

Mascot Bidco Oy  
Stock Exchange Release

February 25, 2019 at 5 p.m. (EET)

NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION, IN WHOLE OR IN PART, DIRECTLY OR INDIRECTLY, IN OR INTO CANADA, JAPAN, AUSTRALIA OR SOUTH AFRICA OR IN ANY OTHER JURISDICTION IN WHICH THE TENDER OFFER WOULD BE PROHIBITED BY APPLICABLE LAW.

**Mascot Bidco Oy Supplements in Connection with the Publication of the 2018 Annual Review of Amer Sports Corporation its Tender Offer Document Relating to the Voluntary Cash Tender Offer for All the Shares in Amer Sports Corporation**

Mascot Bidco Oy (the “**Offeror**”) has on December 20, 2018 commenced a voluntary public cash tender offer recommended by the Board of Directors of Amer Sports Corporation (“**Amer Sports**”) to purchase all the issued and outstanding shares in Amer Sports that are not held by Amer Sports or any of its subsidiaries (the “**Tender Offer**”). The acceptance period of the Tender Offer commenced on December 20, 2018 at 9:30 a.m. (Finnish time) and, following the extension announced on February 21, 2019, the acceptance period will expire on March 7, 2019 at 4:00 p.m. (Finnish time) (the “**Offer Period**”).

ANTA Sports Products Limited (“**ANTA Sports**”), FV Fund (an investment vehicle managed by FountainVest Partners), Anamered Investments (an investment vehicle owned by Mr. Chip Wilson) and Tencent (which will invest through Tencent SPV as a limited partner in FV Fund) form an Investor Consortium for the purposes of the Tender Offer, which indirectly will own 100 percent of Mascot Bidco Oy upon completion of the Tender Offer.

The Finnish Financial Supervisory Authority has today approved a supplement to the tender offer document relating to the Tender Offer (the “**Supplement Document**”). The Supplement Document relates to the financial statements and Board of Directors' report published by Amer Sports Corporation on February 22, 2019 for the financial year ended December 31, 2018 (the “**Financial Statements**”), which the Offeror supplements the tender offer document with. The Supplement Document has been attached as Annex 1 to this release and the Financial Statements as Annex 2. In addition, the Financial Statements has been included as Annex E to the tender offer document.

The tender offer document is available with the Supplement Document from February 25, 2019 onwards at Nasdaq Helsinki, Fabianinkatu 14, FI-00130 Helsinki, Finland. The electronic version of the tender offer document is available with the Supplement Document in Finnish from February 25, 2019 onwards online at [http://ir.anta.com/en/news\\_amer.php](http://ir.anta.com/en/news_amer.php), <https://www.amersports.com/sijoittajat/ostotarjous> and [www.nordea.fi/osakkeet](http://www.nordea.fi/osakkeet), and in English from February 25, 2019 onwards online at [http://ir.anta.com/en/news\\_amer.php](http://ir.anta.com/en/news_amer.php), <https://www.amersports.com/investors/tender-offer> and [www.nordea.fi/equities](http://www.nordea.fi/equities).

Annex 1: Supplement Document

Annex 2: Financial Statements of Amer Sports Corporation

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### **Forward-Looking Statements**

This stock exchange release contains statements that, to the extent they are not historical facts, constitute "forward-looking statements". Forward-looking statements include statements concerning plans, expectations, projections, objectives, targets, goals, strategies, future events, future revenues or performance, capital expenditures, financing needs, plans or intentions relating to acquisitions, competitive strengths and weaknesses, plans or goals relating to financial position, future operations and development, business strategy and the trends in the industries and the political and legal environment and other information that is not historical information. In some instances, they can be identified by the use of forward-looking terminology, including the terms "believes", "intends", "may", "will" or "should" or, in each case, their negative or variations on comparable terminology. By their very nature, forward-looking statements involve inherent risks, uncertainties and assumptions, both general and specific, and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved. Given these risks, uncertainties and assumptions, investors are cautioned not to place undue reliance on such forward-looking statements. Any forward-looking statements contained herein speak only as at the date of this stock exchange release.

### **Information for U.S. Shareholders**

The Tender Offer is being made for the securities of Amer Sports, a public limited liability company incorporated under Finnish law, and is subject to Finnish disclosure and procedural requirements, which are different from those of the United States of America. The Tender Offer will be made in the United States of America in compliance with Section 14(e) of the U.S. Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), and the applicable rules and regulations promulgated thereunder, including Regulation 14E (subject to any exemptions or relief therefrom, if applicable) and otherwise in accordance with the requirements of Finnish law. Accordingly, the Tender Offer will be subject to disclosure and other procedural requirements, including with respect to the Tender Offer timetable, settlement procedures, withdrawal, waiver of conditions and timing of payments that are different from those applicable under U.S. domestic tender offer procedures and laws.

To the extent permissible under applicable laws and regulations, including Rule 14e-5 under the Exchange Act, and in accordance with normal Finnish practice, the Offeror and its affiliates or its

broker and its broker's affiliates (acting as agents or on behalf of the Offeror or its affiliates, as applicable) may from time to time after the date of this stock exchange release, and other than pursuant to the Tender Offer, directly or indirectly purchase, or arrange to purchase shares of Amer Sports or any securities that are convertible into, exchangeable for or exercisable for shares of Amer Sports. These purchases may occur either in the open market at prevailing prices or in private transactions at negotiated prices. In no event will any such purchases be made for a price per share that is greater than the price offered in the Tender Offer. To the extent information about such purchases or arrangements to purchase is made public in Finland, such information will be disclosed by means of a press release or other means reasonably calculated to inform U.S. shareholders of Amer Sports of such information. No purchases will be made outside of the Tender Offer in the United States of America by or on behalf of the Offeror or its affiliates. In addition, the financial advisors to the Offeror may also engage in ordinary course trading activities in securities of Amer Sports, which may include purchases or arrangements to purchase such securities. To the extent required in Finland, any information about such purchases will be made public in Finland in the manner required by Finnish law.

The receipt of cash pursuant to the Tender Offer by a U.S. holder of Amer Sports shares may be a taxable transaction for U.S. federal income tax purposes and under applicable state and local, as well as foreign and other tax laws. Each holder of Amer Sports shares is urged to consult his independent professional advisor regarding the tax consequences of accepting the Tender Offer.

Neither the U.S. Securities and Exchange Commission nor any securities commission of any state of the United States has (a) approved or disapproved the Tender Offer, (b) passed upon the merits or fairness of the Tender Offer, or (c) passed upon the adequacy or accuracy of the disclosure in this stock exchange release. Any representation to the contrary is a criminal offence in the United States.

#### **American Depositary Shares and American Depositary Receipts**

Amer Sports has in place an ADR program in respect of its shares. The Tender Offer will not be made for the ADSs, nor for the ADRs. However, the Tender Offer will be made for the shares underlying the ADSs. Holders of ADSs and ADRs are encouraged to consult with the appropriate depositary regarding the tender of shares that are represented by ADSs.

THIS STOCK EXCHANGE RELEASE MAY NOT BE RELEASED OR OTHERWISE DISTRIBUTED, IN WHOLE OR IN PART, DIRECTLY OR INDIRECTLY, IN OR INTO CANADA, JAPAN, AUSTRALIA OR SOUTH AFRICA OR IN ANY OTHER JURISDICTION IN WHICH THE TENDER OFFER WOULD BE PROHIBITED BY APPLICABLE LAW.

THIS STOCK EXCHANGE RELEASE IS NOT A TENDER OFFER DOCUMENT AND AS SUCH DOES NOT CONSTITUTE AN OFFER OR INVITATION TO MAKE A SALES OFFER. IN PARTICULAR, THIS STOCK EXCHANGE RELEASE IS NOT AN OFFER TO BUY OR THE SOLICITATION OF AN OFFER TO SELL ANY SECURITIES DESCRIBED HEREIN, AND IS NOT AN EXTENSION OF THE TENDER OFFER, IN CANADA, JAPAN, AUSTRALIA OR SOUTH AFRICA. INVESTORS SHALL ACCEPT THE TENDER OFFER FOR THE SHARES ONLY ON THE BASIS OF THE INFORMATION PROVIDED IN A TENDER OFFER DOCUMENT. OFFERS WILL NOT BE MADE DIRECTLY OR INDIRECTLY IN ANY JURISDICTION WHERE EITHER THE TENDER OFFER OR ACCEPTANCE THEREOF IS PROHIBITED BY APPLICABLE LAW OR WHERE ANY TENDER OFFER DOCUMENT OR REGISTRATION OR OTHER REQUIREMENTS WOULD APPLY IN ADDITION TO THOSE UNDERTAKEN IN FINLAND.

THE TENDER OFFER IS NOT BEING MADE DIRECTLY OR INDIRECTLY IN ANY JURISDICTION WHERE PROHIBITED BY APPLICABLE LAW AND, WHEN PUBLISHED, THE TENDER OFFER DOCUMENT AND RELATED ACCEPTANCE FORMS WILL NOT AND MAY NOT BE DISTRIBUTED, FORWARDED OR TRANSMITTED INTO OR FROM ANY JURISDICTION WHERE PROHIBITED BY APPLICABLE LAW.

**Other matters**

Goldman Sachs International, which is authorized by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority in the United Kingdom, is acting exclusively for Amer Sports and no one else in connection with the Tender Offer and the matters set out in this announcement, and will not be responsible to anyone other than Amer Sports for providing the protections afforded to clients of Goldman Sachs International, or for giving advice in connection with the Tender Offer or any matter or arrangement referred to in this announcement.

Citigroup Global Markets Asia Limited, an entity organized and regulated in Hong Kong, is acting exclusively for its clients and no one else in connection with the Tender Offer and the matters set out in this announcement, and will not be responsible to anyone other than its clients for providing the protections afforded to its clients, or for giving advice in connection with the Tender Offer or any matter or arrangement referred to in this announcement.

## ANNEX 1

**SUPPLEMENT DOCUMENT TO MASCOT BIDCO OY'S TENDER OFFER DOCUMENT DATED 19 DECEMBER 2018 RELATING TO THE VOLUNTARY PUBLIC CASH TENDER OFFER FOR ALL ISSUED AND OUTSTANDING SHARES IN AMER SPORTS CORPORATION**

February 25, 2019

**THE TENDER OFFER IS NOT BEING MADE DIRECTLY OR INDIRECTLY IN ANY JURISDICTION WHERE PROHIBITED BY APPLICABLE LAW AND THIS TENDER OFFER DOCUMENT AND RELATED ACCEPTANCE FORMS ARE NOT AND MAY NOT BE DISTRIBUTED, FORWARDED OR TRANSMITTED INTO OR FROM ANY JURISDICTION WHERE PROHIBITED BY APPLICABLE LAW BY ANY MEANS WHATSOEVER INCLUDING, WITHOUT LIMITATION, MAIL, FACSIMILE TRANSMISSION, E-MAIL OR TELEPHONE. IN PARTICULAR, THE TENDER OFFER IS NOT MADE IN AND THIS TENDER OFFER DOCUMENT MUST UNDER NO CIRCUMSTANCES BE DISTRIBUTED INTO CANADA, JAPAN, AUSTRALIA OR SOUTH AFRICA OR ANY OTHER JURISDICTION WHERE PROHIBITED BY APPLICABLE LAW.**

Mascot Bidco Oy (the "**Offeror**") supplements the tender offer document dated December 19, 2018 (the "**Tender Offer Document**") in accordance with Chapter 11, Section 11, Subsection 4 of the Finnish Securities Markets Act (746/2012, *fi*: arvopaperimarkkinalaki) with the following information of this document (the "**Supplement Document**"):

Amer Sports Corporation published its audited financial statements and Board of Directors' report for the financial year ended December 31, 2018 ("**Financial Statements**") on February 22, 2019. The Offeror supplements Sections 5.9 and 5.10 of the Tender Offer Document with the Financial Statements, which is added as Annex E to the Tender Offer Document.

The Tender Offer Document together with this Supplement Document is available from February 25, 2019 at Nasdaq Helsinki, Fabianinkatu 14, FI-00130 Helsinki, Finland. The electronic version of the tender offer document is available with this Supplement Document in Finnish from February 25, 2019 onwards online at [http://ir.anta.com/en/news\\_amer.php](http://ir.anta.com/en/news_amer.php), <https://www.amersports.com/sijoittajat/ostotarjous> and [www.nordea.fi/osakkeet](http://www.nordea.fi/osakkeet), and in English from February 25, 2019 onwards online at [http://ir.anta.com/en/news\\_amer.php](http://ir.anta.com/en/news_amer.php), <https://www.amersports.com/investors/tender-offer> and [www.nordea.fi/equities](http://www.nordea.fi/equities).

The Finnish Financial Supervisory Authority has approved the Finnish language version of this supplement but is not responsible for the accuracy of the information presented therein. The decision number of such approval is FIN-FSA 3/02.05.05/2019.

