

FINAL TRANSCRIPT

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PRESENTATION

TRANSCRIPT

Editor

(Audio begins in progress)

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

...and we will have questions also from our international audience by phone, and when asking questions here in the room, please state your name and organization, and use the microphones provided. We do have some technical problems with the picture here in the room, so please use the handouts, and -- but the picture on the Internet presentation should be visible. So at this point, Roger, please.

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

Right. Ladies and gentlemen, welcome to this third quarter presentation, and like in the previous times, what I'm going to do is just first have a general overall view on where we stand and then we'll dive after a small presentation of numbers, then we dive into the business units, or business segments. And then, after that, as Max Alfthan was saying, then we can take the questions and answers.

If you look at the third quarter in itself, we can say that the business developed more or less as expected. We had some parts of the business that was very strong. If we take the Salomon apparel and footwear, a very good season, as it was the peak season, or one of the in-season [parts], so very good business there. Precor continued to have a very strong quarter, as well as Suunto and Mavic, both with very strong quarters.

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We had some slight technical issues with Wilson. As you know, we introduced the SAP system into our American big organization during the quarter, actually, in September. And there has been no stoppage but what has been happening is that as we're putting orders in the tube, we haven't been able to realize the shipments exactly in the volume as we put in. We had two big units there, as you probably know. The [SRDC], which is our central warehouse for bulk shipments, and then our new Rockdale facility, which is the pick and pack the -- let's say the smaller items or smaller shipments central warehouse.

In the Wilson unit, not in the other units, but in the Wilson unit, we've had this SAP installation that has given us some small issues. No big impact, SRDC is fully solved, and the Rockdale issue will be solved very quickly. Every day we are progressing on this so we get more and more shipments out, but it made a small shortage in the month of September.

Anyway, otherwise, Wilson is developing as -- more or less as planned. Business overall in the quarter was on the last year's level in currencies, which was okay, and EBIT increased to EUR59.1 million from EUR57.9 million. So overall, the quarter was a decent quarter.

And as you've seen in our presentation or our report, we do not change our guidance. We still think that the guidance is what it was due to the fact, the same reasons as we indicated earlier, we missed some winter sports sales in the first quarter with the bad snow situation, and that will have an impact on the winter sports business as there is a stock in front of us. And, therefore, we think that we will not reach the EBIT number that we planned in the beginning on the winter sports business.

If we then go to the different -- to the profit and loss statement, you can see here that the quarter was, as I said, pretty decent. Nothing really dramatic here. In local currencies, as I said, on last year's level, and if we take the first nine months same thing in local currencies, we are on the same level as the previous year. EBIT is a little down, mainly due to the things that we discussed, and I'll come back to this a little bit later when we get into the business units. So overall a good quarter, and catching up for the full year.

I'm not sure this will work on this. I'm sorry about this that we have these few issues. But I think that the Web said they can follow it, and we can here follow from the papers.

If you look at the breakdown of net sales, we can see that -- now this seems to jump -- we can see that Salomon net sales very good increase compared to last year. We had had, as I said, very strong soft goods business, both apparel and footwear, and Mavic business developing much better in the third quarter than in the beginning, so catching up there, too.

Winter sports business, nothing new there. But we have to remember that the comparatives are not really like-for-like in the sense that last quarter, or last year, the autumn shipments were low because of the problems we had with deliveries from our warehouse -- in our third party warehouse in Lyon. So now it runs smoothly so, therefore, it maybe looks a little bit better than actually it is. There's nothing dramatic here in terms of improved in a positive way. As we said, we are now shipping the pre-season orders, the first of them, and then in-season orders will start to follow.

Wilson, quite okay compared to last year. As I said, the only small issue is with the shipments there. Precor, very strong net sales; up 28% on the quarter; and continues to grow on the first nine months.

Atomic, as I said with Salomon winter sports equipment, there's nothing particular happening here. Deliveries have started correctly and the season has started as expected. Maybe it's worthwhile to point out that the early season has started in a normal way in the mountains, and I'll come back a little bit later on that. And Suunto continues to have a strong progress so overall quite okay.

FX, I will say currencies play around a 4% negative impact here in our figures as you can see from this presentation.

If we then look on the EBIT level, Salomon good progress partly due to the recovery program that we had in place already done last year, but simultaneously the good news here is that the strong increase in soft goods business is also a strong increase in

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soft goods profitability. So there is a profitability that follows the sales increase. Also Mavic, very good profitability continuation, so we see no specific issues there.

On the Wilson side, there is nothing dramatic there. We have announced already earlier that we had a new lease contract to be made, and we decided simultaneously to move to the next building. Same area, it's just in the other building, so we have a new headquarters, and unfortunately, a long contract that we've had in the past, this is a little bit more expensive, not a lot.

SAP installation is certainly one issue that has a cost effect there. And then there is two marketing activities which we can come back to later to this. As you know, we have renewed NFL contract, National Football League and NCAA for basketball. They are two very important contracts for us and usually when you renew these contracts they are not cheaper than the previous ones, and those have impacted here. But nothing dramatic in my opinion in this situation either.

