

FINAL TRANSCRIPT

Thomson StreetEventsSM

AME.HE - Q1 2009 Amer Sports Oyj Earnings Conference Call

Event Date/Time: Apr. 28, 2009 / 8:00AM ET

Apr. 28. 2009 / 8:00AM, AME.HE - Q1 2009 Amer Sports Oyj Earnings Conference Call

CORPORATE PARTICIPANTS

Tommy Ilmoni

Amer Sports Oyj - VP, IR & Corporate Communications

Roger Talerio

Amer Sports Oyj - CEO

Pekka Paalanne

Amer Sports Oyj - CFO

CONFERENCE CALL PARTICIPANTS

Maria Wikstrom

Handelsbanken - Analyst

Peter Farren

Bryan, Garnier - Analyst

Tia Lehto

Carnegie - Analyst

Fitzhugh Peters

Goldman Sachs - Analyst

Manu Ronthella

Deutsche Bank - Analyst

PRESENTATION

Operator

Good afternoon ladies and gentlemen, and welcome to the Amer Sports first quarter 2009 results conference call. My name is Tory, and will be your coordinator for today's conference. For the duration of the call you will be on listen-only. However, at the end of the call, you will have the opportunity to ask questions. (Operator Instructions)

I'm now handing you over to Tommy Ilmoni to begin today's conference. Thank you.

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

Good afternoon ladies and gentlemen, and welcome to Amer Sports Q1 webcast and conference call. CEO Roger Talerio will start by making a business update of Q1, followed by CFO, Pekka Paalanne, who will go through the financial highlights. And after that CEO Talerio will conclude by making -- giving our outlook guidance. And after that we'll take all the questions from the call.

At this stage I would like to handover to CEO, Roger Talerio. Please.

Roger Talerio - *Amer Sports Oyj - CEO*

Thank you, Tommy. Welcome ladies and gentlemen also on my behalf to this Q1 presentation. I will follow -- the progress will be following the slides that you probably all have had the availability for, and if anything it has said comes up later on, we can then answer questions.

Apr. 28. 2009 / 8:00AM, AME.HE - Q1 2009 Amer Sports Oyj Earnings Conference Call

As we have indicated, the market continues to be quite challenging, especially in United States where we can see that everything is slower progressing than in the rest of the world. We recorded minus 7% in sales compared to previous year in local currencies. That we'll say EUR355.3 million. And as you can see, the EMEA, mainly Europe progressed 2%. The Americas went down 15%. And the Asia Pacific was flat.

EBIT for the period was minus EUR6.9 million, and the earnings per share was EUR0.15 negative. We continued very strong positive momentum with our Apparel and Footwear. This was something that we indicated already earlier as we had recorded pre-bookings for the spring/summer programs. Very strong sales both in Apparel and Footwear.

The Winter Sports market, especially on the equipment side had a very, very strong season in the sense that we had good winter throughout the year in almost all markets around the world.

Our weakness -- the main weakness and the -- both difficult business today continues to be the Fitness business as Precor sales declined 25% in this quarter.

If we look at the business breakdown by the different segments, we can see that the Winter and Outdoor business was more or less on last year's level, both in local currencies and in the reported currencies. The Ball Sports business went down 8% in local currencies, mainly driven in the US business, the down trend.

And the Fitness business, as already mentioned, was down 25%. All this gives the negative number of 7% compared to previous year in local currencies, and 2% negative in reported currencies. We'll come back to this with our CFO, Mr. Paalanne, who will then talk a little bit more about these numbers.

If we look at the EBIT, the profitability part, the improvements were shown in the Winter and Outdoor. Usually the first two quarters are always negative in this business as it's the end of the season of the previous winter season. So we recorded minus EUR10.9 million in profitability, negative profitability.

Ball Sports, EUR11.5 million positive. Fitness now slid into negative with minus EUR3.4 million, and then Headquarters charges. And this gives the EUR6.9 million EBIT, which is reported. And I will come back to all of this little bit more in detail.

If we look at the sales and information by business segment or business area, we can see that the Winter Sports equipment business was more or less flat, minus 1% to last year. The Apparel and Footwear recorded this very good growth, 18%. Fitness equipment, already mentioned, minus 25%. Team Sports, minus 9%. Racquet Sports, minus 4%. Cycling, minus 21%. Sports Instruments, minus 16%, and Golf, minus 17%. So unfortunately we can see a lot of minus recordings in this quarter.

If we then look little bit more deeper into these numbers, and we'll start with the Winter and Outdoor business, as you know, we have had this quite important plan that should be in its last stage where we have said that we should gain EUR20 million in EBIT this upcoming year.

So the cost efficiency program is there. Still of course we have a long way to go this year before we can see everything coming in. But we did not record anything particular here that would take us into the wrong direction. And that's also the reason why we saw improvements in -- regardless of that it was the negative numbers in the first quarter. So far so good, everything seems to go well ahead with what we have planned.