**Information for U.S. Shareholders**

The Tender Offer is being made for the securities of Amer Sports, a public limited company incorporated under Finnish law, and is subject to Finnish disclosure and procedural requirements, which are different from those of the United States of America. The Tender Offer will be made in the United States of America in compliance with Section 14(e) of the U.S. Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), and the applicable rules and regulations promulgated thereunder, including Regulation 14E (subject to any exemptions or relief therefrom, if applicable) and otherwise in accordance with the requirements of Finnish law. Accordingly, the Tender Offer will be subject to disclosure and other procedural requirements, including with respect to the Tender Offer timetable, settlement procedures, withdrawal, waiver of conditions and timing of payments that are different from those applicable under U.S. domestic tender offer procedures and laws.

To the extent permissible under applicable laws and regulations, including Rule 14e-5 under the Exchange Act, and in accordance with normal Finnish practice, the Offeror and its affiliates or its

broker and its broker's affiliates (acting as agents or on behalf of the Offeror or its affiliates, as applicable) may from time to time other than pursuant to the Tender Offer, directly or indirectly purchase, or arrange to purchase shares in Amer Sports or any securities that are convertible into, exchangeable for or exercisable for shares in Amer Sports. These purchases may occur either in the open market at prevailing prices or in private transactions at negotiated prices. In no event will any such purchases be made for a price per share that is greater than the price offered in the Tender Offer. To the extent information about such purchases or arrangements to purchase is made public in Finland, such information will be disclosed by means of a press release or other means reasonably calculated to inform U.S. shareholders of Amer Sports of such information. No purchases will be made outside of the Tender Offer in the United States of America by or on behalf of the Offeror or its affiliates. In addition, the financial advisors and lead managers to the Offeror may also engage in ordinary course trading activities in securities of Amer Sports, which may include purchases or arrangements to purchase such securities. To the extent required in Finland, any information about such purchases will be made public in Finland in the manner required by Finnish law.

The receipt of cash pursuant to the Tender Offer by a U.S. holder of Amer Sports shares may be a taxable transaction for U.S. federal income tax purposes and under applicable state and local, as well as foreign and other tax laws. Each holder of Amer Sports shares is urged to consult their independent professional advisor regarding the tax consequences of accepting the Tender Offer.

Neither the U.S. Securities and Exchange Commission nor any securities commission of any state of the United States has (a) approved or disapproved the Tender Offer, (b) passed upon the merits or fairness of the Tender Offer, or (c) passed upon the adequacy or accuracy of the disclosure in the Tender Offer Document. Any representation to the contrary is a criminal offence in the United States.

## ANNEX 2



# ANNUAL REVIEW 2018



AMER SPORTS





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AUDITED

This publication consists of both audited and unaudited contents. The audited parts include the financial statements. The related pages are marked with blue.



UNAUDITED

The unaudited parts – such as Amer Sports in Brief, CEO's Review and Board of Directors' Report – are marked with gray.



# AMER SPORTS IN BRIEF

Amer Sports ([www.amersports.com](http://www.amersports.com)) is a sporting goods company with internationally recognized brands including Salomon, Arc'teryx, Peak Performance, Atomic, Mavic, Suunto, Wilson and Precor. The company's technically advanced sports equipment, footwear, and apparel improve performance and increase the enjoyment of sports and outdoor activities. The Group's business is balanced by its broad portfolio of sports and products and a presence in all major markets. Amer Sports shares are listed on the Nasdaq Helsinki stock exchange (AMEAS).



PeakPerformance®





In 2018  
net sales totaled

**2,678.2**  
meur



In 2018,  
sales network covered

**34**  
countries

Market capitalization  
at the end of 2018

**4,421.0**  
meur

Group employed

**9,489**  
people



## CEO's Review

# A year of strong performance, a year of major changes



**2018** was the ninth consecutive year of growth and broad-based improvement for Amer Sports, as we delivered again all-time high sales and profits. We continued to successfully execute our strategic priorities and company transformation with focus on our Sustainable Growth Model for long-term value creation.

We also sharpened our strategic choices, exemplified by the acquisition of Peak Performance for faster growth in softgoods and Direct to Consumer, whilst placing the Mavic cycling business under review to focus the portfolio. A major change occurred in late 2018 as the consortium led by ANTA Sports made an offer to acquire the company.



## Our progress continued in 2018

### 1. Financial performance

We continued to improve our performance and reached again company records in sales and profits, whilst meeting our target in balance sheet strength:

- Record net sales: We grew sales 7% currency neutral. Organic growth was 4%. Our financial target is mid-single digit organic, currency-neutral annual growth.
- Record profit: We delivered an EBIT of EUR 231 million (up EUR 17 million or 8% vs previous year). EBIT margin was 8.6% (up 30 bps vs previous year). Our financial target is annual EBIT growth ahead of net sales growth.
- Target level balance sheet strength: Net Debt/EBITDA ratio was 2.5 (financial target max. 3). Whilst net debt increased due to the acquisition of Peak Performance, it remained well within our criteria.

Our cash conversion was 28%, below our 80% financial target, due to typical year-on-year volatility with very strong cash flow in the previous year. Over a two-year cycle, and over the longer term, our free cash flow has been largely in line with target.

### 2. Strategic growth priorities

We continued to make strong progress vs our long-term strategic growth priorities:

- Softgoods net sales grew by 10% to EUR 1.1 billion. Our target is to deliver a sales CAGR of 10+% to grow the share of softgoods from current 40% of our sales to 50% in the mid-term. Growth was driven by Arc'teryx, which was up by 11%, and Peak Performance, which added EUR 84 million. Salomon softgoods declined by 5% due to commercial headwinds in EMEA, and the strong growth in D2C and USA was not enough to offset the softness in EMEA. We continued to act decisively to reignite Salomon growth, focusing on the quality of our distribution model.
- Direct to Consumer (D2C) grew organically by 20% to EUR 330 million. Our target is to deliver a sales CAGR of

20% to grow the share of D2C from today's 10% to 20% in the mid-term. Own retail grew by 15%, and e-commerce by 28%. By the end of 2018, we had 364 own retail and partner stores, and 100 e-commerce stores. In addition to the strong D2C growth, we continued to grow our e-tail sales (+15%), and our total modern channel sales reached already 30% of the company sales, reflecting the significant channel transformation we have accomplished.

- China sales grew by 22% to EUR 150 million. Our target is to deliver a CAGR of 20+% to grow the share of China from today's 6% to 10% of our sales in the mid-term. The key driver in China is softgoods, especially Arc'teryx, and Direct to Consumer.
- USA sales grew by 5%. Our target is to deliver a mid-single digit CAGR in the USA. Our sales trend re-accelerated in 2018, indicating that we have managed to reignite growth in the USA after challenging times with several wholesale customers disappearing from the market.

Beside the progress in our strategic priorities, highlights include our strong progress in Winter Sports Equipment, which grew again 8%, and Baseball, which grew at double-digit rate, both at record-high profitability. Worth highlighting is also Suunto topline, which grew at double-digit level, although profitability was still below target. On the challenges side, Cycling continued to decline, and as communicated at our Capital Markets Day in September, we decided to place the Mavic business under strategic review with the objective to streamline our where-to-play choices.

### Shareholder value creation

2018 represented the 9th consecutive year of increasing dividends. Early September 2018, we reached an all-time high share price of EUR 28.91 and thereafter the share price increased sharply following the announcement by the consortium led by ANTA Sports of their intent to acquire the company at EUR 40 per share. By December 31st, the share price reached EUR 38.37. In 2018, our total shareholder return was 66%. Over the last ten years (January 1, 2009 –

December 31, 2018), the cumulative TSR - including both share price appreciation and cash returns - has been 1,074% (CAGR 27.9%).

### Our sustainable growth model is proven, and the future perspectives remain attractive

Over the past cycle, we have turned Amer Sports into a strong company with solid financials, world-class brands, and an efficient modern organization. Our growth model is proven and it delivers sustainable improvement and results. Our transformational results have earned the interest of the market, culminating in the offer by the Chinese consortium led by ANTA Sports to acquire the company shares at a significant share price premium. If the offer is accepted by the shareholders, the premium will reward the work done and the results achieved. Thereafter the future will be different, yet with attractive growth opportunities for our company, our brands, and our people.

### We are moving forward with confidence

We have a portfolio of market-leading brands which delight and enable our consumers and athletes. Our organization is motivated and increasingly capable. We have a good track record of delivering short- and long-term results and value creation, proving that our Sustainable Growth Model is indeed sustainable. Whilst we improve and make progress, we also face challenges and need to continuously sharpen our choices and transform the company. 2019 will bring along new successes, challenges, and transformational needs. We are moving forward with confidence.

I want to thank our organization and stakeholders for another year of strong performance and improvement.

February 22, 2019

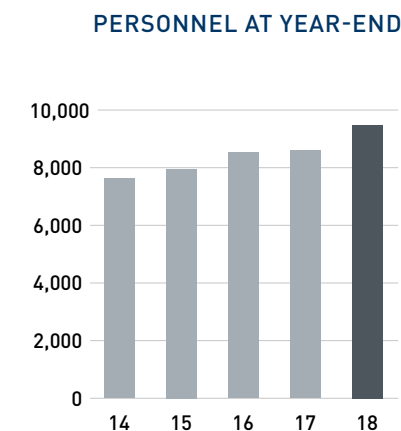
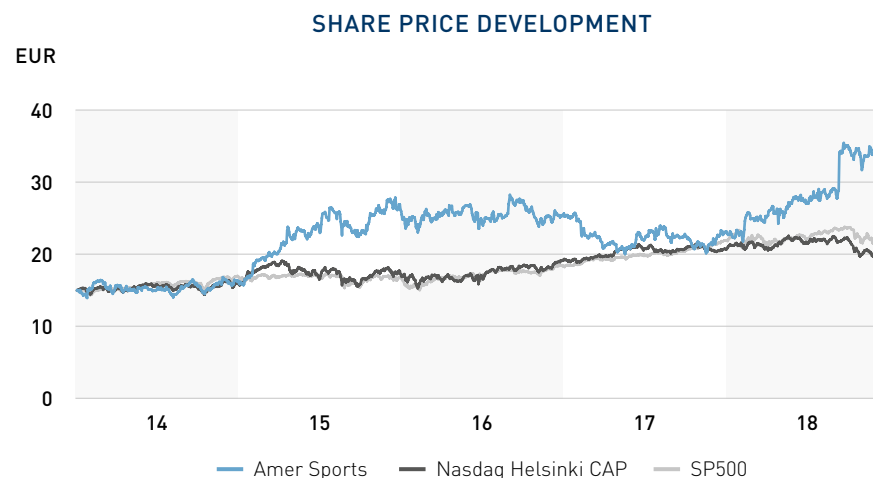
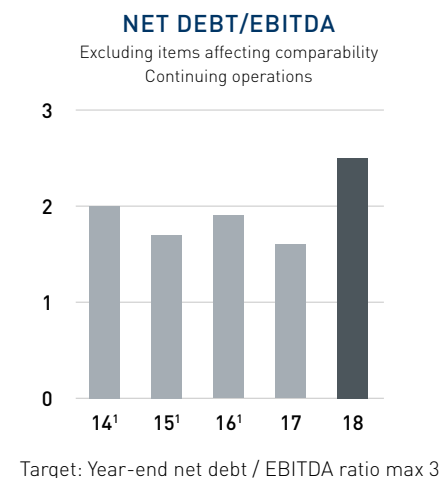
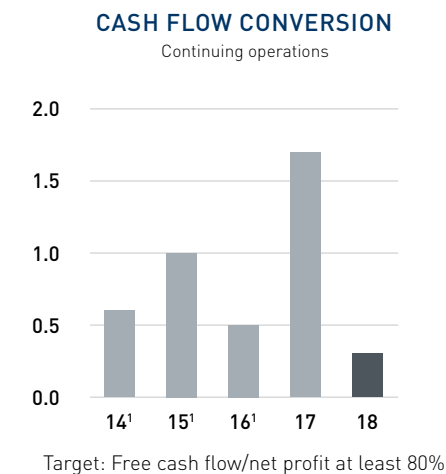
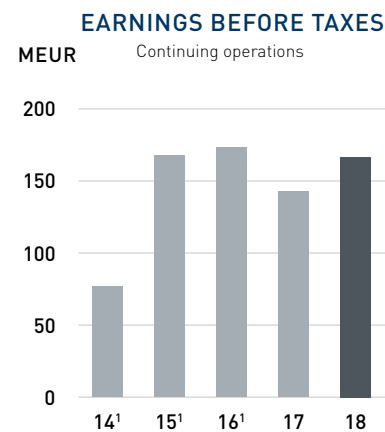
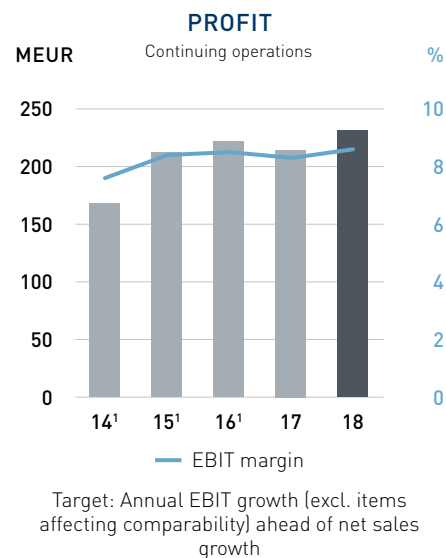
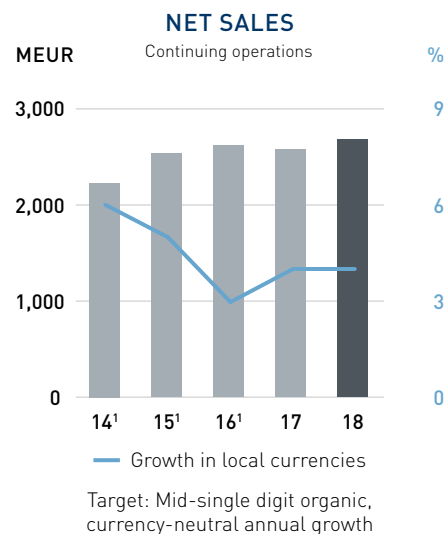
**Heikki Takala**  
President & CEO



