

FINAL TRANSCRIPT

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AME.HE - Q4 2007 Amer Sports Oyj Earnings Conference Call

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PRESENTATION

Max Alfthan - *Amer Sports Oyj - SVP Communications*

Good afternoon and welcome to Amer Sports' fourth quarter and full year 2007 presentation.

This event is being broadcast on the Internet and can also later be viewed on Amer Sports' website. The program here in Helsinki is, briefly, that Roger Talermo will start and present the highlights of the quarter and the full year. This will be followed by a Q&A session, where we will start by having the questions from the room here in Helsinki and this will be followed by questions from our international audience. I would ask you to use the microphones provided when asking questions. Also, try to stick to one question at a time and state your name and organization when asking questions.

At this point I will hand over to Roger Talermo.

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

Thank you very much and also on my behalf welcome to this Q4 and full year financial statement presentation.

I want to go right into the business, so to say. We have quite a lot of topics to cover as we have also new segmentation to be presented, so let's go right into the issues.

As you have probably noticed during the year, as we've indicated, the past year 2007 has been a quite difficult year for us, and in the past or recent history one of absolutely the most difficult ones, mainly due to the sharp decline in the winter sports market in itself in the past winter, but of course reflecting already into the end of the past fiscal year but this season. We have, as you know, reacted right away. We have already published quite some programs to recover from this situation and I will come back to this at a later stage in this presentation.

Briefly, the idea with this plan is to assure us that even in tough conditions, as the market has changed, we are able to have this very important business of ours, which is the winter sports business, which we believe in, so that we can also make money during all kinds of different conditions, so to say.

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The full year numbers I'm not going to go through in detail. Everything that I'm going to mention, few numbers, the rest you can see in the publication that has been published today at 1pm Finnish time and also available here in the room.

Net sales were EUR1.652b compared to EUR1.792b previous year, which is in local currencies 4% below. So we had -- we went backwards with 4%. Even taking into consideration this big drop in winter sports business, it means that other businesses have performed pretty well, and I will come back to that a little bit later. And 8% in reported currencies.

Our EBIT before non-recurring expenses came up to EUR92.6m (sic - see presentation), which is roughly 6% of the sales. And, as said, we took a fee on these books to be able to go through with the program that we have planned to improve our business and, as said, we will come back to that too. 60% of our business in sales -- measured in sales grew on an average 10%, so not everything is going backwards. There is a lot of business. The majority of business is doing fine, especially the apparel and footwear, the fitness equipment, sports instruments, showed a very solid growth.

The business environment, in my opinion, continues to be challenging. Not only that we have some uncertainty in the economic trends that we all know about. We don't know what will happen in United States and the rest of the world. We can just share an increased worry about the situation. And despite the fact that it has been extremely favorable snow conditions, I have to regret now here in Helsinki we have no snow, which is terrible. We're used to snow here. This time we have nothing here and I know South Sweden is without snow too. But all over the world, whether it's in Europe, North America, record snow, Japan and Korea, all major markets are in good shape what comes to snow.

But unfortunately, as we a little bit indicated, or at least assumed, it has not really affected the sales yet. The inventories are being taken down at the trade and there has excess inventories at suppliers, which then of course is hopefully now emptying the pipeline with the good snow conditions. And it's evidence that the recovery, as we have stated before, will not occur in one season. It will take several seasons before we are back.

The good news is that the amount of skiers, at least to our understanding at this point, has not decreased. I would say there is a built-up demand as skiers tend to change their equipment, let's say, every tenth year. So now, when it's a few years of bad snow, the need is still there.

And, of course, part of 2007 specificities has been a quite amount of liquidity in our share. Usually, we change about 100% of our shares in a year. This time last year we had changed already over 200%, so huge turnaround in our share. And changes in our ownership, with all its different colors that we have seen in the past year. So that has been kind of the environment where we have been working in 2007.

Because of what happened, because of our interest to develop our Company, we have decided that we change the way how we segment our Company. It's not only for reporting purposes. It's really because of management purposes. We think it's more important that we group our companies in such a way that there is more beneficial things that we can work on, more synergies, better maybe investment allocations, etc. So there's a lot of reasons why we go from where we were in the past to where we want to be in the future.

If some of you recall, we had a non-brand-based segmentation a few years ago but, with the acquisition of Salomon, we really didn't have a choice because of the set-up, so we went back to a brand-based segmentation. And now we're fulfilling what we decided already at the time, to go back into a more, let's say, area -- not geographical area but business area based segmentation.

So, going forward, we will publish our numbers, depending on if it's a quarterly or if it's a full year, the depth is a little different, but based on three different segments. First of all, the Winter and Outdoor, which consists of all our winter sports businesses, I would say Salomon, Atomic Equipment. So we will regroup the equipment part of the business. Apparel and footwear, which is a growing segment of interest, very different from equipment, different needs, different kind of a set-up. Cycling, which is Mavic, and sports instruments, which is Suunto. So all these we group under what we call Winter and Outdoor.

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Ball Sports for us simply today is Wilson and Wilson managed businesses, so racquet sports as before, team sports and golf. And Fitness being a separate business, type of business, and also, in our case, a separate segment, which then in this case is Precor.

Of course, we will keep our matrix organization, which means that on the other side of the matrix we will have the geographical areas, which is then Americas, EMEA which is Europe, Middle East and Africa, and Asia.

So going into Q4, our net sales decreased during Q4 11% in local currencies to EUR497m. And the main driver of the decrease was the Winter and Outdoor, which went down 20% driven by winter sports equipment. Suunto business, that was the sports instruments, Mavic which was the cycle business, apparel and footwear which is the Salomon, apparel and Salomon footwear and Areteryx apparel, all developed very well. I'll come back to the percentages a little bit later.