Precor continues to strongly improve the profitability with the sales, so there is good alignment going forward. Atomic, lower profitability in the Q3 compared to last year directly linked to the volumes. So there is here too I have nothing particular to announce here. So when volumes go down, in this case also, profitability is down. Suunto continues to improve and so forth. The whole quarter is in pretty good shape from that perspective.

Just to mention them, there's a few of the key ratios that we put up here. Net debt, net cash flow, cash flow continues to be okay here. Equity ratio quite equal to last year, as well as gearing, because as we understand, we haven't in this case paid away any of our debts or anything like that. Now to be seen then how the full year will look like when we go forward.

And if we dive into the different business segments, first of all from a Wilson's perspective we can continue to see a good momentum with the racquet sports business. Our [K]Factor, even if it has been introduced already at the early part of the year, continues to perform well, and we continue to take -- I can't say shares at this place, but take bigger sales volumes. I can't say shares because I don't know the statistics from this period. It usually comes a little later.

Team Sports is the one which has maybe hurt the most from this shortage of deliveries in September and, therefore, the numbers are a little lower than maybe anticipated. We have still a strong order book for Team Sports going forward so we believe that it looks okay. Golf down 10% but again here don't forget that we are working on [not a] like-to-like strategic base, which means that then we are in a situation of a little different nature.

And I already mentioned those investments which we did in the infrastructure; SAP, Rockdale and marketing NFL and NCAA that has impacted our higher cost structure. We still think that the performance towards the end of the year is going to improve compared to last year. Even in Team Sports we think that even if we had a good quarter four in last year, we still think that we will have a better quarter this year in Q4 than previous years. So it doesn't look bad from that perspective. Quite confident with how we are going forward from here.

Now if we look then at Precor; strong continuation. A lot of nice interesting new products, especially the AMT, the Adaptive Motion Trainer that we introduced some time ago, is gaining really ground. And what's interesting with this product is that it's really a new category. It's not like the old machines. It's an innovation that we've done with Precor and it looks like it's starting to little by little pay off in a very interesting way. We're still a little prudent to put it out full speed on the market due to the fact that it's such a new entity, and we want to be sure that before we roll out full speed that every part of it is working in a proper way. This is a normal procedure that we've always done, so there is nothing special with this. But it's nice to see that the new category is involving.

We have expanded our complete offering, which is good. I will say the entertainment part is paying off. The global package is paying off. The new strategy vision that we put in place some time ago is really giving us a lot of success. We are, as you know, embarking more also on the vertical market, they will say the hotels and this, and I am not going to say that one deal triggered other deals, but there's certainly a competitive edge in the hotel market that if one hotel puts in a nice gym, the others can't

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really hold back and wait. That's what happens with this, because in all surveys that has been conducted, especially in the United States, the fitness club has an impact whether people are selecting or some people are selecting that hotel or another one.

So, maybe there is a small spin-off going on, and if one is introducing nice products in their gym, the others have to follow to be competitive and give the service to their clients which is needed. That's good for us, as we all understand. It picks up the level of the gyms in the hotels, so -- and we who travel will certainly enjoy that.

We are attacking, as you probably know, we are attacking the consumer market, notably in the United States, with a lot of new products. And this is a very interesting -- I'm not saying it's a new added customer group to us, or a new added segment. We have been there, we have taken down a few price points, so that we're enlarging our offer in North America. This is not the case in the rest of the world momentarily, but in North America we are testing this, and it seems to be a very positive thing. So we believe that this going to continue on a good pace.

Suunto, as you can see here, increased its sales with 15% in local currencies, 21% in Q3. And it's mainly boosted by the wristop computers. That will say products that are completely in our strategic framework. The T-line was introduced early part of the year; continues to do well, but the real driver in Q3 has been the new outdoor line. As we, first time in a very long time, renewed the Vector, the old so-called Vector line with our new outdoor line, and it's called Core. This Core line has been very well accepted now, at least to the stores, but we can see and more and more going up.

Another very, very interesting product line, short product line is called Lumi. Lumi is a specific line for women, women outdoor products, and it has been at least highly written about in the newspapers around the world, so we believe that this has big potential. And to my understanding, this is one of the first, if not the first line, designed by women for women, with a clear design element into it, but it's a pure instrument in its performance matters. It's really performing like all the other outdoor instruments. So it's a good combination of performance and design as such. And we think that we still have a way to go as we are just introducing these products. So Suunto continues to grow, and we see the opportunity to continue to grow with these new categories.

Salomon, we already mentioned the net sales numbers growing, driven by a stronger barrel and footwear market, and it's especially interesting as we were awarded the Gear of the -- call it the Autumn Gear of the Year by an American magazine called the Outdoor Magazine; a very influential magazine in the United States, and it was one of our shoes from the Salomon line. This is very good because it's one of the shoes in the trail running category, and this is a category where we see we have a lot of opportunities introducing a lot of new products this autumn, and especially introducing a line called Wings, which is the first pure running shoe into this category.

The others have been okay for running. I'm not saying that they haven't been pure, but this is really made as a running shoe. And hopefully also this way, attracted by the white walls where we haven't been before, they will see the real running product.