Pre-order season is right in the middle. We have recorded somewhere between 40% to 50% of pre-bookings at this point, or at the point of end of March. And it's absolutely too early to indicate anything here.

Evidently, dealers are very cautious in this market environment. The market is quite sporty in the sense that some areas are doing very well. The mountain regions; the Alps, Switzerland, Austria, France, Southern Germany with very strong snow year even on low altitude, we expect that to be pretty good in those areas where also the inventory levels are pretty low.

Apr. 28. 2009 / 8:00AM, AME.HE - Q1 2009 Amer Sports Oyj Earnings Conference Call

The Nordic countries, especially with cross-country skiing I would say back on track in the sense that also the plains had snow this year. So we would expect there pretty good season, despite the fact that inventory going into the year were still very high. And here, like in all other categories of our business, the North American market is the toughest, especially the west coast, which seems to be hit harder by the recession than the rest of the United States.

So as you can see, we have markets where we expect the business to be tougher than in other markets. But I don't want to predict how the pre-order business will fold over the coming months. I would say we still have good months to go. And when that's done, then we can give you more indication on where the actual outcome will be.

Already mentioned, Apparel and Footwear, plus 18%, continued good progress, especially in Europe. The Central Europe has been a strong, strong area for this market. The sell through -- let's put it -- excuse me, start this way. The deliveries, some of you recall, we said that we had to take in early inventories end of last year to be able to ship properly in the beginning of the year as the spring/summer orders were good. This happened.

We had no hiccups in our deliveries. It looks like dealers are very pleased with the way how we have managed our shipments. And it looks like the sell-through of these products have been reasonably good, even though the season for running, the season for spring product started very late due to the fact that the winter kept on going for quite a while. So all in all, we think that so far so good on this side.

Cycling, we unfortunately showed a huge decline of 21%. It's due to two main reasons. One is we can see the OEM business, we -- as you know part of our business is an OEM business to bike manufactures. And we clearly see the same trend there as we see with other sporting goods equipment. The bike dealers are cautious. They are trying to melt the inventories, and therefore they place less orders to the component suppliers.

The other reason for the decline in the first quarter is the one-off reason. We had in the early part of the year a recall of a product called R-SYS. It's a high end -- very high end, very expensive composite wheel set. And we had some breakage in that, and we decided to recall the product so that no damage would appear.

And as it is a very technical product, we weren't able to ship at the beginning of the month -- excuse me, the beginning of the quarter. And then when we finally had the product corrected, and when we started to ship, evidently lot of the first shipments went to replace the existing recalled product. So that's why cycling looks pretty bad in the beginning. The underlying business is well. And we think that we will have some corrective actions here to come.

Sports Instruments was also down 16%. We saw good progress in training category, that's our t-series, but not enough to offset the very tough market and the weakness, especially in the diving business, which is quite a lot related also to what I would call dive traveling.

If we look at the Ball Sports business, and we look at the sub segments there, Racquet business was down 4%. We can see a decline in this market, both in Europe and in US, whether it's recession related, or is it related to the fact that we are in a period of not so many innovations -- for example our own K Factor is now living its third year, and we are coming up with new thing later on, but it will effect this year.

The tennis ball market, however, is doing quite okay. It's slightly up, which indicates that the participation is still there.

Team Sports show a 9% decline in the first quarter. And it's little different from the others because we can see that first of all like with the tennis business there is a certain amount of downgrading in price point. So people tend to buy one price point below where they normally purchase. That's a cautiousness coming from the consumers.

Likewise, we see the higher price segment not only declining, but also the retail channel selling the higher segment seems to suffer little bit more than the discounters. That seems to take share in this environment which probably is quite understandable.

Apr. 28. 2009 / 8:00AM, AME.HE - Q1 2009 Amer Sports Oyj Earnings Conference Call

I will be too worried momentarily about this. We have seen very much ups and downs in the weekly sales, in both racquet theme and golf, which indicates that the dealers tend to work a little bit from hand to mouth. What I mean with this is that no extra products are both into the store, but really those that go through, sell through well, which means also that this stock is most likely is appearing.

On the golf business we had -- saw a degradation of 17%. And we know that the whole golf market is clearly down versus last year. So we don't think we do worse than many others here. And we see here likewise that there is more focus on the value products at lower price points.

However, the golf market's peak delivery season is in Q2, starts already in March Q1, but main in Q2, April, May. And especially in this environment dealers tend to take in product later.

If we then move on to the Fitness business, I have to say that Fitness business, not only for us, but also for our competitors, what I hear, is the business which seems to suffer the most. Maybe it is partly due to the fact that it's a discretionary very high-end ticketed product, especially for the consumers. And those products seem to suffer more today than anything else.

We have also anticipated, or indicated that this might spread into the -- what we call, the commercial market. And this is certainly what is happening. There is two things that appears in the Fitness business that are linked to the financial crisis, so to say, that's finding finance.

First of all, we see less dealers. We have quite a few dealers who have financial issues. That will affect both the consumer market, as we sell through dealers to the consumer business, but also to the commercial business, because we only deal directly with our biggest commercial clients. So this reduction of finance certainly hits here too.