Our fitness industry with Precor continued to grow very well with 13%. Strong demand for Precor products, especially in the consumer segment but as well as in the commercial product line.

Ball Sports continued to grow mainly, and I could say only, driven by very strong racquet sports business. K Factor still the really strong grower in -- K Factor line in tennis was still a strong grower.

Our EBIT for the quarter, before these non-recurring items, was EUR53.7m. And as we have announced, the non-recurring items which were related to the winter sports reorganization, the equipment reorganization, are EUR42.7m, which then, of course, is diminishing or taking down our profitability on the quarter, and of course on the year.

I won't go into all the numbers here but this just states what I said earlier, showing both the quarter and the full year. And unfortunately, as you can see here, we have a negative trend which is, as earlier indicated, driven by the winter sports equipment business.

Same thing with -- in terms of breakdown of net sales. We can see very clearly where it comes from. The Winter and Outdoor market in the quarter was down quite dramatically compared to last year, as well as on the year. Fitness continued to grow. Ball Sports okay. And in terms of EBIT, a little bit, of course, the same trend, the sales loss then reflected also on the profitability side.

What concerns the key ratios, our net debt remained, unfortunately, on the same level due to the circumstances mentioned before. Our net cash flow improved just slightly. Equity ratio was 31%, with gearing increasing due to the earlier circumstances mentioned.

I think this is maybe the most important part, which is the business segments, and I'm going to present this now in a new format, hopefully also making it a little bit easier for everybody to understand how we see our business going forward.

So if we take our 2007 sales and we look at them from this segment perspective, half of our business today is Winter and Outdoor. It's not only Winter-related products, it's Winter and Outdoor. So don't take the wrong impression that now we are depending on Winter for 50%. That's not true. It's only about 25% which is directly Winter-related. 32% of our sales are in Ball Sports and 18% are in Fitness. These different segments generate EBIT, again, now before non-recurring as operational profitability, in such a way that the Winter Outdoor is 50% of the business but 20% of the EBIT. So we have a huge upside here, as you can see. The Ball Sports business 32% of sales and 45% of profits, and Fitness which is 18% of business represents 35% of profits.

Now, if we look into the different business areas, so we start with -- we'll look at it on the total level a little bit deeper and this is the way how we are going to, of course, in the future also to talk about it. You see two colors here, you see red and you see blue. As I said, 60% of our Group business grew 10% on average. The ones who have been growing is blue. The ones which are in red are the ones which are decreasing. So we can see here the decreasing businesses are winter sports equipment - in terms of sales now - is winter sports equipment, it's team sports and it's golf.

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Team sports, I'll come right to that. Winter sports we have already talked about and I'll talk about it a little bit more. Team sports, we were a little bit disappointed on how it developed towards the end of the year. Notably, the big boxes we saw some slow down in -- especially in the United States. The Specialist still doing very well and no big issue there. And, as you will see and you know, team sports is very profitable. Golf we've continued to, let's say, streamline the organizations but -- which we don't publish, and I don't give this just because of that, we don't publish our targets and our budgets but it's very much according to our budget. So we didn't lose more than we planned to lose from a sales perspective in golf. So, we're more or less quite okay with that.

All the others grew. So we see here apparel and footwear went 22% up, which is really a good number. Cycling up 8%, depending on which one we take now, let's take in local currencies. So apparel and footwear 24% up, cycling 8% up, sports instruments 15% up, good growth. Discontinued operations, this is -- if you wonder what this is, last year we still had Inline Skates business in our portfolio in the Salomon account. That's now gone as we decided to go out from this business.

Racquet sports in local currencies grew 5% and I have to tell you that tennis grew even more. So, tennis is still really the driving business here. Team sports down 3% and golf down 9%. And Fitness, as said, continued to grow very strongly, 14% in local currencies. So this all gives then the 4% I was referring to and in euro -- translates into euro, so that we're down 8%. So you can see that we are still in a negative position when it comes to reporting dollar versus euro on the top line level.

Now let's dive into the different segments a little bit deeper, because then that will open up a little bit the challenges and the opportunities and the situation where we are. We added here another pie chart. So we have again 50% of the sales Winter and Outdoor, 20% of the operational profitability and 57% of our personnel, that will say employees in the organization. I don't know if this gives you any more information but at least it's interesting to see what's the magnitude of people we have there. Don't forget that this is the area where we also have still factories and continue to have factories. That's one reason also, with the number of employees being higher. So it's not good or bad. It's just information which is interesting to have.

Winter and Outdoor, as I said, decreased on the year level with 11% in local currencies. Equipment was the one where we suffered the most, as we have been indicating all the time, down 26% compared to last year. Apparel and footwear, very strong continuation of growth, especially driven by footwear and this whole category is well profitable today. So it's a very interesting situation we have here. Strong brands Salomon and Areteryx. And as we launched in, I think it was in Q3, to public our new Wings trail running footwear, this really shows that it has been very well taken by the dealers and by public. So we have a good momentum going on here. I can also inform you that we have already taken orders for next summer's autumn and the continuation, especially on the footwear, which we have now orders in looks good. So we are continuing to grow in this category, which is very interesting.

Cycling, I think we are pretty happy with the 8% growth. It looked a little, let's say, down in the beginning of the year and we were a little cautious about do we see any growth coming in. But the year ended strong. We have not pushed the market in any different way. We just let the products flow through in a normal sense. So we're pretty happy on how this whole thing ended up. So it's a good growth, especially in the high end of components which Mavic really stands for.