Salomon apparel, Arc'teryx apparel, continues to be very well accepted. A lot of new products have been rolled out there so I think that we will have a strong continuation of this too, as we can already see today that the base for spring/summer, which we take orders in now, doesn't look too bad. So our, let's say, extension and continuous growth into the technical apparel seems to be on the right track and we feel pretty positive about that. This is, by the way, it's probably our quickest growing category momentarily, and it's already now over EUR200 million, so it's not a completely non existing category, so we have already some basis in this category to work with.

Mavic, as I said, had a positive Q3; plus 9%. And it's clearly also coming through new product introductions, especially in the premium segment. Sports equipment, winter sports equipment is now down 11%. Now if you compared this with Atomic, one could draw the conclusion that okay, Atomic is doing worse than Salomon is doing, and they both are in the market. Here is exactly what I said earlier, that now we compare this to, let's say, not so well performing deliveries last year and good performing deliveries this year, whereas Atomic was performing well in deliveries last year, and are performing well this year. So I think that

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if you compare like-to-like, they are more or less on the same level. We can't say that one is doing better than the other. And that is clearly the state of the market today and reflects what's going on there.

But anyway, I think that the good news with Salomon is that those categories where we want to see the growth, we see the growth and the actions that we take then on the winter sports market, this is another thing. Atomic, as we said, decline is more or like the market decline; it's the 33% in local currencies. We still believe, in the same way as I said last time, is that the market for the full year will be below, slightly below 20% compared to the year before.

As I said, there is not a lot of activities going on today. That would give us more information so that we could draw another conclusion than we had last time. We know that the orders are shipping up okay now. We know that if we compare orders on -- in Quarter 3 compared to Quarter 4, there's always and always been some kind of shift between these two quarters depending if you want to have products early or late. Maybe the little difference is that we have been using this as a tactical tool. We have been deciding whether we ship them in Q3 or Q4 in the past the playground has been open. Now unfortunately this year when the market pass a lot of inventories, we're a little bit more in the leash.

So what I mean with that is that the market will decide more when do they want to have their product. So in some cases, we still see that there are dealers who have left open to buy, and have maybe a better situation, they tend to take the products a little earlier. On the other hand, there are people who are stocked with products from last year, and then they tend to take the products a little bit later. So it's a very hard read on whether the season is going in that direction or this direction. Far too early, and we'll have to come back on this issue.

The only positive thing that -- I have to find a positive thing or two. The only positive thing what I can tell you is that in, especially in Germany, South Germany, Austria and Switzerland, the dealers in these areas, they've always over the years, they take their most valuable and important customers, they take them up the glaciers in September/October, specifically October/November, where they can test all the new products. And then they can ski on them and they pick their best, and these important customers for the dealers in those areas, they also do the early buying, which is very important for these dealers.

In the past three years, we haven't had good snow conditions on the glaciers. Actually, if you remember, World Cup opening in [Sweden] last year, which is now next upcoming [weekend] was cancelled, so that maybe in Finland was the first World Cup scenery. This year, there is over two meters snow on the glaciers, so it's very, very good snow conditions. The dealers have all been out there, and there is a full testing going on. So that is for us a normal season.

Now I can't guarantee what happens from going on from here, if we will continue to have a good season or if we have a big hole like we had in the past years, but at least the indication is that all the snow on the glaciers is there. There's cold air. I called the United States last night and there is already snowfall in the Rockies. We heard in the news, and we know that there's snowfall even in the Italian mountains outside Rome, there is snow on the mountains. So at least it's a kind of cold start. No indications but, as I said, I have to try some positive -- find some positive elements going forward.

The other good thing is that both Atomic and Salomon, and specially Atomic, which isn't mentioned here, have ordered new products. We did not hold back going into these seasons. So we have new products, good collection for the upcoming winter and we have already more or less finalized our collection for '09/'10, and that is -- there's a lot of new things there which will be introduced to the trade this year. So I think we can now, regardless of the winters, we can spin at least on good new products and interesting new elements also for the skiers and consumers.

Now we have not changed our outlook, so there's nothing new from that perspective. We still are facing the winter situation and we just want to -- have to wait and see and then act as good as we can. Our sales force is out there, so we take every opportunity we can, but it will not impact in a big way this 2007 year. If the winter is good, and if business starts to flow out very well, I think the first impact will be at earliest in quarter one in 2008, and before that, we just have to wait and see.

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We are working though, as we indicated last time, we are working on adapting or making our winter sports business better adapted to, let's say, a lower level of snow conditions in a year. The reason behind that is that we want to minimize, or take away, some of the risk we still feel we have. There is an opportunity from the synergies between Atomic and Salomon which was not fully exploited in our plans until now because the winter has changed a little bit the break even levels.

So we are going further, we are still doing other things. Unfortunately we're not really prepared at this stage to disclose everything we are doing. It's a work in process. So immediately when we are done with this, immediately when we can disclose this, we'll come back to you and tell you where we stand on this. But the aim with this is that, even during bad years, we should be able to make profit, and during good years we should be very good.

So this is our target going forward that we try to create the flexibility within the new structure, within the one third of the market we have in the winter sports business, and hopefully this way, in the upcoming years, it's not for this year and it's not fully for next year either. As I said earlier it's from 2009 maybe onwards that we would have a system where we can, or an organization where we could be more efficient, better penetrate the market, actively go after new market shares and come up with very new innovative products for our consumers.