On top of that, our direct dealers, like other dealers too, due to the tight credit situation, they are reluctant or it's impossible for them to make a lot of new openings of new clubs. So it's more a question of replacing market momentarily where dealers are only replacing those product categories that they really feel they need to replace. And then they buy in product categories to existing clubs where they see some new interesting stuff.

There we have been benefiting, because our AMT product, which we launched few years ago has continued its good progress, and we clearly see that it has become a category of the real size. So together with treadmills and elliptical trainers, AMT has become a third important product category in our Fitness business.

So I would like to handover now to Mr. Pekka Paalanne, our CFO, and he would walk you through some of the key financials. And then we will come back to questions and answers. So, Pekka, please.

Pekka Paalanne - *Amer Sports Oyj - CFO*

Thank you. Good afternoon also on my behalf.

There are quite a few key ratios on the slide, and I'm not going -- really going to go through this all in details. There is -- but there is one comment which really actually relates to most of these key ratios which is probably worth mentioning.

In -- during the Q1, we issued a hybrid bond of EUR60 million, and that EUR60 million is then having its impact on quite a few of these ratios. First of all, of course, it reduced our net debt by 6 -- by that amount. It also had an impact to equity ratio, which went up from 30.6% end of the year -- end of last year to 36.9%.

Apr. 28. 2009 / 8:00AM, AME.HE - Q1 2009 Amer Sports Oyj Earnings Conference Call

It had an impact to gearing, which went down from 121% to 95%. And, as I already mentioned, the net debt going down from EUR615 million to EUR527 million. So it's not all about hybrid, but hybrid had an impact on a lot of -- on several of those key ratios.

Then moving on to debt side, we have here the breakdown of our debt. In total, we had EUR582 million debt end of Q1, split in the following way. Under one year, we have commercial papers, finished domestic commercial papers, outstanding EUR70 million. Then we had a EUR75 million domestic bond which we are going to repay end of May. And then we have some smaller amounts other.

On the long-term side, then we had EUR75 million. [It is] part actually is the syndicated loan arrangement, EUR75 million, which actually translate into \$100 million. Then we had the euro portion of our syndicated arrangement, EUR245 million. That was the amount which was in use end of Q1. Then we have the second part this, our domestic bond of EUR75 million which matures 2011.

So the bulk of our financing is actually maturing either end of 2011 or end of 2012, actually in such a way that given that roughly 80% of the long-term debt is maturing end of 2012. End of Q1, the unused portion of the syndicated loan was EUR80 million. Then we have in addition to that EUR60 million committed credit limit making the total unused credit EUR140 million. So that was basically how the breakdown of debt was end of Q1.

Then moving on to gearing, (inaudible) longer perspective to the development of gearing, and I'm not I'm not going now talking anymore back to the current history, because that is why I have shown this positive (inaudible) in different occasions. Really the growth was actually what has been done and will be done this year in order to reduce the gearing to the levels where we would feel comfortable. In other words, closer to the guided target range of 60% to 80% gearing.

So first (inaudible) we did was already mentioned, hybrid bond, and which will take the gearing already down below 100. And then we have a very significant kind of operational program to reduce working capital, mainly to reduce working capital during this year to actually get to closer to 80% gearing level.

This program I'm referring to is basically working capital related. We are focusing two items in the working capital, on one hand inventories, and on the other hand receivables. The target which has been -- on the group level -- on group level the target is 100 million. And the target has been split throughout the organization, including when there are programs -- several programs to -- which really drive this reduction and continuous monthly follow up.

So this whole program is coordinated and managed centrally. So that is going to play a very important role in -- in our daily activities throughout the year. Q1 '09, we can already see a (inaudible) that development right -- going right direction so that the gearing is coming down compared to (inaudible) the same period last year. And this trend will continue as we progress during the year.

I think that was all from my side at this point.

Roger Talermo - Amer Sports Oyj - CEO

All right. So let me continue few more minutes before we get into the questions and answers. Evidently, we feel that the uncertainty in the sporting goods business that started the year is not over. We can see this in all other business areas in consumer businesses, and we can see different factors playing in.

Like I mentioned, cautiousness of retailers in ordering new products, we can see the debt (inaudible) which at the end is not negative, but that's still happening. So dealers tend to sell more from their stock than from ordering new products. It's hard to predict or almost impossible to predict how the consumer demand in general will develop throughout this year. But we are

Apr. 28. 2009 / 8:00AM, AME.HE - Q1 2009 Amer Sports Oyj Earnings Conference Call

extremely cautious on this one, so we believe that it will continue to be slow. And at least momentarily we see that consumers are moving to lower price points in attempt to cut their own spending.

We can also see that US has been much harder hit during the first quarter than Europe, and as you saw from our numbers we were still on a small increase in EMEA as well as in Asia. Who knows -- and I don't want to predict in one or the other direction -- will Europe follow US tracks in terms of slowing down?