Suunto sports instruments, very, very positive launch of the new lines. As you probably know, at the end of the year we launched the Core line and the Lumi line that was in the outdoor sector. Both of them extremely well appreciated by consumers, so it's not only pipeline fill but actually sell-through to consumers. As well as a very good continuation of the training line which was introduced earlier, I would say the T-Line, the T-Series. So we're pretty happy how Suunto continued to grow and I think 15% is quite interesting.

The pie chart we have here shows the geographical distribution of the Winter and Outdoor business. Bear in mind what we show here, because then when we talk about the other business categories, other segments, you will see a little differently. So the Winter and Outdoor for us is mainly driven by the European market, so 65% is EMEA, 25% is Americas and 10% is Asia.

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Now, if we look at the outlook for this category, we think that the sports instruments category will continue to grow. We hear very good news so far, no orders in that sense, but good news from the trade. They're favorable for Suunto's products, so we believe that there is a strong possibility that Suunto will continue to grow with good pace. Also, cycling is not showing any other directions than continuation of growth. And, as I already mentioned, footwear is doing very well. And we believe also that the apparel, with both the outdoor line and the other lines we have, Salomon and Areteryx brands, will continue to grow in a positive sense. So there's a lot of favorable positive things in this category.

The big question, of course, is the winter sports equipment market, which is the biggest chunk of this business. I think it's honestly too early to say at this point what will happen. As I said earlier, I indicated that this is still a slow year, I mean slow winter season, meaning fiscal year until end of last year, as we showed earlier -- I showed earlier, it was slow. We see a little bit of picking up because there's a good winter season, but I'm not sure that this full year will still be a huge year. So don't expect anything to kind of blow out in a big way. I think it's a question more of gradually the market hopefully is coming back, which we believe will happen. But at this stage it's very early to predict that. We have no in-season -- excuse me, pre-season orders yet.

We've shown our products. We have a lot of new -- very new innovative products. Among others, there is a -- just to be not partial, I'll take one example from both brands. There's a new very interesting boot with Salomon, where you can adjust the shell. It is the first product where you can adjust the shell to a different width of boot, of shoes -- of feet, excuse me, on high end. And there is a very innovative new ski from Atomic called the Double Decker, which both have been shown to dealers and they both have got very good reviews in terms of feedback.

I just wanted to say this because it's important that even if we've had a tough year behind us we're not stopping to invest in the products. We're not stopping to try to make innovations on the market. And I think this is very critical. The only way how we can build our future is to keep on innovating in our products.

And we believe that those measures that we are now working on - I'll come back, as I said, later to this - those measures, they will have a small impact on 2008 but the real impact will come in 2009 going forward. So we don't believe that this year, from what we are doing as most of those operations are now taking place, that they will have a direct impact this year. So we need to be patient about what we are doing and how we go forward.

If we look at the Ball Sports business, as I said, 32% of our net sales, 45% of our EBIT and about one-third, 29%, of our people. The whole category decreased with 1% in local currencies, but very strongly driven by racquet sports, up 5%, where we think that we are clearly going faster than the market is going in that sense. If you look at Q4 it was up 11%, which is a very good indication.

Team sports, as I said, down 3% and it's mainly the market that seems to be softer especially -- at this stage we especially saw that in soft ball and, as I indicated earlier, mainly in what we call the big boxes, without mentioning any dealers but you know what I mean, especially United States the big box operations.

Golf minus 9% and we initiated quite a lot of improvements, so that we can really come to a situation which is much better next year, two big ones that we've announced already. We've closed our golf ball production in United States, which was our last golf factory in Humboldt. And now we have managed to qualify - and this was really the reason why we could do this - qualify the products that we are sourcing. It's not easy just to go out and buy new products if you don't get the quality and the playability on them. But now we have found that, so we clearly will get an improvement here. We have also implemented a new business model in Japan, which makes our own costs much, much lower to do business in the Japanese golf environment, in cooperation with a Japanese Company called Kasco.

Of this business, Ball Sports, 65% is in Americas (not United States, it's Canada, Mexico and other countries too), 22% in EMEA and 13% in Asia. Goes without saying that the team sports business is very focused on the North American market and, again, racquet sports is very important in Europe if you want to have a small indication of the different businesses. And golf is, I would say, Europe is very strong for us too there.

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The outlook for this category is that we expect it to grow slightly and we think clearly that the profitability will improve. We don't see anything why, at this point, racquet sports, which is growing the best, would slow down. And we think that the team sports business will come back to a certain stage this upcoming year. To be honest, we don't know yet at this stage whether the slowdown in end of Q4, in December, is in team sports because of the market or is it because of de-stocking issues with the dealers. Some of our biggest dealers in the United States, the big boxes, they end their fiscal year end of January, so they tend to also try to take their inventories down and then hopefully orders are starting to pick up in February. That's something we will see pretty soon and then we can draw the conclusion whether it's a climate related -- economic climate related issue or is it really a question of demand already at this stage or de-stocking issues. And we are pretty sure that, with the measures we have taken, golf should be back in black in 2008.

But I think it's worthwhile to make the disclaimer here that we don't know what will happen in - especially in North America - some of these businesses. Especially team sports is strongly related with the North American market. So we can only hope for the best, but I think it's logical that we take a small disclaimer here and say we have to also understand what happens with the economic outlook here.

Fitness business, again, 18% of sales, 35% of EBIT and 13% of our employees. Strong increase, 14% in local currencies. Record amount of new products. We introduced really many very successful products this past year. Very strong, healthy demand, especially in North America. Better penetration from our side in the major clubs, so we are getting closer and closer and we have a really strong partnership with all the major clubs in North America. And we see that our market share has really grown. We have seen gains in the most important product categories.