So that's, ladies and gentlemen, where I would like to stop at this point, and now we have time for questions, both from the audience and then through the Web. And if I understood correctly, we should start here with the audience in our headquarters in Helsinki.

So please, floor is yours.

And as well Mr. Pekka Paalanne will be able to also answer your questions.

QUESTIONS AND ANSWERS

Anne Eriksson - *Handelsbanken - Analyst*

[Anne Eriksson] from Handelsbanken. Could we discuss a bit more about the winter sports business, and specifically on Salomon. You reported EUR30 million more on EBIT line in Q3. Could you divide that a bit about how much that came from the winter sport business, and how much actually from the apparel business?

And then on the winter sports side, that if you would exclude the easier comparables; I mean how does it look like?

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

We usually don't disclose this level of information, and I don't think we should make an exception here either.

Anne Eriksson - *Handelsbanken - Analyst*

It will just be more helpful for forecasting the Q4 as now it's insecure that how much of the improved profits actually came only from the fact that there was delivery shift from Q3 to Q4 last year.

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Roger Talerma - Amer Sports Oyj - President & CEO

Yes, I see your point. I don't have the numbers here available at this time. I'm sorry about it this, but it's evident that the major chunk of the profitability comes from the soft goods market at this point, and Mavic. I don't want to go into details unfortunately at this point. Sorry about this.

Any other questions?

Anne Eriksson - Handelsbanken - Analyst

Could I still continue on the inter sports?

Roger Talerma - Amer Sports Oyj - President & CEO

Okay.

Anne Eriksson - Handelsbanken - Analyst

The bit about the pricing conditions that there are at the moment, and then market shares that you are seeing both Salomon and Atomic?

Roger Talerma - Amer Sports Oyj - President & CEO

What comes to the pricing conditions, I think one of the -- call it a tactical move; as I said earlier, is that we wanted to come out with a lot of new innovative products, both for this season and the season after this. This is a tactical move. Not only that, we will please a lot of skiers and consumers by having a lot of new great products, but from a business perspective in such an environment, that's the only way how you can make the margins. So going in at that point, we have a better margin that we had last year on our winter sports products.

However, said that, it's evident that if we get a tough condition out there quite soon, then there will be pressure on prices. But that situation has not emerged yet. I think that there will be good deals out. We haven't seen a lot of super deals at the moment. There will be good deals out, but that's all old products from last year. And as we indicated, we don't have from our stock, from our own inventory, we don't have lot of old products to be sold to the dealers.

So we have had the main focus on new products, and we think that the mid range and the high end of the range is the one where the inventories are the lowest. And in the mid to low end and the low end where the inventories are the highest, that's good news for us in the sense that we have less products in the low end than we have in the high and the mid, and those are the consumers that have always purchased their products earlier than the others. So allow me to be a little theoretical and hypothetical in this case. This should tell us that, with a normalized situation or whatever is then the end result of this year, we should have better margin than a lot of our competitors because we are in those segments where there is less [product].

And on top of that, we have more new ranges to my understanding than anybody else. Just a few mentions which I put on the board here just earlier.

So direct answer; not a lot of pressure momentarily. Likely to be some more pressure as we go into the season, and if the season is decent from the snow perspective, the pressure will be eased quite a lot, because I still believe personally is that there will be need for more purchases from the trade towards us as they have not loaded up full scale yet for a normalized winter.

Yes, please?

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Unidentified Audience Member

(Inaudible). Has one bad winter been enough to promote the consolidation of winter sports industry? Are there many companies belly up or on sale, or is there any kind of consolidation going on?

Roger Talerio - Amer Sports Oyj - President & CEO

This is a good question whether it's one season or several seasons. Now we have to remember prospectively the part three season has been pretty good, so there has been nothing really in the past that has triggered or pushed the market to consolidate. And we haven't really seen any consolidation. Almost the contrary; we have seen some companies expanding and even kind of opening up new factories, etc. No new brands, but still factories and more independence.

However, Amer Sports with our, I would call it to some extent, bold decision to start the consolidation, to be the first one to start the second or third wave of consolidation by putting Atomic and Salomon into the same group, triggered a completely new competitive environment. Similarly, there were some of our competitors sold to bigger groups. So the scenery changed I would say quite dramatically.

Now then we had this very unexceptional year which we had last year, and I've always said -- until last year I've said that one winter will nor trigger a big problem for the suppliers but several ones too will start to impact. But I had in mind at that time, and I'm not kind of changing my wording, but I had in mind at that time that always a bad winter is a bad winter somewhere and a decent winter somewhere else, but the overall market is lower than maybe in a normalized winter. Nobody could expect that last winter was bad everywhere. So it was very exceptional, and this triggered -- and my understanding is that not one single ski company will be in profits this year.

So I think this is a very, very tough year for the industry. I know there's been a lot of lay-offs left and right. I know that there are companies out on the market today, and I don't want to mention them here because this is not the place to mention competitors' business situations, and I'm very, very sure that there will be companies sold, and there might be a situation where some of them will go together. So I think this, let's say, this new environment that we started to create purposely, and a bad winter last year, triggered consolidation. And if you want to speculate, one more bad winter, consolidation will go all the way through, because I don't think many will survive a second bad winter. We will, but I don't think a lot of things -- I don't wish a second bad winter, don't take me wrong here, but this is in my opinion the situation.