Anyway, all this does together that the outlook is clearly less predictable than in a normalized situation, and that makes us to be very cautious going forward. The visibility is not very good at this point. We will certainly get more visibility during second quarter as we are taking in pre-orders in the Winter Sports business. And we anticipate that we should have another good month to get everything in. There's been a full season throughout eastern, so we start to get also the mountain stores to have their inventories done, and be prepared to put in orders.

We feel that the uncertainty around Fitness business is still there. There is very little light momentarily that this would change very quickly. And therefore we have decided that we will give further guidance on this matter immediately when we have more information over, let's say, few months' period. I cannot really nail the date, but certainly we are going to give right away more guidance when we see where we are.

So this is the situation. However, what remains clear is that our key priority is as we've said all the way through that we do our utmost and everything necessary to strengthen our balance sheet. We've taken few measures. We have already shown some progress, but first quarter is a very short period. We strongly believe still that we will improve the balance sheet in a positive way.

And it goes without saying that we have been extremely aggressive in trying to cut our expenses. Not everything is visible right away. But there's lot of programs that has been executed. We are going to further look for efficiencies, and evidently we live more or less day by day now on, not only monitoring the situation, but also taking actions. So we try to be as dynamic as one company be -- can be on these things. So we will continue to fight for our bottom line. And we will continue to fight for our market positions.

And I would say that would conclude the presentation today, and now we would be ready here in Helsinki to answer any questions you have as long as hopefully we can answer them. Thank you very much.

QUESTIONS AND ANSWERS

Operator

Thank you. (Operator Instructions) Thank you.

The first question comes from the line of Maria Wikstrom from Handelsbanken. Please go ahead and ask your question.

Maria Wikstrom - Handelsbanken - Analyst

Yes, hello, this is Maria from Handelsbanken. My question relates to the inventory which was up 11% year over year, and down only 3% quarter on quarter. And what I learned, or at least I recall that you said in the Q4 that the inventory you had some Winter Sports items as well as some products which were relating to Salomon (inaudible).

What is happening in your inventory at the moment? And is there any non-current items in the inventory standing at the moment?

Apr. 28. 2009 / 8:00AM, AME.HE - Q1 2009 Amer Sports Oyj Earnings Conference Call

Pekka Paalanne - *Amer Sports Oyj - CFO*

So if I take this one up, I cannot really cut (inaudible) to read from the report. But then I said it is through this inventory management, reduction of inventories is our key priority for us this year. Therefore, we have very thorough flow of analysis, actually what is going on.

Just regarding looking -- when we look at the balance sheet, and there is one over cash flow, then one as to pay attention that there is a currency impact. How we look at -- when we look at -- on our usual currency basis the inventories have come down EUR20 million during the Q1, which is very much in line with the plan. And we have clearly reversed the trend. Same time, year ago, the inventories went up EUR15 million. So we have reversed the trend, and we are checking our plans.

Roger Talermo - *Amer Sports Oyj - CEO*

I think this -- if I may continue here, I think this -- at least if everything goes as we have indicated, we will show you good progress throughout the year. Some of the businesses at this point, still in first quarter, don't show all the progress. And we have now our supply chain management in place. They have made very explicit programs to drive down the inventories, not only to sell out of stock -- out of the existing stock, but also to cut the procurement in every way that we feel that we can cut without losing business.

So we have, as indicated, a very ambitious plan there and so far we feel that we are exactly according to the plan. However, it doesn't really show in the numbers, but I'm pretty sure that it will show when we go forward.

Pekka Paalanne - *Amer Sports Oyj - CFO*

And what comes to the quality of inventories, I think the quality is good.

Maria Wikstrom - *Handelsbanken - Analyst*

But if there is still Winter Sports equipment items in the inventories, so the last season is skis basically.

Roger Talermo - *Amer Sports Oyj - CEO*

For us -- but today it looks like we have a very, very low inventory. With our ski products, we are clearly lower than we were a year ago, and we shouldn't have any obsolete products on that side. And as said, in any of the other categories we should have very limited or no products that are old and not worth anything.

Maria Wikstrom - *Handelsbanken - Analyst*

Okay, thank you very much.

Then I have another question relating to the Fitness segment, and the question is that, do you see that there is a possibility to make positive results if the sales trend continues as negative, as it was in Q1 throughout the rest of the year?

Apr. 28. 2009 / 8:00AM, AME.HE - Q1 2009 Amer Sports Oyj Earnings Conference Call

Roger Talermo - Amer Sports Oyj - CEO

That's a hard question. That's certainly our ambition. We are very disappointed by the situation. But sometimes it's difficult to cut the expenses with the speed that the sales are vanishing. The good news is that we seemingly are not losing more than anybody else.

It's evident that we have had really, really tough measures in the -- in our Fitness division, and a lot of costs have been already cut.

We have had to let quite a few people go. We have taken very serious stance to salaries, to all kind of programs that we are working on there. And so I think that we have done a lot of things, but I think we still need to go further if it continues like this. Now, we'll see what happens.

