin for these two brands is still valid, but not necessarily for 2008, as I said earlier.

Okay, if no more questions here in the audience then we'll take questions from the spectators or listeners of our broadcast. Is there any questions please?

**Operator**

We have a question from telephone lines. It's the line of [Keith Farren]. Please announce your company name.

**Keith Farren** - *Analyst*

[Inaudible] Keith Farren calling from [inaudible]. I have one question on the Golf division. You're saying that profitability improved last year. Can you tell me if you expect a break even for 2007 and whether there are any more restructuring measures to be taken?

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

Thank you for the question. Yes, absolutely, the target is break even for 2007. We didn't touch it too much as it now is quite a small division of our business, but it's clear that we don't like the situation. And, as I said earlier, we have taken already measures at an early stage that did not impact this year and, therefore, we see not all coming through in 2006, but 2007 the clear target is to break even.

**Keith Farren** - - Analyst

Okay, thanks [inaudible].

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

More questions please.

**Operator**

There are no further questions from the telephone.

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

Okay, is there any more questions in the audience here? One more question here please.

**Unidentified Audience Member**

[Inaudible], sorry two questions if I may. Firstly, on Atomic, do you see that performance last year was due mainly to market-related issues or do you think there are actually execution issues as well, there're things you could have done better?

And then, on Salomon, previously you've had a significant inventory reduction target for the Salomon business. Could you give us an update on how you see that evolving over 2007?

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

Thank you. I don't think we have a performance issue or execution issue with Atomic. I think Atomic still is a very well managed Company. It's a Company that has no, what I would call, excess organization, no fat in itself. There is a good flexibility as we have seen with the inventory situation and reactivity from that perspective.

And the indications, as we are already now through the trade shows for the upcoming year, is positive from our product lines. Actually, Atomic with its new -- especially its new [hawks] boot got an award on the biggest trade show in the world, in [Isipo] last week. So we don't believe that there is any executional issues there.

I think it was purely to two facts, maybe you can help me here, Pekka, if I'm wrong, but I think two mainly facts why the business, from an EBIT level and maybe from top line level, lower than the year before. The first one effecting both top line and bottom line was just purely lack of re-orders in December, very simply like that.

The second was that we recorded slightly higher expenses than maybe we planned, especially in the marketing part, due to the fact that Atomic continued to be extremely successful the year before. During the first part of the year, the Olympics, Atomic was the clear, clear winner and that of course increased the premiums paid to the athletes quite extensively.

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So I think those were the two main issues that affected Atomic. If you have anything on Atomic you [inaudible].

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

[Maybe] mainly the re-orders, that's the most profitable part of the business because usually what you get in December was to get [inaudible] kind of positive variance from the production and, actually, you already have all the operating expenses in your books. So, unfortunately, we got a shortfall in re-orders was [inaudible] actually have it [inaudible] on the profitability.

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

But the good news is that I don't think any of our competitors recorded those either. So I think the whole industry was in the same situation.

What then concerns Salomon inventories and the target setting. You probably recall that we have talked several times in our quarterly presentations about our supply chain management objectives and that we are very keen on having a very balanced, or well-managed working capital. We have also said that Salomon is not up to that level as our other units are in this regards.

We have identified that we could, if everything works well, maybe extract roughly EUR50m from their working capital. And that mainly then means reducing inventories with better management of the supply chain. This goes on as we said earlier.

We haven't had the opportunity yet to really dive into this, but we have started programs with Salomon to improve their working capital management and we certainly foresee that the inventory levels will be lower in the future.

There's certainly still a way to go but part of this, as it's not only an inventory management issue but it's actually a flow issue, so we need to go through the processes and see that the create the right processes going forward. Everything from planning, forecasting, production programs, scheduling etc. then even products themselves. But this way we can then manage this in a proper way.

To answer your question, yes, they are not where they should be but we're in a good starting position and we will certainly improve on this issue.

Alright, thank you very much. If there is any further questions at any stage you can always contact our offices and our investor relations and this way we will be able to answer your questions. Thank you.

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