Please?

Lowdie Peteren - Ohman - Analyst

[Lowdie Peteren] from [Ohman]. One question regarding your business portfolio. I think it looks a bit mixed. You have the equipment side that is not really growing. You have some problems with the winter sports, and if I look at Wilson, it's not growing that much either. And if you look at Salomon's apparel business, it's growing very nicely, so is there --? What kind of opportunities do you see in leveraging this trend into your rest of the businesses?

Roger Talerio - Amer Sports Oyj - President & CEO

This is very true what you're saying that we have a mixed bag like this. First general comment, unfortunately when you have a portfolio, you have always a little bit a mixed bag because you will always have some businesses which are not performing that well, and some businesses which are performing excellent. It's the nature of a portfolio.

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On the other hand, that has a lot of benefits, because then we are not going up and down like a yo-yo in a business cycle, it's more a kind of controlled trends. On the other hand, our strategy is built in such a manner that we would like to have businesses with very strong cash flow to be able to use that cash flow to invest in areas so that we can grow also the business in a big way, because the opportunity of having all businesses in a very strong growth mode, and making a lot of money, is very rare, we see that around us, but it's very rare. You have to be on a way which is something which is very different.

And generally, our sporting goods industry is not a really fast moving industry. It's an industry that grows a lot of potential going forward, but it's not growing like a rocket up and the next day maybe down. So I think we need to have this balance. However, I think it's wise from us to shift and to try to find more areas where the growth potential is bigger. On the equipment side today, we see that, especially in fitness, we see that to some extent it's [Umbro], to some extent maybe somewhere else, but there are areas where we see that.

The fast growth we see today is in apparel; technical apparel to start with, and the footwear. So it's evident that we put more eggs in that basket today. Proportionally it will grow faster, but business proportionally it will be a smaller part. Now what will be the future is to be seen, but if you look at the growth factor of Salomon apparel today, I think it will surpass the Salomon hard goods pretty soon. It's an evident trend, and we are not going to go against that trend. The contrary; we are going to fuel that trend so that overall, the Amer Sports would get into a better and faster growth mode.

Now I don't want to explain our slow growth with the fact that we lost maybe, I don't know how much, but EUR120 million this year if we take the minus 20% from the hard goods winter sports, but that's an impact, that's a fact. And if we exclude that, the growth rate shows good, and I'm pretty sure going forward that when the recovery will happen in the winter sports equipment business, the recovery, whether it comes in three years or two years or whatever, it means that we recover what we've lost and, hopefully, then we continue to develop the business.

So we should foresee pretty good growth opportunities going forward, if we have the balance of some recovery business and then fuelling those businesses which are already growing in a decent way.

True what you said. Wilson is not growing as fast as probably we would like to grow it, so we are now exploring opportunities, how can we speed up the growth of Wilson business? This is very clear. But the majority of Wilson businesses are in mature businesses; is generating a good cash for us, so whether we invest them in Wilson or somewhere else that's a question. But said that, we want Wilson to grow faster than it grows today, and this is what we're working on.

Lowdie Peteren - *Ohman - Analyst*

Returning to Wilson on that one, do you think that in order to tap onto further growth with Wilson you need to somehow reposition the brand differently in order to tap onto further growth, or do you think that the brand positioning is how it should be?

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

If you take the brand positioning in team sports, in racket sports, I wouldn't change anything. If you take the brand positioning in golf, in Europe and Asia, I wouldn't change anything, or even in Canada. Our only problem with the brand positioning with Wilson is golf, United States. And we're working hard on it to change it. We've had fantastic coverage of Padraig Harrington's open win in UK. Even it was on European turf, it has been very well covered in the United States, and I think that our strategy on focusing on irons is paying clearly off now. We have had good success with irons, we have had good success with our 50/50 ball which is the low compression ball, so I think there is already elements that we can work on that from an image perspective.

And I would say that we need to change the positioning, but it's with like every brand, it's very important to fresh up the brand, to modernize the brand, to be kind of hip and young with the brand. And this is something that we are working on. Among the

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others if you visit Wilson today, already the small -- small, small change to headquarters, we have a really, really nice and fresh look on it; not expensive. And when we take in dealers there, when we take in press there, they're really impressed. We've had golf magazines in there, we have had team sports magazines, etc., and people are very impressed. They see something new with Wilson coming up.

Lowdie Peteren - *Ohman - Analyst*

One final question if I may. There was an interesting development in equipment business this week. Nike placed a bid for Umbro, and there's a lot of deals going around and it seems like companies are willing to pay very, very nice multiples for good successful brands. And I see that you have a very successful brand portfolio. Do you see opportunities in perhaps taking advantage of competitors or other industry players looking for strong brands, perhaps through divestments or so forth? Does this -- how does this fit to your thinking at the moment?

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

I think one conclusion is that it seems like the stock market is not properly valuing sporting goods companies, because if you pay up to 60% premium, we can also draw a conclusion about our stock then -- if we use Umbro as a case. When it comes to acquisitions and mergers, of course I'm not able to comment that, but it's evident that the market is, let's say, dynamic today, and there is opportunities, etc. Whether we go into that side of the business, that's something that you will then hear of if we do it.