On the international market, we clearly see that we have extended our share, especially in the hospitality part. Hospitality is hotels and this kind of environment. We have been talking, as you know, about our very good and strong cooperation with Hilton hotels and that continues to develop in a positive way, both for Hilton and for us. I think both sides are extremely pleased with this cooperation. And we are continuing to introduce new products in the consumer market, but still mainly in the North American market.

So, and as you see from the pie chart, 76% is in North America, 17% in Europe and 7% in Asia. We are growing percentage-wise more in Europe but on the whole we don't see that growth or the -- let's say the dispersal change or the portion change, because U.S. is growing also very well. And, of course, 10% growth in America is, in dollars or euros, much more than 10% in Europe. But all in all, a very good and healthy business.

We still believe that the good momentum will continue what concerns us, compared to our competitors. So we will continue to outgrow the market. We have a lot of new interesting products that are introduced both in the commercial market and in the consumer market. But again here, allow us to make the same disclaimer that we don't know what will happen to the economy and if it will have an impact is, for us, unknown at this stage.

Now, if you look at the Group itself, I think unfortunately that environment will continue to be challenging, mainly due to these two reasons I mentioned. First, winter and the pace how it will come back and secondly the U.S. market, or let's say the market in general. So those are certainly the ones which we are going to have a very close look at and to be able to monitor and do the right things, if something happens here. But despite of this, we are pretty bullish on outlook and we'll come back to that later.

Now, I want to -- this is what I was referring several times that I want to come back into, what we've really done here at the end of last year which are of very important nature.

First of all, we are, as you know, reorganizing our loss-making winter sports equipment business. We are introducing a new cost-saving plan and a new industrial structure. It is very important, that the market has fallen a lot, to be able to survive, to be able to be there in the long term. And us having the biggest portion of that market, of course we are also mostly then exposed, so we'll probably have a big loss because of this. But at the same time, I think it's important that we take measures so that we will be able to survive in the long run. And the survival means to be able to make money in whatever conditions, more or less,

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if we don't go to really extremes, and this way be able to invest -- continue to invest in new innovations, new products and to invest in the business itself from a marketing perspective.

We have taken a quite bold decision. We have decided to separate our industrial operations from the brand operations. I will say we have one entity, several factories, that is trying to become the real professional builder of skis and boots and equipment in the world with different technologies, with the deepest know-how in the industry, and serving both our brands. And the role of the brands is really to focus on brand-building, developing of new products and being very close to consumers and to, of course, dealers as well.

This means, as we have said, that we are going to, if our plans fall through in a proper way, move out the production of skis in France and move out the ski boot production from Austria, so that we are regrouping our industrial operations around our factories and positions where we are, mainly in Austria, Romania and Bulgaria. There's no new entities as such. We've been in these entities before. But we have to be more efficient, we have to be more streamlined and the most important thing in this business, we have to be much, much more flexible. Because we see the differences between a peak year and a low year and if we cannot manage that, there will be no future in winter sports business. I think we have a very solid plan. We are working towards this plan. And I think we are doing something unique in the industry, which has always suffered from the volatility.

We're also looking into possibilities to further consolidate purchasing and sourcing activities. Evidently, as we have two companies, let's not duplicate anything that can be done together. We have started labor negotiations in the different countries. This is not a France-only issue. And we see that approximately, it's still an estimation, about 400 positions are to be eliminated in this plan during 2008. The cost of this, as indicated, is just over EUR42. -- or exactly EUR42.7m and we have booked this in Q4. Our annual savings from this program is estimated to be about EUR20m per year.

Now, so that this is not just a reduction and restructuring program from that perspective, we're also working on the other side, I would say trying to stimulate and work to get more demand for our products. I mentioned already the R&D initiatives. That's only a fraction of what we're doing. We're doing a lot of different new product introductions in the different categories. It looks like the trade has very positively accepted our new lines, so we have a positive momentum. We are opening a new core commercial sales office in Shanghai that's taking care of the Chinese market - not only winter sports, all our products. So we see the potential now to move into the commercial markets of China.

Don't get me wrong here. Some people say you're late because the train has gone. For sporting goods equipment, no, we're just right in time. Sports equipment usually comes not at the first stage in the infrastructure building. We have been exploring the Chinese market very carefully over the years. We have made a lot of visits there. We have talked to a lot of people. So we feel that now it's the right time to move into China for us. We will also consolidate in China, in Shanghai, our Asian operations. So our business who takes care of our -- our management who takes care of our business in not only China, Japan, Southeast Asia, Australia, New Zealand, will be based in Shanghai.

We have also consolidated two very important countries. There's many more but I'll just mention two. One is the U.K. and Ireland operations in a new facility in England. And we have consolidated our Italian operations in a facility where we have been before but now we don't have two different subsidiaries.

We have also started a very interesting project with brand stores. So we have opened up brand stores in France, Austria and Canada, both for Salomon brand and Areteryx brand. So if you're interested to see what we do on this side, I would invite you to go our website and find out the locations there. So if you visit -- for example, if you go to Austria and you fly to Salzburg, you should go in and take a look at our new Salzburg store for Salomon.

We're not now major going into retail. That's not the point. We're not creating a huge retail strategy. But it's extremely important today to be very close to the consumers, to understand the trends and to be able to create product lines which are not wide enough. We're still shooting a little bit with, let's say, with a shotgun, not all products going out to the market really finding

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enough consumers, etc. Only being closer to the consumer we're able to, I hope, narrow our product line offer but products that are really well defined to certain consumer segments.