AMER SPORTS 2018

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# Year 2018 in Brief



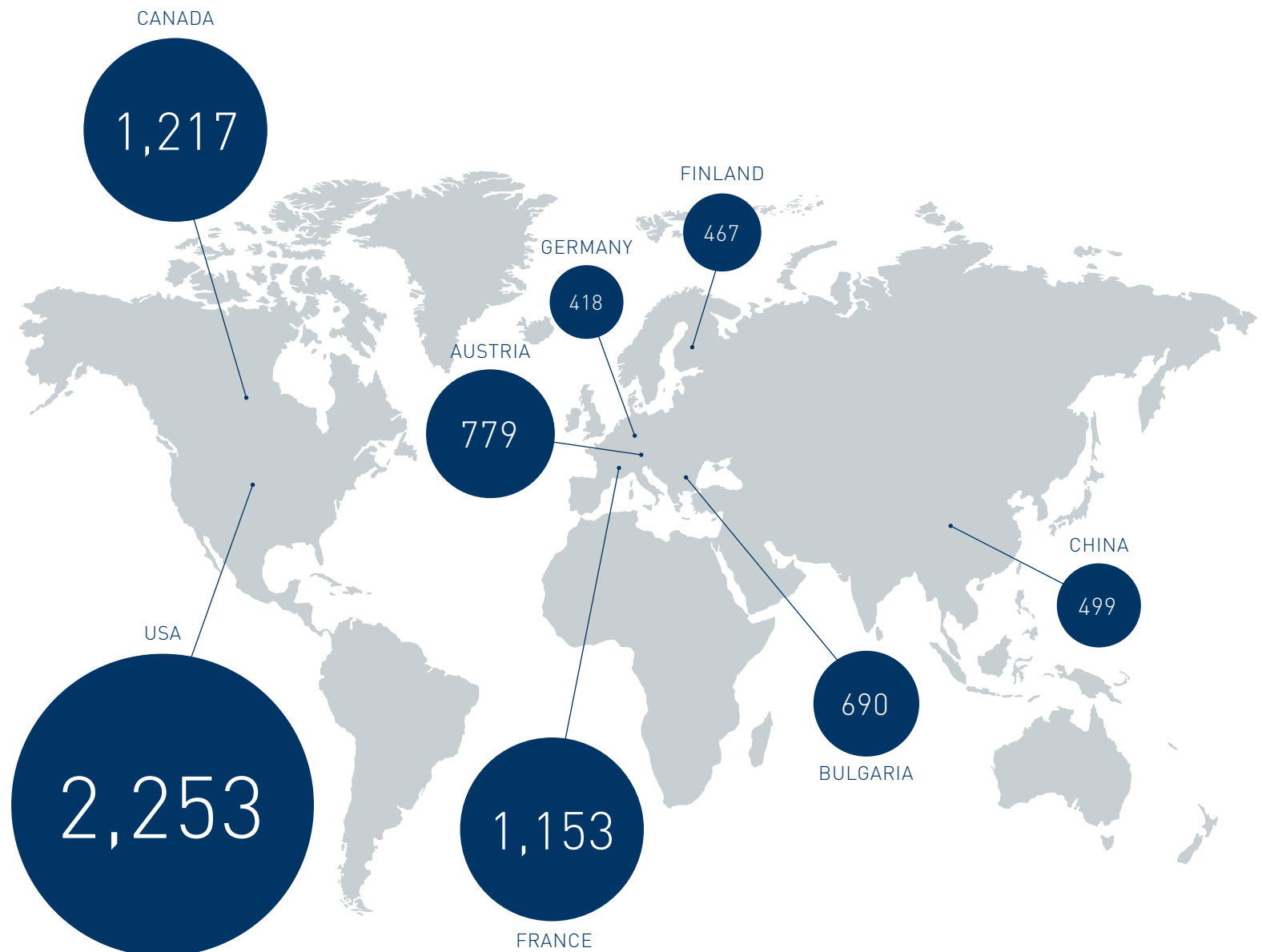
More information about Amer Sports share is available at [www.amersports.com](http://www.amersports.com).

<sup>11</sup> Continuing and discontinued operations, not restated in accordance with IFRS 15



## PERSONNEL BY COUNTRY

	2018	2017
USA	2,253	2,097
Canada	1,217	1,163
France	1,153	1,186
Austria	779	712
Bulgaria	690	553
Greater China	499	451
Finland	467	491
Germany	418	371
Sweden	326	34
Japan	283	271
Mexico	205	195
UK	197	199
Poland	188	174
Italy	110	97
Norway	110	33
Russia	108	121
Switzerland	95	81
Spain	72	71
Czech	61	59
Australia	60	70
Other countries	198	178
Total	9,489	8,607







AMER SPORTS 2018

YEAR 2018 IN BRIEF

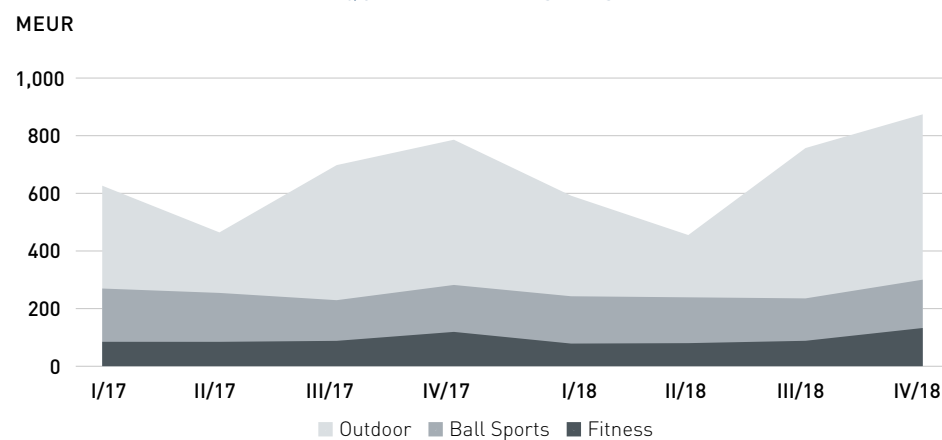
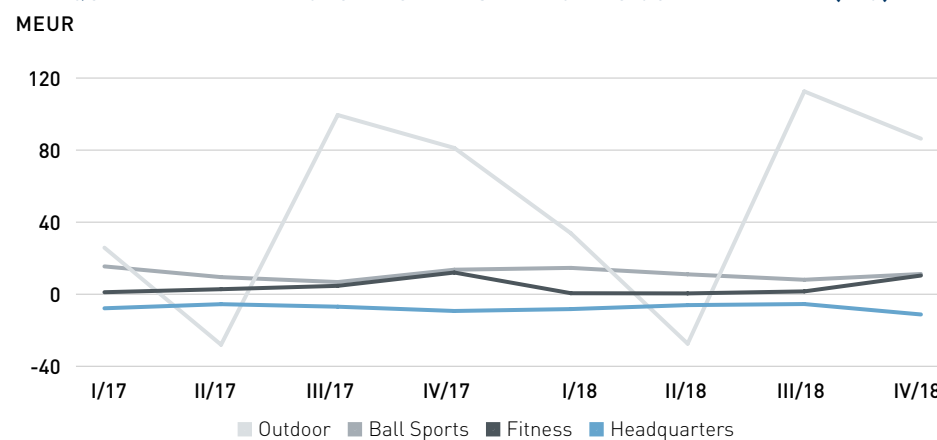
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QUARTERLY NET SALES\*<sup>1</sup>

	I	II	III	IV	I-IV	I	II	III	IV	I-IV
EUR million	2018	2018	2018	2018	2018	2017	2017	2017	2017	2017
Outdoor	349.1	216.2	522.0	574.0	1,661.3	356.9	210.1	468.9	504.1	1,540.0
Ball Sports	164.2	159.0	147.2	167.7	638.1	185.0	169.8	141.2	163.0	659.0
Fitness	78.4	79.9	88.0	132.5	378.8	84.5	84.4	87.8	118.9	375.6
Total	591.7	455.1	757.2	874.2	2,678.2	626.4	464.3	697.9	786.0	2,574.6

QUARTERLY EBIT EXCLUDING ITEMS AFFECTING COMPARABILITY (IAC)\*<sup>1</sup>

	I	II	III	IV	I-IV	I	II	III	IV	I-IV
EUR million	2018	2018	2018	2018	2018	2017	2017	2017	2017	2017
Outdoor	33.7	-27.9	113.0	86.6	205.4	25.7	-28.5	99.8	81.4	178.4
Ball Sports	14.9	11.0	7.7	11.2	44.8	15.8	9.3	6.3	13.8	45.2
Fitness	0.1	0.0	1.2	10.6	11.9	0.7	2.5	4.5	12.4	20.1
Headquarters	-8.3	-5.8	-5.1	-11.7	-30.9	-7.8	-5.2	-6.8	-9.5	-29.3
EBIT excl. IAC	40.4	-22.7	116.8	96.7	231.2	34.4	-21.9	103.8	98.1	214.4
IAC	-	-4.3	-5.1	-12.9	-22.3	-6.6	1.1	-34.0	-5.4	-44.9
EBIT	40.4	-27.0	111.7	83.8	208.9	27.8	-20.8	69.8	92.7	169.5

QUARTERLY NET SALES\*<sup>1</sup>QUARTERLY EBIT EXCLUDING ITEMS AFFECTING COMPARABILITY (IAC)\*<sup>1</sup>\*<sup>1</sup> Continuing operations



# Board of Directors' Report

On 5th September 2018, as part of the strategy update, Amer Sports announced a decision to place its Cycling business under strategic review. Following the decision, the company has started a formal process to actively find a potential buyer for the asset. As required by the reporting standards, all income and expenses of the Cycling business are reported as discontinued operations for 2018 and comparative figures for 2017 are adjusted accordingly. Balance sheet items related to Cycling business are reported under assets and liabilities held-for-sale as of September 2018 onwards.

The comparative figures have been restated in accordance with IFRS 15 Revenue from contracts with customers and IFRS 9 Financial instruments.

2018 was yet another year of record sales for Amer Sports, despite continued challenging wholesale trading environment. Consumer demand for Amer Sports brands continued to be high, and the company grew at strong double-digit rate in the strategic priority areas Apparel, own retail, e-commerce, and China. These were also the main

drivers of profitability improvement. 2018 represented the 9th consecutive year of growth and broad-based improvement.

## NET SALES AND EBIT IN 2018

Amer Sports' net sales in 2018 were EUR 2,678.2 million (2017: EUR 2,574.6 million). Net sales increased by 7% in local currencies. Organic growth was 4%.

The Group's financial net sales target is annual mid-single digit organic, currency-neutral growth.

Gross margin excl. IAC was 45.6% (45.1), driven by improvement in channel mix and higher share of full-price sales.

EBIT excl. IAC was EUR 231.2 million (214.4). Items affecting comparability were EUR -22.3 million (-44.9). Increased sales in local currencies had a positive impact on EBIT of approximately EUR 76 million and increased gross margin had a positive impact of approximately EUR 12 million. Operating expenses increased by approximately EUR 72 million in local currencies. Other income and expenses

and currencies had a positive impact of approximately EUR 1 million on EBIT. EBIT was EUR 208.9 million (169.5).

EBIT as a percentage of sales excl. IAC was 8.6% (8.3). The Group's financial profit target is to have annual EBIT growth (excl. IAC) ahead of net sales growth.

## EBIT excluding IAC by operating segment (continuing operations)

EUR million	2018	2017	Change %
Outdoor	205.4	178.4	15
Ball Sports	44.8	45.2	-1
Fitness	11.9	20.1	-41
Headquarters*	-30.9	-29.3	
EBIT excl. IAC	231.2	214.4	8
IAC	-22.3	-44.9	
EBIT total	208.9	169.5	23

\*1 The Headquarters consists of Group digital service development, administration, shared services, other non-operational income and expenses, and fair valuation of share-based compensations.