Lowdie Peteren - *Ohman - Analyst*

Basically what I'm looking at is that, do you feel that you could take these opportunities if such opportunities would come along, or do you see that the current portfolio is as you want it to be?

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

I think the portfolio is never finished. As I said earlier I think we need to develop the portfolio so that we have more growth opportunities and more opportunities or businesses completely aligned according to our strategy. Whether we have it today or not, that's another question. But we keep our eyes open. We're not in a situation where we don't look at M&A at all. We look at all the opportunities that are out there. We do our traditional evaluation of them. Whether then that will trigger to one direction or another, it's more based on, not an opportunistic approach, but more if they fit our strategic kind of going forward and we act accordingly.

There are moments which are -- moments that are better to do these kinds of things and moments which are worse to do things. I think what is important is that we're not going left or right, but we go forward according to what we've decided what is our plan. And this is what we want to do.

Unidentified Audience Member

Thanks. It's (inaudible) Enskilda. Could you describe just a little bit more the working of the A&F business in Salomon? And (inaudible) that, to what extent is the improvement there the result of measures that you have taken, and to what extent are we just seeing something which is a function of increasing scale and volumes?

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Roger Talerma - Amer Sports Oyj - President & CEO

You talk about the restructuring programs and that impact?

Unidentified Audience Member

Well, specifically the apparel and footwear where I guess, in Q3, we're seeing a big jump in profitability, and I'm just interested, is this something that you have delivered, or is this something that comes naturally as a function of scale?

Roger Talerma - Amer Sports Oyj - President & CEO

I can't answer you 100% on this, but I would have a tendency to, if you relate it to the apparel and the soft goods business in general, I have a tendency to say that it's coming more from the scale.

As you know, this was one of the opportunities we saw; that Salomon has a very interesting kind of approach into apparel and to footwear, and they have a lot of maturity already. It's not in overnight that you can do these things. But they weren't there on the scale level and, therefore, their profitability wasn't really as where it should be.

I think it's a function, partly, of the scale because now as the business is growing, you have some basic investments already done in the organization as such, and I think in this case this is probably, and I have to say probably because I don't have the detail, I think it's the probably driver here, in our case.

Overall, we have [east] overheads. Now, what is the impact of those overheads onto the soft goods business is a little tough to say as we have internal allocation rules which are not straight forward saying that now 2% goes there and 3% goes there. They are linked according to sales. Now one could also imagine that then when the sales are better they have more overheads, and coming back to the original story. But I think there is a little bit of elements of both, but I would say the majority comes from the scale, I think.

Unidentified Audience Member

And if I can still continue on the Salomon integration theme, that it's very difficult to measure things like integration benefits, etc., but can you give us some idea of how much will it cost to produce a pair of skis next spring compared to where you were 2006, 2005?

Roger Talerma - Amer Sports Oyj - President & CEO

I'm very sorry about this question because if I would give that information, I would probably have all our competitors cheering that now, finally, he told the number.

Secondly, I don't know what the raw material prices will look like and how they will develop. We have interesting, let's say, scenarios at this stage that will take the prices down, the cost price of a ski, because the program we started two years ago, it now starts to materialize, and maybe next year and the year after. We're still in a process there, so we will make improvements, major improvements in the years to come. But it's an equation of all these elements. So if I give you a number today it can be different tomorrow, and what our plan is for next year, it depends very much on the segment and the scale. We don't have one average price so it wouldn't make any sense. I'm sorry about it.

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Unidentified Audience Member

Can we say it will be significantly lower?

Roger Talermo - Amer Sports Oyj - President & CEO

No. I say it will be lower, but we would all interpret significantly different, so I stick to being lower, and then we'll judge that when we are there.

Unidentified Audience Member

Thank you.

Roger Talermo - Amer Sports Oyj - President & CEO

Maybe we take some questions from the international audience, if there are any questions. Please.

Operator

Thank you, sir. We have a question from the line of (inaudible). Please go ahead with your question, announcing your location.

It appears that question has been withdrawn, so we have our next question from [Peter Sarren]. Please go ahead, announcing your company name.

Peter Sarren - - Analyst

Yes, hi. I have three short questions. First, I'd like to know which countries these glaciers you mentioned were in.

Secondly, if you could quantify at this stage what the spring, summer -- pre-orders for Salomon apparel and footwear were, if there's still significant double digit growth.

And finally, regarding Precor, you said -- you mentioned you were widening the product range and taking down ASPs. Where do you see the sustainable operating margin for Precor?

Roger Talermo - Amer Sports Oyj - President & CEO

Yes, thank you for those questions. First, on the glaciers, I haven't checked them all, so I can't refer exactly, but I know that the Austrian glaciers are in good shape. Both the ones in Salzburg, Kaprun and also the ones out on the -- more on the Tyrolean side. We know that there has been good activity, so some of the Swiss glaciers, and whether the French glaciers are in shape I have to say I have no latest information on that. But overall, as I referred to the German, Swiss and Austrian dealers, they usually ski on those glaciers there.

Secondly, what comes to the quantification of -- what was the soft goods margins?

Peter Sarren - - Analyst

The pre-orders; the level of pre-orders.