It goes without saying this will also support our retailers, our partners, their business, as they will get more brand exposure from our stores. And it will help, of course, to create more brand awareness in general in those markets. We only have a few now at this stage, but we are interested in looking at this and expanding it to a certain degree. And it's very interesting in the markets -- what we call the emerging markets, Russia or China, etc. So we are exploring this a little bit more and I'll come back to this at a later stage.

So, our guidance for 2008, with all these uncertainties, is still that we expect our business globally to increase with 5%, so this is organic growth in local currencies. We expect our EBIT to be between EUR100m and EUR130m, in comparison to the EUR92.2m which we had this year, so we see also that improving. And this gives us then the earnings per share which is about EUR0.75 to EUR1, which is the spread which we can give you at this stage. Estimation based on a dollar rate which is \$1.47. And we are going to give indication of new guidance for trying to narrow this down immediately when we get a little bit more information on how the market will develop. We hope we can do that at Q1.

By the way, what I forgot to tell you is that our Board decided today that we will propose as a Board to the Shareholders' Meeting that the dividend of past year, we'll say '07, would be EUR0.50 per share, which is exactly the same as we had last year. I think it's a good dividend because it's more than we made, actually, if we take the non-recurring into consideration.

So that's all for today from my side and now I think we have a good maybe 15, 20 minutes for questions. So according to Max Alfthan, we should start here with the audience in Helsinki and then we would go over to the international audience. So, please.

QUESTIONS AND ANSWERS

Maria Wikstrom - *Handelsbanken Capital Markets - Analyst*

Maria from Handelsbanken. I just wanted to ask more about the winter sports equipment. Last year you made about EUR390m in sales, with an operating loss of EUR27m. What kind of sales we would need to see in 2008 in order you to report the breakeven result, given, as you said, that most of the cost-saving measures, this EUR20m savings, will take place in 2009?

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

I don't have the full calculation in my head, sales increase versus cost reduction, etc., so I'm not able to give you an exact number here. I think what is important here is that we've tried to take measures that without the cost increase -- without the sales increase we would be still okay.

Now, the problem is that we're now negotiating today -- as we are today, with the unions on how we should proceed. And especially in France, it's a process which is quite long, so we're not 100% sure what will be the impact on this year at this stage. So we of course hope that with the unions in France especially the negotiations would go smoothly. This is our wish because it allows us then to as quickly as possibly to come back to business as normal, and this way allow people to, let's say, sit down calmly and try to make business and grow the top line. But as long as we have this uncertainty, it's very difficult to predict what is the top line opportunity from a push perspective. From a market demand perspective, we think it will be still slow this year, as I indicated.

Likewise, the savings are of course a little bit related to when can we start to save. So I think that it's a little bit tough to give you an exact answer on your question how much should we do and when. It's evident that today we are still far away. We have

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done a kind of an exception in our, let's say, our information flow this year from the segmentation we just presented. We have also indicated in our Stock Exchange release that our winter sports equipment makes, or made last year, EUR26.7m in losses.

So the question is now how much can we save this year, how much can we increase the sales and how quickly can we get to positive numbers. As I said, it's too early to indicate that as we don't really know how the season will [fall]. But of course our wish and will is that we would go as quickly as possible into black numbers, because only when we are in black numbers we can start to reinvest in the business.

Maria Wikstrom - *Handelsbanken Capital Markets - Analyst*

Did I read you correctly that if I come back to the office and think that it's quite likely that you're going to report an operating loss also for 2008 in the winter sports business segment?

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

I think, as we've said, I stick to that, that it's too early for us to indicate that.

Maria Wikstrom - *Handelsbanken Capital Markets - Analyst*

Okay. Then I have other a bit smaller questions on the restructuring of the golf division. And I thought that you would have an extra or non-recurring items reported also in the Q4 results, but I don't see them anywhere. It's EUR4m, I think I got somewhere. Is this going to take place in Q1 or what happened with that?

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

There's no such items for Q1, but Mr. Paalanne would like to answer you more precisely.

Pekka Paalanne - *Amer Sports Oyj - EVP & CFO*

Yes, maybe I can answer that question. So indeed this EUR3m, roughly EUR3m, which we reported during the Q4 as the current cost of restructuring for golf division, that has been covered. It's in the results but it has been covered through reserves.

Maria Wikstrom - *Handelsbanken Capital Markets - Analyst*

(Inaudible question - microphone inaccessible).

Pekka Paalanne - *Amer Sports Oyj - EVP & CFO*

It is not part of this restructuring reserve and it's not part of the operating profits of Ball Sports either, so it's been covered through reserves.

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

Any other questions? Please.

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Unidentified Audience Member

(Inaudible). Where do these 400 jobs go? Are they all in France?

And the second question is, as far as I know, this changes almost day to day. Your biggest owner now is Mr. Bjorgolfsson from Iceland, who has indicated that he wants to have seat or seats in the Board and he wants to develop your magnificent brands. Have you been in touch with him? Have you talked with him on how he is planning to do this and what he plans to do with his ownership in Amer?

Roger Talerio - Amer Sports Oyj - President & CEO

There was two questions, one concerning the lay-offs, possible lay-offs for the positions eliminated. I think that's the correct word at this stage. And then our new ownership structure, where we have an indication of an investment company who has possibilities or have possession of roughly 20% of our shares.

We have not exactly yet indicated where these different positions will be eliminated and how much because that's, as I said, under negotiations with the unions. But the majority of them are going to occur most likely in France, or quite surely in France. Then Austria is another country and then a few other countries are involved in this. Where these will be is still depending on what kind of business model we are going to be using. That then indicates where the other position eliminations are going to be. For sure it looks like some of them will occur in Romania.