## NET SALES BY OPERATING SEGMENT (continuing operations)

EUR million	2018	2017	Change %	Change %*1	% of sales 2018	% of sales 2017
Outdoor	1,661.3	1,540.0	8	10	62	60
Ball Sports	638.1	659.0	-3	1	24	26
Fitness	378.8	375.6	1	4	14	14
Total	2,678.2	2,574.6	4	7	100	100

\*1 In local currencies

## GEOGRAPHIC BREAKDOWN OF NET SALES (continuing operations)

EUR million	2018	2017	Change %	Change %*1	% of sales 2018	% of sales 2017
EMEA	1,162.6	1,087.6	7	8	43	42
Americas	1,123.8	1,122.2	0	4	42	44
Asia Pacific	391.8	364.8	7	10	15	14
Total	2,678.2	2,574.6	4	7	100	100

\*1 In local currencies

## Reconciliation of EBIT excluding IAC (continuing operations)

EUR million	2018	2017
EBIT excl. IAC	231.2	214.4
Items affecting comparability		
Class action lawsuit settlement on Suunto dive computers sold in the USA since 2006	-5.5	-
Restructuring program 2016	-	-8.5
Restructuring program 2016 expansion and write-downs	-4.1	-35.5
Acquisition related accounting adjustments	-	-0.9
Advisory cost related to M&A activities	-12.7	-
EBIT	208.9	169.5

**Reconciliation of EBIT excluding IAC by income statement line item (continuing operations)**

	1-12/2018		
	IFRS	IAC	Income statement excl. IAC
<b>NET SALES</b>	2,678.2	-	2,678.2
Cost of goods sold	-1,457.2	-	-1,457.2
License income	5.4	-	5.4
Other operating income	7.4	-	7.4
Research and development expenses	-96.5	-1.5	-95.0
Selling and marketing expenses	-725.4	-2.6	-722.8
Administrative and other expenses	-203.0	-18.2	-184.8
<b>EBIT</b>	208.9	-22.3	231.2
Financing income and expenses	-42.2	-	-42.2
<b>EARNINGS BEFORE TAXES</b>	166.7	-22.3	189.0
<b>NET RESULT</b>	124.9	-16.7	141.6

	1-12/2017		
	IFRS	IAC	Income statement excl. IAC
<b>NET SALES</b>	2,574.6	-	2,574.6
Cost of goods sold	-1,422.2	-7.9	-1,414.3
License income	5.5	-	5.5
Other operating income	6.2	0.6	5.6
Research and development expenses	-111.4	-18.7	-92.7
Selling and marketing expenses	-710.5	-18.3	-692.2
Administrative and other expenses	-172.7	-0.6	-172.1
<b>EBIT</b>	169.5	-44.9	214.4
Financing income and expenses	-26.6	-	-26.6
<b>EARNINGS BEFORE TAXES</b>	142.9	-44.9	187.8
Taxes			
Write-down of deferred tax assets due to US federal tax rate reduction	-10.4	-10.4	-
Other current and deferred taxes	-38.7	12.2	-50.9
<b>NET RESULT</b>	93.8	-43.1	136.9

Items affecting comparability (IAC) are material items or transactions, which are relevant for understanding the underlying operational financial performance of Amer Sports when comparing profit of the current period with previous periods. These items can include, but are not limited to, capital gains and losses on business disposals, acquisition and disposal-related costs, significant write-downs, provisions for planned restructuring and other items that are not related to normal business operations from Amer Sports' management view.

Net financial expenses totaled EUR 42.2 million (26.6), including net interest expenses of EUR 35.0 million (31.5). Net foreign exchange losses were EUR 2.9 million (gains 1.6). Other net financing expenses were EUR 4.3 million (income 3.3) including EUR 5.0 million non-cash expense of discounted impact of long-term trade receivables. Earnings before taxes totaled EUR 166.7 million (142.9) and taxes were EUR -41.8 million (-49.1). Earnings per share excl. IAC were EUR 1.23 (1.18). Earnings per share were EUR 1.08 (0.80).

**OUTLOOK GIVEN FOR 2018**

In Amer Sports financial statements for 2017, the company published the following outlook for the year:

"In 2018, Amer Sports' net sales in local currencies as well as EBIT excl. IAC are expected to increase from 2017. Due to ongoing wholesale market uncertainties, the quarterly

growth and improvement are expected to be uneven. The company will prioritize sustainable, profitable growth, focusing on its five strategic priorities (Apparel and Footwear, Direct to Consumer, China, US, and Connected Devices and Services) whilst continuing its consumer-led transformation."

**CASH FLOW AND FINANCING**

In 2018, free cash flow was EUR 34.9 million (161.3). Compared to the end of 2017, inventories increased by EUR 82.1 million (decrease 2.6). Receivables increased by EUR 18.1 million (39.7). Payables increased by EUR 35.5 million (83.7). The Group's financial cash flow target is to have annual free cash flow / net profit of at least 80%. In 2018, free cash flow / net profit was 28% (172).

At the end of 2018, the Group's net debt was EUR 756.6 million (460.7). The Group's financial balance sheet target is

to have year-end net debt / EBITDA ratio of three or less. At the end of 2018, the year-end net debt / EBITDA ratio excl. IAC was 2.5 (2.0).

Amer Sports financed the acquisition of Peak Performance on June 29, 2018 by a new short-term debt of EUR 180.0 million for bridge financing and using the existing cash reserves.

Interest-bearing liabilities amounted to EUR 1,006.2 million (819.1) consisting of short-term debt of EUR 213.6 million and long-term debt of EUR 792.6 million. The average interest rate on the Group's interest-bearing liabilities was 1.7% (2.5).

Short-term debt consists mainly of repayments of term loans (EUR 50.4 million) and commercial papers (EUR 159.9 million) that Amer Sports had issued in the Finnish market (December 31, 2017: -). The total size of the commercial paper program is EUR 500 million.

Cash and cash equivalents totaled EUR 249.6 million (358.4).

Amer Sports had not used any of its EUR 200 million committed revolving credit facility at the end of the review period.

Net Debt / EBITDA excl. IAC was 2.49 (1.64) and net debt/equity was 0.82 (0.52), both increased due to the acquisition of Peak Performance.

The Group's most significant transaction risk arises from the US dollar. Amer Sports is a net buyer of USD due to sourcing operations in Asia. The next 24 months EUR/USD net flow - subject to hedging policy - is expected to be approximately USD 924 million. In general, the weakening of the euro against the US dollar therefore has a negative impact on the company's EBIT, with a delay due to hedging.

Amer Sports' hedging policy covers the foreign exchange transaction risks up to 12-24 months forward. Hedging tenors of currency pairs vary due to costs related to hedging. At the end of 2018, the Group had fully hedged the 2019 EUR/USD expected net cash flow at an average EUR/USD rate of 1.21 and 20% of the 2020 EUR/USD expected net cash flow at an average EUR/USD rate of 1.19.

Amer Sports' consolidated financial statements are presented in euros, and therefore the company is subject to currency translation risk when currency dominated result is converted into euros. In addition to USD, other significant transaction risks are in CAD, GBP and SEK. Combining the yearly transaction risk and translation risks of the EBIT,



Amer Sports is a net buyer of USD. In all other currencies the company is a net seller.

## CAPITAL EXPENDITURE AND INVESTMENTS

The Group's capital expenditure totaled EUR 85.6 million (83.6). Depreciation totaled EUR 69.9 million (65.3) and write-down of intangible assets was EUR 2.5 million (16.7). In 2019, capital expenditure is expected to be approximately 3.0–3.5% of net sales.

## RESEARCH AND DEVELOPMENT

Amer Sports' strategy emphasizes excellence in consumer-centric brand experience and product creation. Through continuous research and development, Amer Sports seeks to develop new and better sporting goods, services and experiences that appeal to both consumers and trade customers.

In 2018, the Group accelerated the widespread integration of its new consumer-driven innovation model and design process which drives best practices and cross-learning across the brands. The renewal of Amer Sports R&D and creative processes concentrates on exploring unmet consumer needs as well as elevates the design capabilities to meet changing and growing consumer demands.

In 2018, several exciting consumer concepts were launched, including innovative solutions in Winter Sports Equipment from Atomic and Salomon, new consumer segment product expansions at Suunto, and new design evolutions in footwear and apparel focusing on emerging consumer trends and global market shifts.

The Group has seven R&D and design sites serving the business areas globally. In 2018, R&D expenses excl. IAC were EUR 95.0 million, accounting for 9.5% of all operating expenses (2017: 92.7, 9.7% of operating expenses; 2016: 95.2, 9.5%). Outdoor accounted for 72% of the R&D expenditure, Ball Sports for 15% and Fitness for 13%.

On December 31, 2018, 823 persons were employed in the company's R&D and digital platforms development, representing approximately 9% of the total number of people employed by Amer Sports (2017: 794, 9%).

## SALES AND MARKETING

Amer Sports is a leader in sports with a unique portfolio of iconic brands. The products are sold directly to consumers through brand stores, factory outlets, and e-commerce and

through trade customers in sporting goods chains, specialty retailers, mass merchants, fitness clubs and distributors.

The consumer's digital habits are transforming the purchase journey. Amer Sports therefore strives to ensure the consumer finds its brands when they research online and that the company engages and activates the consumer in the digital world. In 2018, the online search results and digital share-of-shelf for Amer Sports brands were higher than ever before. Millions of new consumers opted into the Amer Sports database (+50% versus 2017) and almost 90 million visited Amer Sports' websites, providing ever more opportunities for the company to engage with consumers and provide them with opportunities to attend an event, try products or visit quality trade partners' stores or online shopping sites. User experience and consumer satisfaction ratings improved across all brands. Amer Sports strives to improve the consumer experience further.

In 2018, Amer Sports Direct-to-Consumer net sales were EUR 328.8 million (2017: 254.1). Organic growth in local currencies was 19%, of which e-commerce growth was 24% and retail growth was 14%. Same-store retail sales growth was 7%.

At the end of 2018, Amer Sports had 364 (288) branded retail stores. Amer Sports focuses geographically on epicenters and on providing the consumer with a compelling experience. Over half the stores are operated directly by Amer Sports with just under half the stores operated by local, independent partners. 80% of the stores are full price and 20% are outlets. During the year, 40 new branded stores were opened and 42 were closed. In addition, 78 Peak Performance stores were added to the store fleet. Geographically, the retail store footprint is balanced, with approximately one third in each of Europe, Asia Pacific and the Americas.

In e-commerce, Amer Sports strongly increased its presence, improving traffic through greater availability and through data analysis and digital marketing. Conversion improved thanks to heightened consumer services such as sizing guides, user-generated content and cross-merchandising. At the end of 2018, the number of Amer Sports e-commerce stores was 100 (86).

Sales and distribution expenses excl. IAC in 2018 were EUR 454.0 million (434.9), 17% of sales (17). Advertising, promotion and marketing expenses in 2018 were EUR 268.8 million (257.3), 10% (10) of sales.

On December 31, 2018, the Amer Sports own sales organization covered 34 countries. 4,137 (3,575) persons were

employed in sales and distribution activities, representing 44% (42) of the total number of people employed by Amer Sports. 790 (719) persons were employed in marketing, representing 8% (8) of the total number of people employed by Amer Sports.

## SUPPLY CHAIN MANAGEMENT

In supply chain management, the main focus areas in 2018 were customer service, cost of goods reduction, and sustainable complexity reduction as well as working capital efficiencies and omnichannel-readiness.

To gain operational efficiencies and cost savings, Amer Sports is constantly reviewing both its make or buy strategy and the company's global production and sourcing footprint. Approximately 22% of Amer Sports' production value is generated in China, 38% elsewhere in Asia Pacific, 28% in EMEA and 12% in the Americas.

Amer Sports manufactures approximately 24% of its products itself, and another 12% is produced in the hybrid factories. Approximately 64% of Amer Sports' total production value is outsourced. This includes the manufacturing of all racket sports and golf products, most team sports products and most of the apparel and footwear products.

Amer Sports' most important own production facilities are located in Bulgaria, Austria, France, Finland, Canada and the United States. In addition, Amer Sports has major hybrid factories in Eastern Europe, where ownership is shared with local subcontractors.

## HUMAN RESOURCES

In 2018, Amer Sports maintained a strong focus on building and scaling capabilities to support profitable growth, in particular the acceleration areas Softgoods, China, Direct to Consumer, and USA. The company continued to evolve the Go to Market organization and to integrate and scale the supply chain and distribution operations. Further, productivity remained a focus area to free up resources for investment into renewal.

In 2018, the average number of Group employees was 9,096 (2017: 8,631; 2016: 8,439). At the end of 2018, the number of employees was 9,489 (2017: 8,607; 2016: 8,526). The growth is due to the acquisition of Peak Performance and the expansion of Amer Sports' own retail store fleet.

At the end of 2018, 59% of Group employees were male (2017: 60%, 2016: 61%) and 41% female (2017: 40%, 2016: 39%).



Salaries, incentives and other related costs in 2018 totaled EUR 538.5 million (2017: 522.9; 2016: 507.6). Average cost per employee decreased.

## Personnel

	December 31, 2018	December 31, 2017	Change %
EMEA	4,879	4,259	15
Americas	3,678	3,458	6
Asia Pacific	932	890	5
Total	9,489	8,607	10

	December 31, 2018	December 31, 2017	Change %
Manufacturing and sourcing	2,729	2,540	7
Sales and distribution	4,137	3,575	16
Support functions/shared services	1,010	979	3
R&D and digital platforms	823	794	4
Marketing	790	719	10
Total	9,489	8,607	10

## NON-FINANCIAL INFORMATION

Amer Sports will publish a non-financial information statement for 2018, and it is issued separately from the Board of Directors' report. The statement contains information on social and employee matters, respect for human rights, environmental matters, and anti-corruption and bribery matters.