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Roger Talerma - Amer Sports Oyj - President & CEO

(Inaudible) the quantification of the soft good pre-orders. I don't have the exact number, but it looks like the continuation is there, and I'm positive that it could be double digit growth going forward.

And then, what concerns [pre-course] business, it's evident that when we talk about consumer related product and not commercial product, we talk about price points which are lower than the commercial ones. Our commercial price points usually are from \$3,000 upwards. The commercial products, yes, they exist also in those categories, but mainly they come down towards between \$2,000 and \$3,000 a piece. So they are still very expensive, especially for that market.

Now we have had of course to, not only to simplify our existing products, because it's not the question of simplifying existing products, it's a question of using good elements from the existing products and then make them more commercial, because the commercial products don't have the same strength on them as the [club] product. As you know, they are used maybe 20 hours a day when the [Core] products are used maybe a few hours a day at its best.

So they are simpler to make, and we do more of those overseas also. So we hope to get to similar levels of profitability, so I don't foresee that even if we go lower in our product mix from that perspective, we also have products that go into the high end towards -- like the AMT I was mentioning earlier. So I don't foresee that our operating margins should go down. This is not our aim. I think we will maintain our operating margins, and theoretically, there's even a possibility to improve them. But that's more up then to the competitive environment.

So I don't want to promise you here saying that we're going to improve our operational margin in Precor, but I'm not saying that we are going down. I think we are in a good shape; we are in a stable situation today. And then, depending on how much we want to invest and where, that will trigger the last 1% to 2% of how we're going to report.

But it's in -- I think it's in decent shape, but it's very well under control with our Precor team in Seattle, and also the Precor people around the world. But I think Seattle is very much on top of this issue and I'm not too worried about this.

Peter Sarren - - Analyst

Thank you.

Roger Talerma - Amer Sports Oyj - President & CEO

Thank you.

More questions from the international markets?

Operator

Comes from the line of Tia Lehto. Please go ahead, announcing your company name.

Tia Lehto - Carnegie - Analyst

Yes, it's Tia from Carnegie. Further on the Salomon [paucity] of a surprise, and trying to get from a different angle, if you look at the pre-order level that you had in August in Salomon and in Atomic in the winter sports equipment, how much of the pre-orders did those divisions deliver now in the third quarter?

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Roger Talerma - Amer Sports Oyj - President & CEO

I'm sorry, Tia, I don't have the exact number on this because, as I said earlier, we delivered a decent number in September. We had a good September everywhere, no doubt about that. It was proportionally better in Salomon than last year, and if you look at the numbers with Atomic, it was a more or less on the same level.

So it was a good September. But out of the total order portfolio that we have in today, I can't give you the split; I don't have that split. But there's still plenty to deliver if you just simply take the minus 20%, and then there's some reorder activity planned and then what's been done to date. So I think you would be there, and you would probably find that there's still more to come. But I don't have that split for you unfortunately.

Tia Lehto - Carnegie - Analyst

Okay, then on the apparel. If you -- when you talk to the retailers and so forth, do you have a feeling that they are a little scared about the upcoming winter season, and they might have some inventory that they have actually taken in some more of winter sport apparel instead? So obviously they want to sell stock.

Roger Talerma - Amer Sports Oyj - President & CEO

My feeling is that, first of all, out from our apparel business there's quite a chunk which is not winter related apparel. There's a lot of autumn related apparel, or outdoor apparel, which is good, because this is the fun part of the apparel business is that you have both seasons. If you don't get the snow, you sell outdoor business. If you get the snow, you sell winter business, and probably also outdoor business.

So I think that it's not an issue for us what concerns the outdoor business. That has been in a good progress, not only for us as we are a small player still in developing terms and we are gaining share, so that hasn't been an issue for us. That hasn't been an issue for the market either. The outdoor market has been in good shape. The winter sports market, that we'll say ski gear, etc., I would like to say that it's less hit than the equipment market. Maybe that's a little bit against my best knowledge, but it's evident to think this way that even if the winter is without snow, maybe a little milder, you still use winter gear. You don't necessarily use the heaviest one, but still you use winter gear. At least I used winter gear all winter through last year, but I necessarily couldn't ski everywhere. So I think that the winter sports apparel market is proportionally in a better shape than the ski market in hard goods, or in the hard goods in general.

And if we look at the results of the companies, yes, there is stock there, but we see the apparel company still made a -- approximately okay year compared to the hard goods company. Now I think that will be flushed out quite quickly if the winter starts properly, and actually, you don't need more than just a cold climate, and then the winter gear and apparel starts to fly.

Tia Lehto - Carnegie - Analyst

Okay, then my last question relates to Mavic. Was there any specific reason, new launches or anything, for the very good performance in the third quarter?

Roger Talerma - Amer Sports Oyj - President & CEO

I don't think there were any specific reasons apart from new products. It's sometimes a little hard to read that market because it's partly bike enthusiasts who buy parts to build their own bike, that will say to clear half the market, and partly it's an OEM market. And they tend to go with some kind of filters, especially the OEM market. They will say if there's buffers there's less sales,

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if there's less buffers there's more sales. And I think that it just has been a situation where the market has been a little bit more in a positive mood.