The other countries I won't disclose at this point, because there might be also that there is none in that country. So I don't want to set up a rumor that now we're eliminating positions in one country and then at the end of the day we are not. So I don't want to create an unnecessary rumor there. But most likely countries touched are France, Austria and Romania.

Unidentified Audience Member

(Inaudible question - microphone inaccessible).

Roger Talerio - Amer Sports Oyj - President & CEO

No, there is no production here, so there's -- or no product planning or industrial operations here. It's mainly industrial positions. However, there is also -- as we have said, there's also been an ongoing not elimination of positions but restructuring in our sales network throughout the world. So we have had positions in the past eliminated in Japan, among other places. So we're looking generally to improve the efficiency, so it's not one country. But this is what we're referring to, this 400 is from these three countries or possibly a few other countries.

What concerns the ownership issue, as you all know, there's been quite a lot of turmoil or turbulence or, depending on who looks at this, opportunities maybe for investors on our ownership front. As it currently stands, we have the indication that -- I think it's a Finnish company but owned by Icelandic people called Novator which has a 20% stake. What they will -- what their indications are, we don't know at this stage. We have had a first contact but further discussions will occur. It's not the management that has had contact. It's more our Board that has contact, which is normal, I would say, in this stage as we are approaching our Annual Shareholders' Meeting. And as you all know, to that meeting it's important to our Nomination Committee to make suggestions for the upcoming Board. And also, upcoming Board always reflects some kind of strategic issues.

To my understanding, and this is -- allow me to be a little bit outsider here because it's the Chairman of the Board and the Board that is negotiating that, even if I'm part of the Board, but usually these are subjects where I'm a little outsider. It looks like there's a very strong commitment by our shareholders today to continue with the current strategy - strong focus on equipment, opportunities to develop the business with technical apparel and footwear and to expand our business in this scope through

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mainly organic growth, and at that time when our balance sheet is again in a better position, to continue with strategic acquisitions. So we have absolutely no indications of anything else than that.

And I think that it will be announced next week. I don't think it's official yet what is the proposal of the Nomination Committee and the Board for our next Board constitution. But at least at this point I would assume that there is not a lot of changes in the horizon. But however, we would like to and are very eager to have our shareholders to participate in this discussion because anyway, at the end of the day, we're here to try to make the best business and the best return to our shareholders.

Lauri Pietarinen - *Ohman - Analyst*

Lauri Pietarinen from Ohman. I would have a couple of questions. First, regarding your guidance range for next year, your guidance for EBIT is between EUR100m and EUR130m. And if I look at the clean profit or the underlying profit it was about EUR92m this year, or in 2007. So if we add up some savings from what you could achieve from Salomon and from the Wilson restructuring plans, you should already be above EUR100m in my calculations, without assuming any rebound in winter sports or any growth in the rest of the business either. So I would like to understand more where this lower bound for the guidance range comes from.

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

I think that of course it's -- I would say from my perspective, or our perspective, I think it's quite understandable that we don't want to have a very narrow guidance in this environment. We -- as I've indicated several times today, we're pretty bullish that today the situation doesn't look too bad, going forward, from that sense that we don't see a slowdown in the economy that would impact our business. So yes, you could be much, much more prudent than you would give a very different indication. But there's no real evidence for it today more than of course speculations and some other activities outside our field and we had a pretty bullish, in some categories, Q4. So I think it's normal that we still believe that there is, without being overly optimistic, that there's a good flow going forward.

However, we see also the indications and, let's say, the timing risk with the winter sports business, so we take some of that into consideration. That's why at this stage we give a pretty broad scope on estimation on how next year will look like. But I think the general trend is that we're cautious but we're at the same time partly optimistic, without being stupidly optimistic.

And as I said earlier, we are going to narrow down this immediately when we get a little bit more indication, both on the economical situation in the market and the pre-season bookings which hopefully starts to come in now, in February, March, more in March.

So I think this is the reason why the spread, if that was your question, is so large. I think where our plans are, which we don't usually tell, I don't think we are too far on one or the other side. So I think this is the best estimate we have today on how our business will look going forward. But as I said, the crystal ball is much more difficult to read today than ever before. But we are basing our business estimation on indications we get from our trade, indications we get from our own people and then, of course, taking little bit outside input on how we see things moving forward. I think I know as little about the economical development in the year to come than you know. So this is where we stand.

Lauri Pietarinen - *Ohman - Analyst*

Okay. And a follow-up question to that. I've already managed to forget that. What kind of activity are you seeing at the retail side at this stage on winter sports? I've seen some data that's from the U.S., but as a broader picture, the winter sports market there seems to be picking up a little bit. But what is the situation in Europe and in the U.S. from your point of view? And you must have some indication of how in-season orders are progressing in Q1 and how they might be in Q2.

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Roger Talerma - Amer Sports Oyj - President & CEO

Of course, we're a lot out in the market today with antennas in all directions. How it looks today, as I said, traffic in stores is not too bad. There is people who are buying equipment apart from two areas, Finland and Sweden. But apart from that, there's traffic in stores, people buy equipment but they buy cautiously. It's not exploding. Why? Because people have used their equipment from last year and the year before not too much because of this last bad winter, so they hesitate to change at this stage. Maybe they move it over to next year.

We see good activity in the rental outlets. There's a lot of renting going on today. And the rental outlet has not purchased a lot of product from us for their new parks or their new products, because what a lot of the guys did was that they took the products from last year that didn't sell through and they put them in rental operations, because a lot of dealers have rental business as well. So these are the reasons why there's not been a lot of traffic.