## OPERATING SEGMENT REVIEWS

### OUTDOOR (continuing operations)

EUR million	2018	2017	Change %	Change %*)
Net sales				
Footwear	469.5	500.8	-6	-4
Apparel	585.5	482.3	21	25
Winter Sports Equipment	446.3	415.2	7	8
Sports Instruments	160.0	141.7	13	14
Net sales, total	1,661.3	1,540.0	8	10
EBIT excl. IAC	205.4	178.4	15	
EBIT % excl. IAC	12.4	11.6		

\*) In local currencies

In 2018, Outdoor net sales were EUR 1,661.3 million (1,540.0), an increase of 10% in local currencies driven by the acquisition of Peak Performance. Organic growth was 4%. Own retail and e-commerce continued to perform well. Strong growth in Asia Pacific continued driven by China and Japan.

In April, Amer Sports announced the acquisition of Peak Performance, an iconic Swedish sports fashion brand.

Apparel growth was 25%, driven by Peak Performance and Arc'teryx. Footwear sales declined by 4% due to the consolidation of the global distribution footprint. Winter Sports Equipment sales increased by 8% driven by continued strong momentum in all brands, geographical regions, product categories and the OEM business. Sports Instruments sales increased by 14% driven by product portfolio and channel expansion.

### Geographic breakdown of net sales (continuing operations)

EUR million	2018	2017	Change %	Change %*)
EMEA	967.9	882.1	10	11
Americas	438.5	431.7	2	5
Asia Pacific	254.9	226.2	13	15
Total	1,661.3	1,540.0	8	10

\*) In local currencies

In 2018, Outdoor EBIT excl. IAC was EUR 205.4 million (178.4). Increased sales in local currencies had a positive impact on EBIT of approximately EUR 71 million and increased gross margin a positive impact of approximately EUR 16 million. Operating expenses increased by approximately EUR 60 million.

## BALL SPORTS

EUR million	2018	2017	Change %	Change %*)
Net sales				
Individual Ball Sports	278.3	296.9	-6	-3
Team Sports	359.8	362.1	-1	4
Net sales, total	638.1	659.0	-3	1
EBIT excl. IAC	44.8	45.2	-1	
EBIT % excl. IAC	7.0	6.9		

\*) In local currencies

In 2018, Ball Sports' net sales were EUR 638.1 million (659.0). In local currencies, net sales increased by 1%. The Baseball segment grew 11%. The baseball bat business grew 27%, offset by a 4% decline in Racquet Sports and Team Inflates.

**Geographic breakdown of net sales**

EUR million	2018	2017	Change %	Change %*)
EMEA	110.0	117.3	-6	-5
Americas	455.4	463.6	-2	3
Asia Pacific	72.7	78.1	-7	-3
Total	638.1	659.0	-3	1

\*) In local currencies

In 2018, Ball Sports EBIT excl. IAC was EUR 44.8 million (45.2). Increased sales in local currencies contributed to EBIT by approximately EUR 2 million and higher gross margin had a positive impact of approximately EUR 3 million. Operating expenses increased by approximately EUR 4 million. Other income and expenses and currencies had a negative impact of approximately EUR 1 million on EBIT.

**FITNESS**

EUR million	2018	2017	Change %	Change %*)
Net sales	378.8	375.6	1	4
EBIT excl. IAC	11.9	20.1	-41	
EBIT % excl. IAC	3.1	5.4		

\*) In local currencies

In 2018, Fitness net sales were EUR 378.8 million (375.6). In local currencies, net sales increased by 4%.

**Geographic breakdown of net sales**

EUR million	2018	2017	Change %	Change %*)
EMEA	84.7	88.2	-4	-3
Americas	229.9	226.9	1	5
Asia Pacific	64.2	60.5	6	9
Total	378.8	375.6	1	4

\*) In local currencies

In 2018, Fitness EBIT excl. IAC was EUR 11.9 million (20.1). Increased sales in local currencies had a positive impact of approximately EUR 5 million on EBIT while declined gross margin had a negative impact of approximately EUR 9 million. Operating expenses increased by approximately EUR 3

million. Other income and expenses and currencies had a negative impact of approximately EUR 1 million on EBIT.

**CORPORATE GOVERNANCE**

In its decision making and administration, Amer Sports Corporation applies the Finnish Limited Liability Companies Act, the Finnish Securities Markets Act and the rules issued by Nasdaq Helsinki Ltd, Amer Sports' Articles of Association, and the Finnish Corporate Governance Code 2015 for listed companies. Amer Sports complies with the code without exceptions. The code is published at [www.cgfinland.fi](http://www.cgfinland.fi).

Corporate Governance Statement has been prepared pursuant to the Finnish Corporate Governance Code 2015 for listed companies and the Securities Markets Act (Chapter 7, Section 7) and it is issued separately from the Board of Directors' report. The Audit Committee of the Board of Directors has reviewed the Corporate Governance Statement and the auditor Ernst & Young Oy has verified that the Statement has been issued and that the description of the main features of the internal control and risk management systems relating to the financial reporting process is consistent with the financial statements.

**SHARES AND SHAREHOLDERS**

In February 2018, the Board of Directors of Amer Sports Corporation resolved to cancel 2,000,000 of the company's own shares held by the company. The cancellation was registered with the Finnish Trade Register on February 20, 2018. The cancellation did not affect the company's share capital.

The company's share capital totaled EUR 292,182,204 on December 31, 2018 and the number of shares was 116,517,285.

**Authorizations**

The Annual General Meeting held on March 8, 2018 authorized the Board of Directors to decide on the repurchase of a maximum of 10,000,000 of the Company's own shares ("Repurchase Authorization"). The Company's own shares shall be repurchased otherwise than in proportion to the holdings of the shareholders by using the unrestricted equity through trading on regulated market organized by Nasdaq Helsinki Ltd at the market price prevailing at the time of acquisition. The shares shall be repurchased and paid for in accordance with the rules of Nasdaq Helsinki Ltd and Euroclear Finland Ltd. The Repurchase Authorization is valid

for eighteen (18) months from the decision of the Annual General Meeting.

The Annual General Meeting held on March 8, 2018 authorized the Board of Directors to decide on issuing new shares and/or conveying the Company's own shares held by the Company as follows: By virtue of the authorization, the Board of Directors is entitled to decide on issuing new shares and/or on conveying the Company's own shares at the maximum amount of 10,000,000 shares in aggregate. The Board of Directors decides on all the conditions of the share issue. The issuance or conveyance of shares may be carried out in deviation from the shareholders' pre-emptive rights (directed issue). The authorization includes possibility to issue shares to the Company itself without payment. The authorization is valid for two (2) years from the date of the decision of the Annual General Meeting, except that the authorization to issue new shares and/or convey the Company's own shares for purposes other than the Company's bonus schemes is valid for fourteen (14) months from the date of the decision of the Annual General Meeting.

The Annual General Meeting held on March 9, 2017 authorized the Board of Directors to decide on the repurchase of a maximum of 10,000,000 of the Company's own shares ("Repurchase Authorization"). The Company's own shares shall be repurchased otherwise than in proportion to the holdings of the shareholders by using the unrestricted equity through trading on regulated market organized by Nasdaq Helsinki Ltd at the market price prevailing at the time of acquisition. The shares shall be repurchased and paid for in accordance with the rules of Nasdaq Helsinki Ltd and Euroclear Finland Ltd. The Repurchase Authorization was valid for eighteen (18) months from the decision of the Annual General Meeting.

The Annual General Meeting held on March 9, 2017 authorized the Board of Directors to decide on issuing new shares and/or conveying the Company's own shares held by the Company as follows: By virtue of the authorization, the Board of Directors is entitled to decide on issuing new shares and/or on conveying the Company's own shares at the maximum amount of 10,000,000 shares in aggregate. The Board of Directors decides on all the conditions of the share issue. The issuance or conveyance of shares may be carried out in deviation from the shareholders' pre-emptive rights (directed issue). The authorization includes possibility to issue shares to the Company itself without payment. The authorization was valid for two (2) years from





the date of the decision of the Annual General Meeting, except that the authorization to issue new shares and/or convey the Company's own shares for purposes other than the Company's bonus schemes was valid for fourteen (14) months from the date of the decision of the Annual General Meeting. The new authorization to the Board of Directors to decide on the share issue granted by the Annual General Meeting held on March 8, 2018 superseded the authorization granted on March 9, 2017.

Apart from the above, the Board of Directors has no other authorizations to issue shares, convertible bonds or warrant programs.

### Own shares

In October 2017, Amer Sports Board of Directors decided to continue to utilize the authorization given by the Annual General Meeting held on March 9, 2017 to repurchase Amer Sports shares. The repurchases started on October 30, 2017 and ended on January 9, 2018. In January, the company repurchased a total of 190,000 shares at an average price of EUR 22.61. The total number of repurchased shares corresponded to 0.16% of all shares.

In March 2018, a total of 200,071 Amer Sports shares were transferred to the personnel participating in the Performance Share Plan 2013, Performance Share Plan 2016 and Restricted Stock Plan 2016 incentive programs.

A total of 12,087 shares granted as share-based incentives were returned to Amer Sports during the review period.

At the end of December, Amer Sports held a total of 1,296,540 shares (3,294,524) of Amer Sports Corporation. The number of own shares corresponds to 1.1% (2.8) of all Amer Sports shares.

### Trading in shares

In 2018, a total of 94.2 million (113.9) Amer Sports shares with a value totaling EUR 2,743.6 million (2,521.3) were traded on Nasdaq Helsinki. Share turnover was 81.8% (97.6) (as a proportion of the average number of shares, excluding own shares). The average daily volume in 2018 was 376,693 shares (453,814).

In addition to Nasdaq Helsinki, Amer Sports shares were traded on the biggest alternative exchanges as follows: 39.2 million on Chi-X (38.4), 24.6 million on BATS (14.9) and 10.1 million on Turquoise (12.8). The closing price of the Amer Sports Corporation share on the Nasdaq Helsinki stock exchange in 2018 was EUR 38.37 (2017: 23.09). Shares

registered a high of EUR 38.73 (26.36) and a low of EUR 21.00 (19.81). The average share price was EUR 29.13 (22.13). At the end of December, the company had a market capitalization of EUR 4,421.0 million (2,660.5), excluding own shares.

At the end of December, Amer Sports Corporation had 20,859 registered shareholders (25,904). Ownership outside of Finland and nominee registrations represented 56.9% (48.4) of the company's shares. Public sector entities owned 12.4% (14.3), financial and insurance corporations 9.5% (12.0), households 11.6% (13.0), non-profit institutions 6.6% (7.1), private companies 1.9% (2.4) and Amer Sports 1.1% (2.8).

### Major shareholders, December 31, 2018 (does not include nominee registrations nor shares held by the company)

	Shares	% of shares and votes
1. Keva	5,188,420	4.45
2. Maa-ja vesitekniiikan Tuki r.y.	5,000,000	4.29
3. Ilmarinen Mutual Pension Insurance Company	3,255,000	2.79
4. Mandatum Life Insurance Company Ltd.	2,727,146	2.34
5. Brotherus Ilkka Johannes	2,695,777	2.31
6. Varma Mutual Pension Insurance Company	2,588,951	2.22
7. Elo Mutual Pension Insurance Company	1,400,000	1.20
8. Nordea Nordic Fund	1,003,167	0.86
9. Nordea Pro Finland Fund	864,181	0.74
10. The State Pension Fund	750,000	0.64

### NOTIFICATIONS OF CHANGE IN SHAREHOLDING UNDER THE FINNISH SECURITIES MARKET ACT

Amer Sports Corporation received a notification from AXA S.A. (city and country of residence: Paris, France) on May 24, 2018, in accordance with the Finnish Securities Markets Act Chapter 9, Section 5. According to the notification, the proportion of AXA S.A. of the total number of Amer Sports Corporation's shares and voting rights increased above five (5) per cent on May 21, 2018.

Amer Sports Corporation received a notification from AXA S.A. (city and country of residence: Paris, France) on June 6, 2018, in accordance with the Finnish Securities Markets Act Chapter 9, Section 5. According to the notification, the proportion of AXA S.A. of the total number of Amer Sports

Corporation's shares and voting rights decreased below five (5) per cent on June 1, 2018.

Amer Sports Corporation received a notification from AXA S.A. (city and country of residence: Paris, France) on September 14, 2018, in accordance with the Finnish Securities Markets Act Chapter 9, Section 5. According to the notification, the total proportion of AXA S.A. of the total number of Amer Sports Corporation's shares and voting rights decreased below five (5) per cent on September 12, 2018.

Amer Sports Corporation received a notification from AXA S.A. (city and country of residence: Paris, France) on December 19, 2018, in accordance with the Finnish Securities Markets Act Chapter 9, Section 5. According to the notification, the total proportion of AXA S.A. of the total number of Amer Sports Corporation's shares decreased below five (5) per cent on December 14, 2018.