I don't have the outlook how it's going to go forward, but it looks like the bike shows have been pretty busy, and the market is not in a bad shape, so I don't necessarily say that it's due to anything else; and a healthy market, and good products that we have been able to introduce.

Don't forget that last winter when it was a non snow winter, the bike market was good. It helped the guys to bike throughout the winter, and that sells bikes, etc. Consumers tend to have a habit that if they can't spend the money on skis, they buy something else, and we of course hope that they one way or another fall into our portfolio.

Tia Lehto - *Carnegie - Analyst*

Okay, thank you very much.

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

Thank you.

Operator

That concludes the [teletran] questions this time, sir.

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

We have some questions here in audience, and we probably will then continue a few minutes from the audience.

Please.

Lowdie Peteren - *Ohman - Analyst*

Lowdie Peteren from Ohman one more time. What kind of reorders have you put into your model or for full year, for both Atomic and Salomon? So what type of reorder activated do you expect in Q4 in your expectations?

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

I mentioned earlier that I doubt that Q4 would be a very strong reorder period due to the fact that there are some inventories. However, there are pockets where open to buy exists, so I think there will be some activity. Of course, again, I'm sorry to relate all to this, but always depending on the snow situation.

But I think that Q1, which is still the same winter season, might have a very strong reorder pick-up if the season continues in a normal way, because I don't think that the inventory, the carry over and the orders placed, will really take us through the whole season.

Now then of course again we come to the question of how much will the trade de-stock if they are doing some de-stocking. But I think that there will be reorder activity, especially focused on Q1. However, I think though that we have plugged in a little

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different numbers, and I'm not going to give you exact numbers what we plugged in, but we have been prudent with one brand, and we have been a little more aggressive with the other brand, depending on their seasonality.

And so we expect though the reorder business for some segments, and this comes back to segmentation, it's not just a brand, but we expect some segments to have a quite strong reorder, maybe already at the early season. But overall, the bulk will be probably in Q1.

Lowdie Peteren - *Ohman - Analyst*

One follow-up on that. More or less like normal levels perhaps in Q4?

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

Yes, yes. And if you compare it with last year, should be more, because last year was very bad in terms of reorders, because last year was, as you remember, lousier from that perspective.

Please.

Pontus Gronlund - *Deutsche Bank - Analyst*

Yes, it's Pontus Gronlund from Deutsche Bank. A question about the consumer outlook and looking at Precor and Wilson. Not really getting a negative read through from the US, but some of your competitors have been struggling in fitness, and you could assume from the data in the US that there might be some read through also for Wilson. So could you just say what you're seeing in term of consumer demand and the outlook there?

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

I don't think we should neglect the fact that there has been a loan issue on the US market. There is a prediction of lower GDP on the US market, and I would be stupid to say that we're not impacted. That's very clear.

Now how much will that impact us, and when will that impact us? That's another question. Strategically, we use the situation as we've always done. We are going to be aggressive in situations, and aggressive doesn't mean aggressive on price. Mainly it means aggressive on new products in this kind of environment, because this is, in my opinion, the time to try to take market shares. I think that's the first important piece of information.

Secondly, yes, I think there will be a slowdown of the US economy. How strong will that be, that's to be seen. And when will that impact the business? That's also to be seen. And are we going to be in the first wave, or are the guys first buying less new cars, or less new fridges, or whatever, or not new houses, and then they still buy a new tennis racket, or new baseball clubs, or whatever, and then we will be impacted later.

If you ask me how long the recession -- or not the recession but the slowdown will be, I can't answer you, and that's of course part of the equation. But I don't want to say that we're immune to the outlook, and we are cautious with the situation in the United States.

However, I personally also believe that it won't hit the rest of the world right away, and depending on the length, the impact will be then on the rest of the world either smaller or bigger. I think we're less depending on US overall today than we were some years ago, but we're not independent of what's happening in the US.

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Pontus Gronlund - *Deutsche Bank - Analyst*

Could you just elaborate? Are you seeing anything right now in the business that would show any slowdown?

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

No, let's put it this way. We don't feel it in our own business today. I don't think there is a clear element to our own business, but when we talk to retailers, they are worried. They feel it in some categories already, and we know that some of our big clients, real big clients, have had already announced, or at least been planning, to create few what they would call-on categories, call-on products, not necessarily from our products, but products that they would try to stimulate the US market by lowering prices to get people into their stores and to get the business growing.

This is the good news with the US market. It's extremely dynamic and people take actions right away. So if there are elements in the trade, people in the trade who are already thinking of trying to stimulate the business, the demand, it is already a sign that not everything is 100%.

So this is what we see today, but we don't see the impact on our business as such. We hear about this, we understand there might be a slower period going forward, but the impact is not there today. So if you want to one way or another quantified, I don't believe it necessarily will hit us that much '07. Whether then it will hit us in '08 is the second question, and that's something I don't want to elaborate at this point.

Pontus Gronlund - *Deutsche Bank - Analyst*

Thanks.

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

Last question?

If no more questions, thank you very much for your participation, and we'll come back when we have more information. And otherwise, we'll meet at -- in the Q4 or our full year presentation.

Thank you.

Operator

Ladies and gentlemen, that concludes the conference. You may now disconnect your lines.

Thank you.

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