But as I indicated, we feel that in January the traffic has picked up compared to last year, but it's kind of a feel question more than anything else. And the traffic to consumers is better, is clearly better. We have some indications from some certain markets from Q4 of last year that the stock level in Q4, especially in Switzerland, Germany and Austria where there's more statistics in winter sports, is lower than the previous year at Q4, which would indicate very clearly that de-stocking is going on.

But as we discussed earlier in the other quarterly presentations, the market is very spotty. I would say one part is good; another part is maybe not that good. And it's also difference between cross country and Alpine, because cross country hurted much, much more last year compared to Alpine. And skis hurted more than boots. So boots are the ones which are suffering the least, Alpine skis the second least, or second best if best can be used as a word here, and the worst has been with cross country equipment. And snowboard has been somewhere between ski boots and skis.

Lauri Pietarinen - Ohman - Analyst

If I may ask my last question, relating to -- you are talking about a big earnings improvement going forward from 2007 to '09, '10 and so forth. Can you break down a little bit, because you have a lot of restructuring programs going on? What is your view on the future profitability of the business, if you're not necessarily seeing much of a pick-up in 2008 and at the same time you're talking about a lot going on, going into 2009 and so forth? So can you give a little bit of more light into how this business looks like in the future?

Roger Talerma - Amer Sports Oyj - President & CEO

Very briefly, because this is a big subject, but very briefly, as you know, we took initiatives when we purchased Salomon and we had the first restructuring round there. At that time, we indicated EUR40m of savings from the programs that we initiated. Unfortunately, that has a little bit vanished because of the low volumes and now we indicate EUR20m savings from the current program. So all these measures have been or will be taken.

Plus we should not forget that we have streamlined our operations elsewhere too. We have streamlined our logistics operations. We have streamlined our sales and channel management operation, which is our subsidiary network, etc., etc. So we've taken a lot of measures to improve our underlying business performance. Now, unfortunately, with over EUR100m of vanished sales, it's evident that that will also tear off with some of the gross margin, etc.

Now, going forward, assuming a normal without any big ups and downs in the economy as such, all these should start to kick in late '08, depending on what happens this year with what we have been talking about, but certainly '09 and '10. We believe that - and it's our aim and ambition - that the winter sports business will get up to good profitability and on a Group level we

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still and surely are going towards 10% EBIT. Whether that will happen in 2010 or 2011, I don't want to predict at this stage because there's too much uncertainty. But all the measures have been taken.

And I know those who have been following us for a long time, the tendency with our management team is not to over-promise anything. Of course, we cannot predict everything and there's too many things that will change, so we are not always hitting the targets. But if we say something, if we promise something, like we say that our target is 10% EBIT, there are programs behind it. This is very evident. We're not doing -- just throwing out numbers and then hoping that something will change. We're not either trying to make our progress based on a very strong top line growth. So we're trying to be realistic in the sense that we need to make the money if it's flat on the top line. If the top line grows, it's a good opportunity.

Take the example of winter sports equipment. We're trying to create the new business model where in bad years, or let's say not that flourishing years, we would make money. That would mean we are not going to increase our number of factories or hugely increase our expenses when the good years are coming in. And if there's a variation of 1m [pairs] in the global market, we have the capacity in our model to cope with that, even if we get our share, which would be 30% or 40% of the market. We're also ambitious -- we have also ambitions to increase our total market share in winter sports. That's why we're also pushing there.

Now, that would mean that we would make much, much more money in good years. So we're hitting that average over the cycle. We would at least make 10% EBIT. We think that is above the average in our industry, clearly above the industry in the hard goods side. And that would allow, then, us to become a very interesting partner for the trade, for investors, etc. This is our ambitions. There are programs to back this up. Whether it will materialize in 2010 or 2011, that's something to be seen. Unfortunately, I cannot be more precise than that.

Okay. Let's take a few questions from the international audience and then if there is something after that, we can still come back. So please, international audience, go ahead.

Operator

Thank you, sir. (OPERATOR INSTRUCTIONS). We appear to have no questions from the audio participants. I hand the conference back to you, sir.

Roger Talerio - Amer Sports Oyj - President & CEO

Thank you. So if we have questions here, we can still continue for a few minutes. Please.

Tia Lehto - Carnegie - Analyst

Tia Lehto from Carnegie. Looking at your balance sheet and reflecting upon that, the inventories are up from last year. Is there anything that we should be worried about, given that the sales on a full year basis is down? Is that all current?

Roger Talerio - Amer Sports Oyj - President & CEO

As we see it today, I think that most of the inventories that were above what we planned came from the fact that December sales were lower than we anticipated, and evidently that came very late to us as we had planned to sell them in December. This is the reason why the inventories, of course, evidently goes up, because the products are either purchased or produced.

To my understanding, at this point, we should not have anything which would be a problem. And the inventory level is about 50m higher than the previous year. So there is a small issue there, but it's nothing that I would be worried about and nothing

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that would need to be destroyed, in the sense that it would impact on our margins in a significant way. So to my understanding, today everything we have in inventories, in the stock, should be pretty okay.

Tia Lehto - *Carnegie - Analyst*

Okay, thank you. Then further on, Pekka, could you give us an update on your working capital management program?

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

So Mr. Paalanne is going to answer this question.

Pekka Paalanne - *Amer Sports Oyj - EVP & CFO*

So -- is this on? Yes. So what we have now been discussing the last year or so, last two years right now, when we acquired Salomon, that they would cut away -- quickly [put attack] on Salomon (inaudible), particularly inventories, which have been on a much higher level than what we could experience in the so-called "old Amer Sports."

So now I think that we have done -- made a good progress in many areas on the Salomon side. We have had a progress both on [motif] side and also on soft goods side. Actually, we started to make some progress also on the hard goods side. But now, of course, we've got the fact that [the quarter] happened last year. So we ended up, actually, [we've got a] 30% reduction in sales actually did have an impact, also for the inventory management programs.