### Disclosure of control

Amer Sports Board of Directors is not aware of any natural or legal persons who have control over the company or has information on these persons' portion of the voting rights of the shares and of the total number of shares.

### Agreements and arrangements relating to shareholdings and the use of voting rights

Amer Sports Board of Directors is not aware of any agreements or arrangements concerning the ownership of the company's shares and the use of their voting rights.

**Shareholdings of Board of Directors and Executive Board on December 31, 2018**

Shareholder	Shares	Controlled corporations
Board of Directors		
Bruno Sälzer	80,365	
Manel Adell	2,101	18,230
Ilkka Brotherus	2,695,777	500,000
Petri Kokko	959	
Tamara Minick-Scokalo	2,101	
Hannu Ryöppönen	29,722	
Lisbeth Valther	3,855	
Executive Board		
Heikki Takala	215,920	
Rob Barker	39,909	
Michael Dowse	49,198	
Jon Hoerauf	4,631	
Sebastian Lund	6,513	
Heikki Norta	13,841	
Jean-Marc Pambet	79,618	
Michael Schineis	70,570	
Jussi Siitonen	85,786	
Michael White	69,850	
TOTAL	3,450,716	518,230
% of shares	3.0	0.4
Including controlled corporations		
	3,968,946	
% of shares	3.4	

During the year, the Group had four share-based incentive plans for Group key personnel.

**DECISIONS OF THE GENERAL MEETING OF SHAREHOLDERS**

At the Amer Sports Corporation Annual General Meeting held on March 8, 2018, the following resolutions were approved:

**Adoption of the annual accounts and consolidated annual accounts**

The Annual General Meeting (AGM) approved Amer Sports annual accounts and consolidated annual accounts for the financial year ended December 31, 2017.

**Resolution on use of the profit shown on the balance sheet and the capital repayment**

The AGM resolved that a capital repayment of EUR 0.70 per share was paid to shareholders. The capital repayment was paid from the invested unrestricted equity fund. The capital repayment was paid to a shareholder who was registered in the shareholders' register of the Company maintained by Euroclear Finland Ltd on the record date for the capital repayment March 12, 2018. The capital repayment was paid on March 29, 2018. The AGM resolved that no dividend was paid from the retained earnings.

**Resolution on the discharge of the members of the Board of Directors and the CEO from liability**

The AGM granted the members of the Board of Directors and Company's President and CEO a discharge from liability for the financial year 2017.

**Resolution on the remuneration of the members of the Board of Directors**

The AGM resolved that the annual remuneration payable to the members of the Board of Directors to be elected at the Annual General Meeting for the term until the close of the Annual General Meeting in 2019 be as follows: Chairman EUR 120,000, Vice Chairman EUR 70,000 and other members EUR 60,000 each. No extra remuneration is paid for attending the meetings of the Board of Directors or meetings of the Committees of the Board of Directors. Of the annual remuneration, 40% is paid in the form of the Company's shares and 60% in cash. A member of the Board of Directors

is not permitted to sell or transfer any of these shares during the term of his or her Board membership. However, this limitation is only valid for a maximum of five years after the acquisition of the shares.

**Resolution on the number of the members of the Board of Directors**

The AGM confirmed that the number of the members of the Board of Directors is seven (7).

**Election of members of the Board of Directors**

The AGM re-elected Manel Adell, Ilkka Brotherus, Tamara Minick-Scokalo, Hannu Ryöppönen, Bruno Sälzer and Lisbeth Valther as members of the Board of Directors and elected Petri Kokko as a new member of the Board of Directors.

The Board of Directors' term of service will run until the close of the 2019 Annual General Meeting.

**Resolution on the remuneration of the auditor**

The AGM decided that the auditor's fee will be paid as invoiced.

**Election of auditor**

The AGM re-elected Authorized Public Accountants Ernst & Young Oy to act as auditor of the Company.

**Authorizing the Board of Directors to decide on the repurchase of the Company's own shares**

The AGM authorized the Board of Directors to decide on the repurchase of a maximum of 10,000,000 of the Company's own shares ("Repurchase Authorization").

The Company's own shares shall be repurchased otherwise than in proportion to the holdings of the shareholders by using the unrestricted equity through trading on regulated market organized by Nasdaq Helsinki Ltd at the market price prevailing at the time of acquisition.

The shares shall be repurchased and paid for in accordance with the rules of Nasdaq Helsinki Ltd and Euroclear Finland Ltd.

The Repurchase Authorization is valid for eighteen (18) months from the decision of the Annual General Meeting.





## Authorizing the Board of Directors to decide on the share issue

The AGM authorized the Board of Directors to decide on issuing new shares and/or conveying the Company's own shares held by the Company as follows:

By virtue of the authorization, the Board of Directors is entitled to decide on issuing new shares and/or on conveying the Company's own shares at the maximum amount of 10,000,000 shares in aggregate. The Board of Directors decides on all the conditions of the share issue. The issuance or conveyance of shares may be carried out in deviation from the shareholders' pre-emptive rights (directed issue). The authorization includes possibility to issue shares to the Company itself without payment.

The authorization is valid for two (2) years from the date of the decision of the Annual General Meeting, except that the authorization to issue new shares and/or convey the Company's own shares for purposes other than the Company's bonus schemes is valid for fourteen (14) months from the date of the decision of the Annual General Meeting.

## BOARD OF DIRECTORS' WORKING ARRANGEMENTS

At its organizing meeting following the Annual General Meeting, Amer Sports Corporation's Board of Directors appointed Bruno Sälzer as Chairman and Ilkka Brotherus as Vice Chairman.

The Board appointed from among its members the following members to the Committees:

- **Compensation and HR Committee:** Lisbeth Valther (Chairman), Manel Adell, Tamara Minick-Scokalo, Ilkka Brotherus
- **Nomination Committee:** Bruno Sälzer (Chairman), Ilkka Brotherus, Hannu Ryöppönen
- **Audit Committee:** Hannu Ryöppönen (Chairman), Lisbeth Valther, Bruno Sälzer, Petri Kokko

## CHANGES IN GROUP STRUCTURE

In April, Amer Sports Corporation announced the acquisition of all the shares and related businesses of Peak Performance AB from the Danish fashion company IC Group. The acquisition was completed on June 29, 2018. Based in Stockholm, Sweden, Peak Performance is a leading premium sports fashion brand with net sales of approximately EUR 145 million and EBIT of approx. EUR 16.5 million in the last 12 months. The final acquisition price was DKK 1,831 million (EUR 245.8 million). Peak Performance net sales in July-December were EUR 84.1 million and EBIT excl. IAC was EUR 15.2 million.

## CHANGES IN GROUP MANAGEMENT

In June, in conjunction with the acquisition of Peak Performance, Amer Sports established a new Apparel Category structure with a dedicated leadership to enable faster growth and scale & synergy across the apparel brands Arc'teryx, Salomon, and Peak Performance. Jon Hoerauf, General Manager Arc'teryx, was appointed President Amer Sports Apparel Category, and member of Amer Sports Executive Board.

## RESTRUCTURING AS FURTHER ENABLER FOR TRANSFORMATION AND PRODUCTIVITY

In February 2017, Amer Sports expanded the cost restructuring program initiated in August 2016, with the objective to reduce operating expenses worth approximately 100 EBIT margin basis points by the end of 2018, with full impact of approximately EUR 30 million annually from 2019 onwards. Restructuring expenses and write-downs for continuing operations were EUR 39.8 million (pre-tax, reported under "Items affecting comparability"), of which EUR 35.5 million was recognized during the second half of 2017 and the remaining balance of EUR 4.3 million was recognized in April-June 2018. In 2017, the cash flow impact was EUR 13.1 million, and the impact in 2018 was EUR 3.9 million. The first part of the restructuring program announced in August 2016 has been successfully completed.

## TENDER OFFER

On September 11, 2018, Amer Sports disclosed that it had received a non-binding preliminary indication of interest from a consortium comprising ANTA Sports Products Limited and the private equity firm FountainVest Partners to acquire the entire share capital of Amer Sports for a cash consideration of EUR 40.00 per share.

On December 7, 2018, Amer Sports disclosed that Mascot Bidco Oy, an Investor Consortium including ANTA Sports, FV Fund and Anamed Investments, and Amer Sports signed a Combination Agreement under which Mascot Bidco Oy will make a voluntary recommended cash Tender Offer for all of the issued and outstanding shares in Amer Sports, excluding shares held by Amer Sports and its subsidiaries. ANTA Sports, FV Fund, Anamed Investments and Tencent (which will invest through Tencent SPV as a limited partner in FV Fund) form an Investor Consortium for the purposes of the Tender Offer, which indirectly will own 100 percent of Mascot Bidco Oy upon completion of the Tender Offer.

On December 19, 2018, Amer Sports disclosed that Mascot Bidco Oy commences the voluntary recommended public cash tender offer for all the issued and outstanding shares in Amer Sports Corporation. The acceptance period for the Tender Offer commenced on December 20, 2018 at 9:30 a.m. (Finnish time) and expires on February 28, 2019 at 4:00 p.m. (Finnish time). The Offeror has the right to extend the Offer Period in accordance with the terms and conditions of the Tender Offer.



## SIGNIFICANT EVENTS AFTER THE REVIEW PERIOD

### EXTRAORDINARY MEETING OF SHAREHOLDERS

At the Amer Sports Corporation Extraordinary General Meeting held on January 23, 2019, the following resolutions were approved:

#### Resolution on the amendment of the Articles of Association of the Company

The Extraordinary General Meeting resolved to remove Article 11 (titled "Redemption of shares"), concerning a shareholder's obligation to redeem shares, from the Articles of Association of the Company. In addition, it was decided to update the numbering of the Articles of Association as required by the removal stated above (Article 12 shall become Article 11).

#### Resolution on the right of the current members of the Board of Directors to accept the tender offer for their shares

The Extraordinary General Meeting resolved to grant to the current members of the Board of Directors a right to accept the voluntary public cash tender offer by Mascot Bidco Oy for the shares in the Company held by them and to sell such shares despite transfer restrictions that concern the members of the Board of Directors resolved by previous General Meetings of the Company.

### SIGNIFICANT RISKS AND UNCERTAINTIES

Amer Sports' business is balanced by its broad portfolio of sports and brands, the increasing share of apparel and footwear in the company portfolio as well as the company's presence in all major markets. Short-term risks for Amer Sports are particularly associated with general economic conditions and consumer demand development, the ability to compete successfully against existing or new competitors and the ability to identify and respond to constantly shifting trends, to leverage technology advancements and to develop new and appealing products.

For example, the following risks could potentially have an impact on the company's development:

- The sporting goods industry is subject to risks related to consumer demand and macroeconomic and sociopolitical conditions. Economic downturns may increase trade customers' payment problems and Amer Sports may be forced to write-off accounts receivables.
- The sporting goods industry is highly competitive and includes many global, regional and national companies. Although Amer Sports has no competitors that challenge it across all of its product categories, it faces competition from a number of companies in most of the product categories. There cannot be any assurances that additional competitors will not enter Amer Sports' existing markets or that Amer Sports will be able to compete successfully against existing or new competitors.
- Global trade tensions and UK's possible withdrawal from the European Union (Brexit) may pose risks for Amer Sports. Uncertainties in trade policies and tariff changes may expose Amer Sports businesses with added and increased costs. In addition, Brexit may have implications, not only on the UK operations of the Amer Sports, but for the Group in increased market volatility, changes in standards, regulations and customs procedures causing disruptions in the supply chain and adding administrative tasks. Amer Sports is taking steps to assess and reduce the impact of possible changes.
- Amer Sports' success is dependent on its ability to identify and respond to constantly shifting trends in consumer demand, to leverage advancements in technologies and to develop new and appealing products.
- Trade customers are developing new business models, keeping less inventories and requesting consignment stock arrangement. New demands from trade customers may increase Amer Sports' costs without generating additional revenue. Retailers may quickly change their product offering and de-list Amer Sports brands and/or products if not satisfied with service, products and/or trade terms.
- Growing the number of Amer Sports' own retail stores requires up-front investments. In addition, the maintenance of the stores and the personnel employed in own retail create more fixed costs than distribution to trade customers. A failure to execute Amer Sports' retail growth plan as part of the company's omnichannel strategy could have a negative impact on the company's sales and profitability.
- Amer Sports extensively utilizes information technology and ICT services in its operations. This may expose Amer Sports to information security violations, misuse of systems and/or data, viruses, malware and to such malfunctions, which can result in system failures or disruptions in processes and therefore have a material and adverse effect on the company's operations. Roles and responsibilities have been defined to manage IT security risks to ensure that adequate security is inbuilt within the IT management processes according to security policies, principles and best practices. A number of security controls have been implemented to strengthen the protection of confidential and/or personal information and to facilitate compliance with international regulations.
- Despite extensive testing of its products before market launch, the company cannot completely rule out the risk of product recalls and legal actions related to product liability. Product quality issues could harm Amer Sports' reputation and, as a result, could have an adverse effect on its sales and profitability.
- A characteristic feature of the sporting goods industry is the need to protect intellectual property rights and disputes connected with them. Any litigation to defend against claims or infringement could result in substantial costs and diversion of resources and could negatively affect results of operations or the competitive position of Amer Sports. The material impacts on Amer Sports' financial position arising from pending litigation are assessed regularly.
- Amer Sports' most important production facilities are Winter Sports Equipment factories in Austria and Bulgaria, Fitness and Ball Sports factories in the United States, an Apparel factory in Canada, and a Sports Instruments factory in Finland. In addition, Amer Sports has major factories in Eastern Europe, which are owned by subcontractors. The most important distribution centers are located in Germany, Austria, the United States and France. Any unexpected production or delivery breaks in these units would have a negative impact on the company's business.