The problem with the fitness industry is the anticipation. Now we come into quarter two, and quarter three, which are actually little slower quarters in that industry, and it all leads up to quarter four. So we have to anticipate how it will go, and discuss with our dealers, and be in very close contact. But the aim is very clearly to be positive.

Maria Wikstrom - Handelsbanken - Analyst

Okay, thank you very much. No further questions.

Operator

Thank you. (Operator Instructions). The next question comes from the line of Peter Farren from Bryan, Garnier. Please go ahead and ask your question.

Peter Farren - Bryan, Garnier - Analyst

Yes. Hi. Could you please tell us what the order backlog is looking like for the autumn, winter in Apparel and Footwear? And also I imagine it's been quite an important margin driver. Can you give us an idea of the differential in operating margins in Apparel Footwear versus the group overall? Thank you.

Roger Talermo - Amer Sports Oyj - CEO

As we said, spring, summer order backlog was good. And that will take us through till summer. We're now momentarily collecting the full winter orders from this business, and we don't have the final numbers yet. However, I'm little skeptical that we will see a growth of any big numbers as I can't see that the dealers would behave differently in the apparel, footwear business compared to any other businesses as we see the cautiousness spreading through the dealer network and through the retail.

However, on the positive side, I have to mention that our hiking, our trail running, and our line in general seems to be very well accepted. And on what comes to the Apparel side, Salomon's strong foothold is Europe. Fall, winter will be more ski clothing. We know that the ski clothing have -- has sold through pretty well in the seasons.

We have improved our position in that market which would indicate that if dealers are happy with it, it should continue.

Arc'teryx have had a very decent year. And this way Arc'teryx still have a situation where they are enlarging their dealer base throughout the world.

Apr. 28. 2009 / 8:00AM, AME.HE - Q1 2009 Amer Sports Oyj Earnings Conference Call

Tough question, because if Europe continues on the level where they are today, it should be at least decent. I think United States and North America generally will be more cautious than Europe. But then if Europe falls, then of course the situation is somewhat different.

I would be very negative today, but I wouldn't be either a very, let's say, positive about the growth as such. So I'm unfortunately giving you a little bit of -- a messy answer in that sense. But I think it will slow down. The growth won't be there as we've seen in the spring, summer. But I don't predict momentarily -- and this is little gut feeling that we would start to see very negative numbers compared to last year either. But that's to be seen, and I'll come back to -- on this issue also in a month or few months' time.

Peter Farren - *Bryan, Garnier - Analyst*

Okay, thanks. And on the margin side give us an idea, even at the gross margin level.

Roger Talerma - *Amer Sports Oyj - CEO*

Margins, I cannot predict anything at this point. I'm sorry, I don't have any idea on the margins.

Peter Farren - *Bryan, Garnier - Analyst*

No, no, no, I don't mean guidance, I just mean the differential between the Apparel Footwear division versus the group.

Roger Talerma - *Amer Sports Oyj - CEO*

I'm sorry. The Apparel Footwear margins actually are pretty good. And they are at least to par with the hard goods. So I'm not negative on the margin side on that side at all.

Peter Farren - *Bryan, Garnier - Analyst*

Okay, fine. Thank you.

Roger Talerma - *Amer Sports Oyj - CEO*

Thank you.

Operator

Thank you. (Operator Instructions) Okay, we have no further questions coming in -- yes, the next question comes from the line of Tia Lehto from Carnegie. Tia, please go ahead and ask your question.

Tia Lehto - *Carnegie - Analyst*

Yes, hi guys, it's Tia. Can you hear me?

Apr. 28. 2009 / 8:00AM, AME.HE - Q1 2009 Amer Sports Oyj Earnings Conference Call

Roger Talerio - Amer Sports Oyj - CEO

Yes.

Pekka Paalanne - Amer Sports Oyj - CFO

Yes.

Tia Lehto - Carnegie - Analyst

Okay, good.

On the Cycling do you have any feeling about how the retailers or special retailers are selling through in the current market?

Roger Talerio - Amer Sports Oyj - CEO

It's -- first of all, as I said already earlier, the winter season was long, which means that the summer season started later than -- or spring, summer season tends to start -- tended to start later than in a normal year. The same cautiousness in buying in products were there. However, the general mood with retailers is quite positive.

I have to say that I have been traveling personally now around Europe for a week -- few weeks time, and I tried to meet as many dealers as possible on my trips. And everybody has had a good season from the winter side, so they cash flow. Their inventory positions are pretty good. They don't have high stock, so they feel that they are able to do a good summer season.

Now since Easter, and especially in Europe the summer has come in pretty fast, it has been warm and good weather throughout Europe and lot of activities going there.

Cycling, in general terms on the macro trend it's still a positive -- on a positive mood. And what I see the first, I would say qualitative, not quantitative, but qualitative discussions with big dealers in Central Europe they all are pretty positive towards cycling.