But we are still very convinced that we will be able to get to the kind of targets we see -- which we have communicated, i.e. kind of cutting Salomon inventories by 50m to get them on a more normal -- on the same level with the rest of the Group. And of course we are saying that also initiating at programs also in the other areas to further improve.

Tia Lehto - *Carnegie - Analyst*

Then, on this year's CapEx, will they go up from 2007 level or down?

Pekka Paalanne - *Amer Sports Oyj - EVP & CFO*

This year's CapEx, so 2008 CapEx, will not go up from 2007 levels.

Tia Lehto - *Carnegie - Analyst*

Thank you.

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

Thank you. A last question in the audience. Anything -- anybody has anything on mind? Two questions. There's two hands were up. We'll start with the ladies.

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Unidentified Audience Member

(Inaudible) from [FTT]. And I'd like to ask about the production. You have all your production abroad. What kind of guarantee can you give of the ethical quality of the products?

Roger Talerio - Amer Sports Oyj - President & CEO

If you are referring to social responsibilities use, we have quite important programs going on in different markets concerning that we are not using child labor, we're not using work hours which are beyond what is acceptable and that the facilities are in such a shape that they are approved by international standards. We are also starting to audit our subcontractors by third party. So we are putting quite a lot of emphasis in such activities, that we cope with all international standards and are considered as a good and proper, in this case, buyer of products from these suppliers.

So I think that if we compare us with our competitors, I think we're doing fine. But let's be self-critic. Nobody's perfect. And among others, even if we audit and we have everybody to sign an agreement so that they cope with the standards and requirements that we have indicated, we don't necessarily have the opportunity today to control the whole supply chain. I will say our subcontractors' subcontractors is an element which is something we need to work on in the future, but I think there is very few companies today who still can manage the whole full supply chain. But I think that if we have it on our agenda and if we have it in our daily discussions, there is a good opportunity that we can develop.

And I can assure you, every time I go to - even if I'm not the one to change so much - but every time I go to Asia, to our subcontractors, when I meet the top management of the different -- whether they are big or smaller suppliers, I have this on my agenda. And we talk about this and we don't make -- I don't walk around to control what they're doing, checking their salaries or anything like that, but it's a big topic and we discuss that. So there is a lot of pressure on this side.

However, whether this is justifiable or not, I -- our Company has been over 25 years in China, among others. I have been spending almost 20 years in these markets and I can say that there's a huge improvement that has taken place. I visited China not a very long time ago, actually, November last time. And we had this topic again with an owner of a huge shoe factory or a shoe company, and this was a very good topic. And I have to say that I haven't had this kind of discussions before with these guys. And they tell me what they are doing, not me telling them what we think that one should be doing.

So I think there is a lot of improvement. Sometimes this is just shadowed by the fact that we talk so much about this important subject from a -- let's say from a demand perspective and not from a listening perspective. But it's a good subject and important subject. And we try, here again, like I mentioned earlier, we're not trying to promise something that we don't do. We're not trying to tell you that we do something we don't do. So we're trying to be very focused on this but we try to go with the steps where we think we can really make a difference.

If you want to have more of this, we have a social responsibility program which is partly environmental, so that we'll say we take care of the environment, that we don't pollute anything, etc., and partly it's related to labor issues and we say that the labor conditions are right and so on. So I invite you to talk more about this with us if you so wish. And Max Alfthan, who you saw here earlier, is taking care of this.

Please.

Unidentified Audience Member

How well do you know the behavior of American consumers if or rather when the recession comes? Are your products the first sports (technical difficulty)?

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Roger Talermo - Amer Sports Oyj - President & CEO

This is a very good question and we sometimes wonder do we know enough. Are we, let's say, enough on the pulse? But on the other hand, let's not forget that 45% of our business comes from North America. We have three -- at least two very important American companies, Wilson Sporting Goods and Precor Fitness Equipment. They are truly American. There are a lot of people who are very involved in these discussions. We are working with all major distribution channels, everything from the big boxes, Wal-Mart's, to the specialty shops, whether they're ski shops, tennis shops, golf shops. We are working with institutionals, I would say the schools, the universities, especially in team sports. We are working with what we call the vertical market, I would say fire brigades, police, hotels. We're working with fitness clubs. And we're working with independent retailers, for example in -- or distributors in fitness, certain categories.

So we feel that we have a very, very solid understanding of the market. So we feel that when something happens, we feel it immediately. We can react immediately to it. Then whether we are more fragile or in the forefront of recession or downturn compared to any other categories, it's a much more difficult question to answer. I think that every downturn in the U.S. kind of plays out a little bit differently, depending on what measures have been taken in the nation to improve or boost. You know that the American market is very dynamic. When I was there a few weeks ago, it was fabulous to see when the politicians, the economists and everybody talked about what can they do so that the thing will change within a month. So they do a lot of things to change quickly.

Now, depending on what kind of actions they take, that relates then to what kind of parts of the economy first hit the door, first turning around. We have small items, from baseball balls, bats, mittens, gloves to huge items like fitness equipment. So some of them comes earlier, some of them come later. Generally speaking, long story short, generally speaking, sporting goods equipment usually are not the first ones to hit. It's more maybe the high-ticket items that will be hit first. Precor Fitness Equipment are not the high-ticket items from that perspective because usually, especially those that go for home use, are purchased by people with very huge incomes. So they are not that touched by the recession in the first place. Unfortunately, I cannot answer you much better than this.

So thank you, everybody. Thank you very much. And we'll come back again when more information is available and hopefully not before Q1 this year. Thank you.

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