- Amer Sports and its subcontractors use steel, aluminum, rubber and oil-based materials and components in the manufacturing and must obtain adequate supplies of these raw materials from the markets in competition with other users of such materials. Significant fluctuations in raw material prices may impact margins. Labor costs are increasing in Asia, especially in China where Amer Sports sources a significant share of its products.
- Amer Sports sources a significant proportion of its products from subcontractors located throughout Asia, which exposes it to the political, economic, and regulatory conditions in that area and to a variety of local business and labor practice issues. Although Amer Sports has policies such as Company Code of Conduct and Ethical Policy for suppliers, and established processes to monitor the working conditions with third party auditors in Asia, it cannot fully control its subcontractors' actions. The violation of labor laws, regulations or standards by Amer Sports' subcontractors, or the divergence of those subcontractors' labor practices from those generally accepted as ethical in the European Union or the international community, could have a material adverse effect on Amer Sports' public image and the reputation of its brands.
- Amer Sports can be adversely affected by unusual or severe weather conditions. For example, sales of winter sports equipment is affected by snow conditions in particular in Europe and North America.

- Foreign exchange risk consists of transaction risk and translation risk. Due to geographical distribution of Amer Sports' operations, especially due to sourcing from Asia, most significant currency risks arise from the US dollar and, to lesser extent, from Canadian dollar, British pound and Swedish krona. Amer Sports uses hedging instruments to mitigate the impact of exchange rate fluctuations.

### OUTLOOK FOR 2019

In 2019, Amer Sports' net sales in local currencies as well as EBIT excl. IAC are expected to increase from 2018. The company will prioritize sustainable, profitable growth, focusing on its strategic priorities in Apparel and Footwear, Direct to Consumer, China, and USA, whilst continuing its consumer-led transformation.

### BOARD OF DIRECTORS' PROPOSAL FOR DISTRIBUTION OF EARNINGS

Due to the terms and conditions of the ongoing tender offer for all the shares in Amer Sports Corporation, the Board of Directors proposes that at this time no dividend shall be distributed to shareholders and the profit for the year will be transferred to retained earnings. The parent company's distributable earnings amount to EUR 192,368,852.23 of which the net result for the period is EUR -10,100,810.33.



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# Five-Year Review

EUR million	2018	Change, %	2017	2016 <sup>1)</sup>	2015 <sup>1)</sup>	2014 <sup>1)</sup>
Net sales	2,678.2	4.0	2,574.6	2,622.1	2,534.4	2,228.7
Depreciation	69.9	7.0	65.3	60.0	51.1	44.8
Research and development expenses	96.5	-13.4	111.4	97.5	77.7	76.2
% of net sales	4		4	4	3	3
EBIT	208.9	23.2	169.5	204.8	204.1	114.1
% of net sales	8		7	8	8	5
EBIT excluding items affecting comparability	231.2	7.8	214.4	221.7	212.1	168.3
% of net sales	9		8	8	8	8
Net financing expenses	-42.2		-26.6	-31.8	-36.1	-37.1
% of net sales	2		1	1	1	2
Earnings before taxes	166.7	16.7	142.9	173.0	168.0	77.0
% of net sales	6		6	7	7	3
Taxes	41.8	-14.9	49.1	46.1	46.4	21.6
Net result from continuing operations	124.9	33.2	93.8	126.9	121.6	55.4
Net result attributable to equity holders of the parent company	47.5	-48.9	92.9	126.9	121.6	55.4
Capital expenditure and acquisitions	332.8		85.9	148.5	153.6	51.6
% of net sales	12		3	6	6	2
Divestments	0.2		0.8	0.6	1.5	0.3
Non-current assets	1,235.2	24.8	989.7	1,051.5	963.2	807.0
Inventories	546.9	13.6	481.3	513.6	482.0	413.2
Current receivables	802.7	3.9	772.7	786.0	779.1	709.7
Cash and cash equivalents	249.6	-30.4	358.4	364.0	331.4	240.2
Assets held for sale	69.0		-	-	-	3.5
Shareholders' equity	920.1	3.9	885.4	1,003.1	949.6	842.8
Interest-bearing liabilities	1,006.2	22.8	819.1	899.9	791.7	659.3
Interest-free liabilities	942.6	5.0	897.6	812.1	814.4	671.5
Liabilities held for sale	34.5		-	-	-	-
Balance sheet total	2,903.4	11.6	2,602.1	2,715.1	2,555.7	2,173.6
Return on investment (ROI), %	9.3		9.5 <sup>1)</sup>	11.4	12.4	8.2
Return on shareholders' equity (ROE), continuing operations, %	13.8		9.9			
Return on shareholders' equity (ROE), excluding items affecting comparability, continuing operations, %	15.7		14.6			
Return on shareholders' equity (ROE), continuing and discontinued operations, %	5.3		9.8	13.0	13.6	6.9
Return on shareholders' equity (ROE), excluding items affecting comparability, continuing and discontinued operations, %	11.1		14.6	14.3	14.2	11.7
Debt to equity ratio	1.1		0.9	0.9	0.8	0.8
Free cash flow/net profit, continuing operations	0.3		1.7	0.5	1.0	1.0
Net debt/EBITDA, continuing operations	2.7		2.0	2.0	1.8	2.6
Net debt/EBITDA, excluding items affecting comparability, continuing operations	2.5		1.6	1.9	1.7	2.0
Average personnel	9,096	5.4	8,631	8,439	7,848	7,505

<sup>1)</sup> Continuing and discontinued operations, not restated in accordance with IFRS 15  
Calculation of key indicators, see page 22



# Share Capital and per Share Data

EUR million	2018	2017	2016 <sup>1)</sup>	2015 <sup>1)</sup>	2014 <sup>1)</sup>
Share capital	292.2	292.2	292.2	292.2	292.2
Number of shares in issue, million	116.5	118.5	118.5	118.5	118.5
Adjusted number of shares in issue, million	116.5	118.5	118.5	118.5	118.5
Adjusted number of shares in issue less own shares, million	115.2	115.2	117.5	117.3	117.1
Adjusted average number of shares in issue less own shares, million	115.2	116.7	117.5	117.3	117.7
Cancellation of own shares, million	2.0	-	-	-	-
Earnings per share, continuing operations, EUR	1.08	0.80	1.08	1.04	0.47
Earnings per share, diluted, continuing operations, EUR	1.08	0.80	1.07	1.03	0.47
Earnings per share, excluding items affecting comparability, continuing operations, EUR	1.23	1.18	1.18	1.09	0.80
Earnings per share, diluted, excluding items affecting comparability, continuing operations, EUR	1.22	1.17	1.18	1.08	0.79
Earnings per share, continuing and discontinued operations, EUR	0.41	0.80	1.08	1.04	0.47
Earnings per share, diluted, continuing and discontinued operations, EUR	0.41	0.79	1.07	1.03	0.47
Earnings per share, excluding items affecting comparability, continuing and discontinued operations, EUR	0.87	1.18	1.18	1.09	0.80
Earnings per share, diluted, excluding items affecting comparability, continuing and discontinued operations, EUR	0.87	1.18	1.18	1.08	0.79
Equity per share, EUR	7.99	7.70	8.53	8.09	7.20
Total capital repayment/dividends		80.7	72.7	64.7	52.8
Capital repayment/dividend per share, EUR		0.70	0.62	0.55	0.45
Capital repayment/dividend % of earnings		87	57	53	95
Capital repayment/dividend % of earnings excluding items affecting comparability		59	52	51	56
Effective yield, %		3.0	2.5	2.0	2.8
P/E ratio	35.4	28.7	23.4	26.0	34.1
Market capitalization	4,421.0	2,660.5	2,971.6	3,164.7	1,880.7
Share value, EUR					
Par value	4.00	4.00	4.00	4.00	4.00
Share price low	21.00	19.81	22.78	15.37	13.76
Share price high	38.73	26.36	28.75	28.07	16.79
Average share price	29.13	22.13	25.46	22.57	15.26
Share price at closing date	38.37	23.09	25.28	26.97	16.06
Trading volume	2,743.6	2,521.3	2,038.4	1,733.6	1,151.7
1,000s	94,173	113,907	80,061	76,813	75,492
%	82	98	68	65	64
Number of shareholders	20,859	25,904	22,881	17,991	18,206

## Shares/shareholder at December 31, 2018

Shares	Share- holders	% of share- holders	Shares	% of shares
1–100	8,593	41.2	390,241	0.4
101–1,000	9,511	45.6	2,361,591	2.0
1,001–10,000	2,507	12.0	6,208,686	5.3
10,001–100,000	197	1.0	5,494,749	4.7
Over 100,000	51	0.2	100,765,478	86.5
Own shares held by the company		0.0	1,296,540	1.1
Total	20,859	100.0	116,517,285	100.0
of which nominee registered	12	0.1	65,157,622	55.9

## Sectors at December 31, 2018

Outside Finland and nominee registrations	56.9%
Public sector entities	12.4%
Financial and insurance corporations	9.5%
Households	11.6%
Non-profit institutions	6.6%
Private companies	1.9%
Own shares held by the company	1.1%
Total	100.0%

<sup>1)</sup> Continuing and discontinued operations, not restated in accordance with IFRS 15  
Calculation of key indicators, see page 22



# Calculation of Key Indicators

## EARNINGS PER SHARE:

Net result attributable to equity holders of the parent company  
Average number of shares adjusted for the bonus element of share issues

## EQUITY PER SHARE:

Shareholders' equity <sup>1)</sup>  
Number of shares at year-end adjusted for the bonus element of share issues

## CAPITAL REPAYMENT (DIVIDEND) PER SHARE:

Total capital repayment (dividend)  
Number of shares at year-end adjusted for the bonus element of share issues

## CAPITAL REPAYMENT (DIVIDEND) % OF EARNINGS:

100 x  $\frac{\text{Adjusted capital repayment (dividend)}}{\text{Net result}}$

## EFFECTIVE YIELD, %:

100 x  $\frac{\text{Adjusted capital repayment (dividend)}}{\text{Adjusted share price at closing date}}$

## P/E RATIO:

Adjusted share price at closing date  
Earnings per share

## MARKET CAPITALIZATION:

Number of shares at year-end multiplied by share price at closing date

## RETURN ON CAPITAL EMPLOYED (ROCE), %:

100 x  $\frac{\text{EBIT}}{\text{Capital employed}^{2)}$

## RETURN ON INVESTMENT (ROI), %:

100 x  $\frac{\text{Earnings before taxes + interest and other financing expenses}}{\text{Balance sheet total less interest-free liabilities}^{3)}$

## RETURN ON SHAREHOLDERS' EQUITY (ROE), %:

100 x  $\frac{\text{Earnings before taxes - taxes}}{\text{Shareholders' equity}^{4)}$

## DEBT TO EQUITY RATIO:

Interest-bearing liabilities  
Shareholders' equity

## FREE CASH FLOW/NET PROFIT:

Free cash flow  
Net result

## NET DEBT/EBITDA:

Interest-bearing liabilities - cash and cash equivalents  
EBIT + depreciation

<sup>1)</sup> Excluding non-controlling interests

<sup>2)</sup> Non-current assets + working capital excluding receivables and payables relating to interest and taxes, monthly average of the financial period

<sup>3)</sup> Monthly average of the financial period

<sup>4)</sup> Average of the financial period





# Financial Statements

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## Consolidated Income Statement

EUR million	Notes	2018	2017
<b>NET SALES</b>	2	2,678.2	2,574.6
Cost of goods sold	7	-1,457.2	-1,422.2
License income		5.4	5.5
Other operating income	4	7.4	6.2
Research and development expenses	7	-96.5	-111.4
Selling and marketing expenses	7	-725.4	-710.5
Administrative and other expenses	7, 8, 9	-203.0	-172.7
<b>EARNINGS BEFORE INTEREST AND TAXES</b>		208.9	169.5
% of net sales		7.8	6.6
Financing income	10	4.1	6.1
Financing expenses	10	-46.3	-32.7
Financing income and expenses, net		-42.2	-26.6
<b>EARNINGS BEFORE TAXES</b>		166.7	142.9
Income taxes	11	-41.8	-49.1
<b>NET RESULT FROM CONTINUING OPERATIONS</b>		124.9	93.8
Losses from discontinued operations	31	-77.4	-0.9
<b>NET RESULT</b>		47.5	92.9
Attributable to:			
Equity holders of the parent company		47.5	92.9
Earnings per share of the net result attributable to equity holders of the parent company, EUR	12		
Undiluted, continuing operations		1.08	0.80
Diluted, continuing operations		1.08	0.80
Undiluted, continuing and discontinued operations		0.41	0.80
Diluted, continuing and discontinued operations		0.41	0.79

## Consolidated Statement of Comprehensive Income

EUR million	Notes	2018	2017
Net result		47.5	92.9
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurement effects of postemployment benefit plans		-0.8	2.2
Income tax related to remeasurement effects		0.2	-0.5
Items that may be reclassified to profit or loss			
Translation differences		26.8	-28.0
Cash flow hedges	26	52.7	-68.4
Income tax related to cash flow hedges	26	-10.5	13.6
Other comprehensive income (loss), net of tax		68.4	-81.1
<b>TOTAL COMPREHENSIVE INCOME</b>		115.9	11.8
Total comprehensive income attributable to:			
Equity holders of the parent company		115.9	11.8

The notes are an integral part of consolidated financial information.