Actual sell-through numbers we are still in April, so I don't really have actually sell-through numbers, but the mood is not that bad. The question then is for us on -- with Mavic is that, as we see in many of our other categories that the real high end seems to be hit little harder, and as you know our products with Mavic are mostly high end products.

However again, again that speaks the fact that cyclers are extremely enthusiastic, and they are ready to put down a lot of money. So I would still give it a small plus to the market today, but again the cautiousness would take me down, but actual figures I don't have.

Tia Lehto - Carnegie - Analyst

But would you guess that, or can you draw the conclusion that -- say retailers like Intersport or so -- that if the spring started late they are also late in ordering skis.

Roger Talerio - Amer Sports Oyj - CEO

Yes, absolutely. They are certainly to certain degree late in ordering skis too. How much, it's hard to say, because some are advanced and some are late. I think the overall it's a little late, but the only thing what it would do for us or mean for us is that

Apr. 28. 2009 / 8:00AM, AME.HE - Q1 2009 Amer Sports Oyj Earnings Conference Call

instead of having a very good visibility on how the pre-booking starts coming in, in let's say mid-May -- it's probably now end of May or beginning of June. So it's only putting another few weeks on the forecasting for us. Nothing else.

Tia Lehto - *Carnegie - Analyst*

Okay. What does it mean with the scaling down production commitments in the winter collection for the Outdoor? Does that mean cost for you?

Roger Talerio - *Amer Sports Oyj - CEO*

No, no, not necessarily. What we've done is that we've really analyzed the supply chain, and really went through the whole procurement side too so that we've said that even if -- because we had, we always have some carryovers, which means that it's the same model sold next year. So we really have tried to also de-stock ourselves as much as possible. And I refer to the discussion we had earlier. And one part of the de-stocking is not just simply try to get rid of old products, or discount, or whatever, but really also look into the buying side.

And in this case, not only the buying, but also the productions that we still have of our own. We've tried to reschedule every production or supply part that comes into our numbers so that we would take a minimum risk on that side, and really tried to manage it as thoroughly as one can manage it with the information we have.

Evidently, in some cases where we have long lead times with suppliers from Asia, where lead times could go up to six months, we've gone there, we renegotiated in a tough way lead times, and tried to change the volumes and the quantities in such cases where we anticipate a lower demand.

And I think we managed pretty well. We've done a lot of that stuff. And we'll continue to do that as we -- when we get orders coming in. I don't think there is a cost involvement directly. Now, then indirectly there is one thing that -- I don't know if it will materialize or not at this point -- is that of course in our own factories we might have positive or negative variances, and of course if the market is downward trending there could be negative variances if we don't reach the volumes.

But we're not there yet. And I'm not still saying that we will have lower volumes on productions. That's to be seen, because, as said, our inventories are pretty clean, so if we get the orders from last year's level we need to also then make the products on last year's level.

Tia Lehto - *Carnegie - Analyst*

Okay. Quick look, two other more questions. On Suunto you talk about large cost savings program, and then on the administrative costs there was something peculiar there, they jumped a little bit.

Roger Talerio - *Amer Sports Oyj - CEO*

I think that, of course, proportionally for a small company the savings tend to be -- or at least cost saving tend to be bigger. But it's clear that we have to make the measures in all entities that we have, and of course in those entities where the sales early quarters are lagging behind more than in the others the push is harder on the cost savings.

Nevertheless, it means that our ambitions to get to the numbers where we wanted to come in terms of EBITs or in terms of profitability is more preferred than maybe the top line, which probably are more difficult to achieve if we have already lost some sales in the early part of the season.

Apr. 28. 2009 / 8:00AM, AME.HE - Q1 2009 Amer Sports Oyj Earnings Conference Call

So to compensate for a lost top line is always more difficult than trying to then cut expenses and do clever things on the other side.

Tia Lehto - *Carnegie - Analyst*

Okay. On the administrative cost, did you have something there?

Pekka Paalanne - *Amer Sports Oyj - CFO*

On the admin and other expenses you are referring to?

Tia Lehto - *Carnegie - Analyst*

Yes.

Pekka Paalanne - *Amer Sports Oyj - CFO*

So this is really a not one item, it's a collection of many items. Some of them are just small part, which is really (inaudible) maybe 1 -- 1.5 million. I don't have actually a very good answer to your question.

Tia Lehto - *Carnegie - Analyst*

But it's not a trend, I hope.

Pekka Paalanne - *Amer Sports Oyj - CFO*

No, it's not a trend, no, no.

Tia Lehto - *Carnegie - Analyst*

Okay, okay. Thank you very much.

Pekka Paalanne - *Amer Sports Oyj - CFO*

Thank you.

Operator

Thank you. The next question comes from the line of Fitzhugh Peters from Goldman Sachs.

Please go ahead and ask your question.

Apr. 28. 2009 / 8:00AM, AME.HE - Q1 2009 Amer Sports Oyj Earnings Conference Call

Fitzhugh Peters - *Goldman Sachs - Analyst*

Hi. Good afternoon everybody. Most of my questions have already been asked, but I just have a couple more. One, talking before about the inventory, I just want to confirm that ex currency, the inventories were down year-on-year.

Pekka Paalanne - *Amer Sports Oyj - CFO*

Yes.

Fitzhugh Peters - *Goldman Sachs - Analyst*

Okay. And the currency, the difference from the currency is just the revaluation of the inventories, or is it the cash flows that are coming out of the --?

Pekka Paalanne - *Amer Sports Oyj - CFO*

No, it's really -- it's a consolidation impact.

Fitzhugh Peters - *Goldman Sachs - Analyst*

Okay, okay. Because the cash -- the change in working capital on the cash flow statement was also down quite a bit. Which means the cash flow operating activities was down -- excuse me, was down I think 46% year-on-year.

Pekka Paalanne - *Amer Sports Oyj - CFO*

Yes.

Fitzhugh Peters - *Goldman Sachs - Analyst*

And then --

Pekka Paalanne - *Amer Sports Oyj - CFO*

That's a -- yes, that's a good point, and actually if you look at really, cash flow and working capital change in cash flow which is the resource that make up the (inaudible) 40 million. So that is really coming from -- partly from inventories, and there again I think the -- from the inventory side there is of course the impact of around EUR30 million.

Fitzhugh Peters - *Goldman Sachs - Analyst*

Okay.

Pekka Paalanne - *Amer Sports Oyj - CFO*

But then we received on the cash from our receivables less in first quarter this year compared to first quarter last year, because we had -- simply we had lower receivables, end of the year. That's the main reason for it.

Apr. 28. 2009 / 8:00AM, AME.HE - Q1 2009 Amer Sports Oyj Earnings Conference Call

And then the third item, it's most probably -- it's the biggest item explaining the working capital. (inaudible) working capital change is actually coming from payables. So (inaudible) non-interest bearing payables. Bigger part from really accounts payables. We had fairly high inventories, end of last year, and we have paid out these inventories now during the Q1.

Also then during the Q1, our other current liabilities went down for two reasons. We had roughly EUR10 million tax payout. And -- which we didn't have a year ago. And then we have also around EUR10 million final cash, in fact the Salomon restructuring. So that was really the working capital change, and then cash flow really -- there is a positive impact from inventories, but really there is a bigger impact coming from payables, which is negative.

Fitzhugh Peters - *Goldman Sachs - Analyst*

Okay. And a lot of that's just because less inventory was purchased?

Pekka Paalanne - *Amer Sports Oyj - CFO*

Yes exactly, exactly.

Fitzhugh Peters - *Goldman Sachs - Analyst*

And then I was wondering if you could give any kind of expectations for CapEx for the full year. It was up a little bit in the first quarter.

Pekka Paalanne - *Amer Sports Oyj - CFO*

Our CapEx, now to show that what happened during the Q1 is not indicative in any way. And our CapEx is coming -- it will be lower than last year.

Fitzhugh Peters - *Goldman Sachs - Analyst*

Lower than last year.

Pekka Paalanne - *Amer Sports Oyj - CFO*

Yes. So it will get pretty close to (inaudible) the level of depreciation.

Fitzhugh Peters - *Goldman Sachs - Analyst*

Okay. And then finally on the hybrid bond. I just want to get completely clear on that. The interest, I'm not sure if there have been any interest payments on the hybrid bond yet, but those are not going to appear anywhere in the income statement, or are they going to appear at the bottom of income statement after like near where minority interest appears?

Pekka Paalanne - *Amer Sports Oyj - CFO*

Yes. According to -- first of all, there has not been -- we have not paid interest on hybrid.

Apr. 28. 2009 / 8:00AM, AME.HE - Q1 2009 Amer Sports Oyj Earnings Conference Call

Fitzhugh Peters - *Goldman Sachs - Analyst*

Yes.

Pekka Paalanne - *Amer Sports Oyj - CFO*

The first time (inaudible) annual payment, and it will -- it might happen then at the anniversary of the -- first anniversary of the hybrid bond. So the accounting treatment of interest is that it's not reported as -- in financing cost. It's -- the coupon or the interest is deducted directly from the equity. That's how IFRS actually treats hybrid bond interest, if you want. And so of course now the amount is anyway very small part in Q1, it was -- only very recently when the bond was issued.

But that's how the accounting treatment looked. It is treated as equity, the interest actually is deducted from equity, it's tax deductible, it's (inaudible) so you know all this most probably, all this other details, so that it is part of instrument itself.

Fitzhugh Peters - *Goldman Sachs - Analyst*

Okay, I understood. Thank you very much.

Pekka Paalanne - *Amer Sports Oyj - CFO*

Thank you.

Operator

Thank you. Your next question comes from the line of [Manu Ronthella] from Deutsche Bank. Please go ahead and ask your question.

Manu Ronthella - *Deutsche Bank - Analyst*

Hi, this is Manu Ronthella from Deutsche Bank. Can you hear me?

Pekka Paalanne - *Amer Sports Oyj - CFO*

Yes.

Manu Ronthella - *Deutsche Bank - Analyst*

I have one question on Ball Sports and Wilson, so could you specify a bit earnings impact from lower volumes versus the impact from sales mix, how it impacted the profitability of the group or the division?

Roger Talerio - *Amer Sports Oyj - CEO*

I don't have momentarily a specified detailed analysis on how much the mix is impacted by the downgrading of the mix, and what is the impact of the volume. So I'm unfortunately not able to answer your question.

Apr. 28. 2009 / 8:00AM, AME.HE - Q1 2009 Amer Sports Oyj Earnings Conference Call

Manu Ronthella - Deutsche Bank - Analyst

Okay. And one other question on de-stocking, so you told something about de-stocking, so what's your view on the inventories, and when will customers start rebuilding if we don't think about the Winter Sports equipment now, but Ball Sports and other division. So what's your view on that? Or is it too early to say at this stage?

Roger Talerio - Amer Sports Oyj - CEO

That's something we try to monitor, because even if you said I shouldn't mention the Winter Sports there I think we are already in a situation in the Alpine countries where de-stocking is over and probably they have to start to order as they sell.

In -- within Wilson and the other categories, especially with the big trade, take the discounters, the big sporting goods chains et cetera, I don't think they have massive inventories in our categories. I think they are just ordering what is sold through. So I would assume, especially in North America that when the market starts to turn, and people are starting to feel confident about the situation, and they start to see better numbers from consumers coming in, I think it will turn pretty quickly.

But it requires the consumption to go up. Then that's another question, will the consumption go up quickly? But I don't think there is a situation where there would be a huge amount of inventory left. I think depends a little bit on the category and the business area.

I think golf would have more than the Team Sports, and Team Sports would probably have little bit less than Racquet. Racquets would be somewhere in between.

So I think we would see quite quick turn when the confidence is back. Whether it's two months, three months, or six months, I can't say. But I don't feel that the American market has a lot of stock. In Europe we are in a little different situation, as the only really important business from Wilson's perspective in Europe business is Racquet Sports, to certain degree golf.

I don't feel that they are in a situation where the situation would be very, very dramatic. However, the business has won little bit more like normal business in Europe, but the European dealers haven't felt the recession or the demand slowness in the same way.

And in Japan and Asia we know that -- it's only maybe Japan that has some stock. Lot of positive recordings for Wilson in China, which is something very interesting. The new -- it's a new market for us, for our own subsidiary which we opened year and half ago. So we have practically no stock there. The dealers don't have really a stock there, but it's still small.

So I think we should eye on US, and see how US is going to develop. That will then determine how fast we will turn around the situation.

Manu Ronthella - Deutsche Bank - Analyst

Okay, thank you so much. One final question on the guidance or the -- no guidance and the withdrawal of it, so can it be referred specifically to any division, or is it just the poor visibility at this stage on all divisions?

Roger Talerio - Amer Sports Oyj - CEO

You mean the guidance that we -- what we said that is little difficult to --

Apr. 28. 2009 / 8:00AM, AME.HE - Q1 2009 Amer Sports Oyj Earnings Conference Call

Manu Ronthella - *Deutsche Bank - Analyst*

That you removed the full year guidance of better earnings in '09 versus 2008. So can it be specified to, for instance the Winter Sports, and the poorer visibility there, and then in the beginning of the year or --?

Roger Talerio - *Amer Sports Oyj - CEO*

Yes. I think there is two areas where the difficulty lies. One is the Winter Sports, as we don't have the orders. And that's something we promised to come back immediately when we get little bit more orders. And that will help already to a certain degree to see where we are going.

The other businesses are more trend like. But then the second big, big, big question mark is the Fitness business. And here unfortunately, we are not going to get a lot of more information before Q4, because usually the two strong quarters in this business is Q1 and Q4. So unfortunately, I don't think we will get full visibility in few months' time, but we will get little bit more understanding of it.

Hopefully, at that point, as we usually have been able through the trend lines then to understand them, how it's going to go with the non-winter, non-fitness businesses, the winter outdoor will have orders for Footwear and Apparel, we will be able to anticipate pretty well, I would say, the rest of Wilson business most likely soon (inaudible).

So I think we will get much closer, but we won't get there before Q4. But I hope we can give a much clearer guidance when we discuss next time, or even prior to that.

Manu Ronthella - *Deutsche Bank - Analyst*

Thank you -- okay, thank you so much.

Operator

We have no further questions coming through. So I'll hand back over to Tommy Ilmoni to complete today's conference. Thank you.

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

Okay. Thank you ladies and gentlemen for attending this call. I'd like to remind you that we will provide you more information about how our business is progressing on our Capital Markets Day on 28th of May. Thank you for now. Bye-bye.

Operator

Ladies and gentlemen thank you for joining today's conference. You may now replace your handset.

Apr. 28. 2009 / 8:00AM, AME.HE - Q1 2009 Amer Sports Oyj Earnings Conference Call

DISCLAIMER

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

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

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

©2009, Thomson Financial. All Rights Reserved.