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# Consolidated Cash Flow Statement

EUR million	Notes	2018	2017
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>			
Earnings before interest and taxes, continuing operations		208.9	169.5
Earnings before interest and taxes, discontinued operations		-82.6	-1.7
Depreciation		73.7	69.4
Adjustments to cash flow from operating activities	22	62.5	15.1
Cash flow from operating activities before change in working capital		262.5	252.3
Increase (-) or decrease (+) in inventories		-82.1	2.6
Increase (-) or decrease (+) in trade and other current receivables		-18.1	-39.7
Increase (+) or decrease (-) in interest-free current liabilities		35.5	83.7
Change in working capital		-64.7	46.6
Cash flow from operating activities before financing items and taxes		197.8	298.9
Interest paid		-32.2	-29.9
Interest received		1.2	1.9
Income taxes paid and received		-40.2	-29.9
Financing items and taxes		-71.2	-57.9
Total net cash flow from operating activities		126.6	241.0
<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>			
Acquired operations		-245.2	-2.3
Capital expenditure on non-current tangible assets		-72.1	-65.2
Capital expenditure on non-current intangible assets		-15.5	-18.4
Proceeds from sale of tangible non-current assets		0.2	0.8
Net cash flow from investing activities		-332.6	-85.1

EUR million	Notes	2018	2017
<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>			
Repurchase of own shares		-4.3	-53.1
Change in short-term borrowings		160.9	-51.6
Withdrawals of long-term borrowings		351.5	-
Repayments of long-term borrowings		-330.4	-2.4
Capital repayment paid		-80.7	-72.7
Other financing items <sup>*)</sup>		1.4	23.7
Net cash flow from financing activities		98.4	-156.1
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>		-107.6	-0.2
Cash and cash equivalents			
Cash and cash equivalents at year end, continuing operations	14	249.6	358.4
Cash and cash equivalents at year end, discontinued operations		1.0	-
Translation differences		-0.2	-5.4
Cash and cash equivalents at year beginning		358.4	364.0
Change in cash and cash equivalents		-107.6	-0.2
<b>FREE CASH FLOW <sup>**) </sup></b>			
		34.9	161.3

<sup>\*)</sup> Including, for example, cash flow from hedging intercompany balance sheet items

<sup>\*\*)</sup>  Cash flow from operating activities - net capital expenditure - change in restricted cash  
Net capital expenditure = total capital expenditure less proceeds from sale of assets

The above figures cannot be directly traced from the balance sheet due to acquisitions/divestments of subsidiaries and changes in rates of exchange.



AMER SPORTS 2018

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# Consolidated Balance Sheet

## ASSETS

EUR million	Notes	2018	2017
<b>NON-CURRENT ASSETS</b>			
Intangible rights	13	376.0	247.8
Goodwill	13	439.2	344.3
Other intangible assets	13	60.8	57.1
Land and water	13	16.0	14.1
Buildings and constructions	13	78.2	73.9
Machinery and equipment	13	116.4	116.2
Advances paid and construction in progress	13	29.3	23.8
Non-current financial assets	14	0.9	0.4
Deferred tax assets	15	108.4	106.0
Other non-current receivables		10.0	6.1
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,235.2</b>	<b>989.7</b>
<b>CURRENT ASSETS</b>			
INVENTORIES, NET	16		
Raw materials and consumables		45.2	44.0
Work in progress		12.0	10.5
Finished goods		489.7	426.8
		546.9	481.3
RECEIVABLES			
Accounts receivable, net	16	620.7	589.1
Current tax assets		23.2	18.5
Prepaid expenses and other receivables	17	158.8	165.1
		802.7	772.7
CASH AND CASH EQUIVALENTS	14	249.6	358.4
<b>TOTAL CURRENT ASSETS</b>		<b>1,599.2</b>	<b>1,612.4</b>
Assets held for sale	31	69.0	-
<b>TOTAL ASSETS</b>		<b>2,903.4</b>	<b>2,602.1</b>

The notes are an integral part of consolidated financial information.

## SHAREHOLDERS' EQUITY AND LIABILITIES

EUR million	Notes	2018	2017
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY</b>			
Share capital	18	292.2	292.2
Premium fund	18	12.1	12.1
Fund for own shares	18	-27.8	-66.8
Translation differences	18	31.9	5.1
Fair value and other reserves	18, 26	14.7	-27.5
Remeasurements		-46.1	-45.5
Invested unrestricted equity reserve	18	9.7	90.4
Retained earnings		585.9	532.5
Net result		47.5	92.9
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>920.1</b>	<b>885.4</b>
<b>LIABILITIES</b>			
<b>LONG-TERM LIABILITIES</b>			
Bonds	19	475.4	516.8
Loans from financial institutions	19	300.3	100.7
Other interest-bearing liabilities	19	16.9	15.3
Deferred tax liabilities	15	81.0	31.3
Defined benefit pension liabilities	6	69.6	70.1
Other interest-free liabilities		36.0	33.9
Provisions	21	7.6	7.4
		986.8	775.5
<b>CURRENT LIABILITIES</b>			
Interest-bearing liabilities	19	213.6	186.3
Accounts payable		361.7	315.0
Accrued liabilities	20	304.3	353.3
Current tax liabilities		44.8	48.0
Provisions	21	37.6	38.6
		942.0	941.2
Liabilities held for sale	31	34.5	-
<b>TOTAL LIABILITIES</b>		<b>1,983.3</b>	<b>1,716.7</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>2,903.4</b>	<b>2,602.1</b>



# Consolidated Statement of Changes in Shareholders' Equity

						Restated			Restated	
EUR million	Share capital	Premium fund	Fund for own shares	Translation differences	Fair value and other reserves	Other OCI items	Remeasurements	Invested unrestricted equity reserve	Retained earnings	Total
Balance at January 1, 2017	292.2	12.1	-15.5	33.1	27.8	0.0	-47.2	163.1	537.5	1,003.1
Change in accounting principles (IFRS 9)						-0.8			0.8	0.0
Change in accounting principles (IFRS 15)									-2.2	-2.2
Other comprehensive income:										
Translation differences				-28.0						-28.0
Remeasurement effects of postemployment benefit plans							2.2			2.2
Cash flow and fair value hedges					-68.4	0.4			-0.4	-68.4
Income tax related to OCI					13.6	-0.1	-0.5		0.1	13.1
Net result, restated with IFRS 15 impact									92.9	92.9
Total comprehensive income				-28.0	-54.8	0.3	1.7		92.6	11.8
Transactions with owners:										
Repurchase of own shares			-53.1							-53.1
Share-based incentive program			1.8						0.5	2.3
Capital repayment								-72.7		-72.7
Other									-3.8	-3.8
Balance at December 31, 2017	292.2	12.1	-66.8	5.1	-27.0	-0.5	-45.5	90.4	625.4	885.4
Other comprehensive income:										
Translation differences				26.8						26.8
Remeasurement effects of postemployment benefit plans							-0.8			-0.8
Cash flow and fair value hedges					51.6	1.1				52.7
Income tax related to OCI					-10.3	-0.2	0.2			-10.3
Net result									47.5	47.5
Total comprehensive income				26.8	41.3	0.9	-0.6		47.5	115.9
Transactions with owners:										
Repurchase of own shares			-4.3							-4.3
Cancellation of shares			39.3						-39.3	0.0
Share-based incentive program			4.0						-0.2	3.8
Capital repayment								-80.7		-80.7
Balance at December 31, 2018	292.2	12.1	-27.8	31.9	14.3	0.4	-46.1	9.7	633.4	920.1

Note 18 provides additional information on shareholders' equity and note 26 on the fair value and other reserves.  
The notes are an integral part of consolidated financial information.



# Notes to the Consolidated Financial Statements

All figures related to the 2018 and 2017 financial years in the Notes to the consolidated income statement refer to Amer Sports continuing operations unless otherwise stated. Figures related to the closing balances as of December 31, 2018 in the Notes to the consolidated balance sheet refer to Amer Sports continuing operations unless otherwise stated. As required by the reporting standards, all income and expenses of the Cycling business are reported as discontinued operations for 2018 and comparative figures for 2017 are adjusted accordingly. Balance sheet items related to Cycling business are reported under assets and liabilities held-for-sale as of September 2018 onwards.

The comparative figures for 2017 have been restated in accordance with IFRS 15 Revenue from contracts with customers and IFRS 9 Financial instruments.

## 1. ACCOUNTING POLICIES

### General

Amer Sports Corporation is a Finnish public listed company that has its domicile in Helsinki.

Amer Sports Corporation and its subsidiaries ("the Group") manufacture, sell and market sports equipment, apparel and footwear to the sports equipment trade and direct to consumer. The Group's business is founded on its globally recognized brands – the major brands are Salomon, Wilson, Arc'teryx, Atomic, Peak Performance, Suunto and Precor. The Cycling brands Mavic and Enve are reported under discontinued operations and the related assets and liabilities have been classified as assets and liabilities held-for-sale.

The Group shared sales network covers 34 countries. The Group's main market areas are the United States and Europe.

These financial statements were authorized for issue by the Board of Directors on February 7, 2019.

### Basis of preparation

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards approved for use in the EU (IFRS), observing the IAS and IFRS standards and SIC and IFRIC interpretations in

force as of December 31, 2018. In the Finnish Accounting Act and the provisions issued under it, International Financial Reporting Standards refer to standards approved for use in the EU in accordance with the procedure laid down in the EU regulation (EC) No 1606/2002, and their interpretations.

The consolidated financial statements are presented in millions of euros and have been prepared under the historical cost convention with the exception of financial assets measured at fair value through OCI, share based payments, financial assets and liabilities measured at fair value through profit and loss as well as derivative financial instruments at fair value.

### New and amended standards and interpretations

The Group has applied the following new and revised standards, amendments and interpretations that became effective as of January 1, 2018:

- IFRS 2 (amendment): Share-based payment – no material impact
- IFRS 9: Financial instruments
- IFRS 15: Revenue from contracts with customers
- Small changes to various standards or interpretations as part of the annual improvements to IFRS project – no material impact

The following standards that are issued but not yet effective and will be adopted in 2019 or later (subject to EU endorsement):

- IFRS 16: Leases
- IFRS 17: Insurance contracts – no material impact
- IFRS 10 (amendment): Consolidated financial statements – no material impact
- IAS 12 (amendment): Income taxes
- IAS 19 (amendment): Employee benefits – no material impact
- IAS 28 (amendment): Investments in associates – no material impact
- IFRIC 23: Uncertainty over Income Tax Treatments
- Small changes to various standards or interpretations as part of the annual improvements to IFRS project – no material impact

Amer Sports applied the standard *IFRS 9 Financial instruments* for the first time from January 1, 2018. IFRS 9 gives guidance on the classification, measurement and impairment of the financial instruments as well as hedge accounting and derecognition of financial instruments. IFRS 9 replaced the standard IAS 39. The key impacts arising from the adoption of IFRS 9 were:

### (I) Changes in the classification of financial assets and liabilities

Under IFRS 9, financial assets and liabilities are measured at fair value through profit or loss, amortised cost or at fair value through OCI. The classification is based on two criteria: the Group's business model for managing the assets, and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding. The assessments of Amer Sports business model and whether the contractual cash flows on the instruments are solely comprised of principal and interest were made on the date of the initial application January 1, 2018.

Amer Sports reclassified its non-current and current financial assets under IFRS 9. The non-current financial assets, which were previously classified as 'Available-for-sale financial assets', were reclassified to 'Financial assets at fair value through OCI'. The other non-current financial assets were reclassified as 'Financial assets measured at amortised cost' replacing the previous classification 'Loans and other receivables'. The hold-to-collect accounts receivables, other non-interest yielding receivables, cash in hand and short term deposits were classified as 'Financial assets measured at amortised cost' instead of the previous classification of 'Loans and other receivables'. The available-for-sale factoring receivables, promissory notes and investments on money market funds were classified as 'Financial assets at fair value through OCI', previously classified as 'Loans and other receivables'. The changes in the classification did not have any impact on the recognition or measurement of Amer Sports financial assets.



IFRS 9 did not bring any changes to Amer Sports classification and measurement of financial liabilities.

### *(III) Impairment of financial assets*

The impairment model under IFRS 9 requires the recognition of the impairment provisions based on ECLs (Expected Credit Losses) instead of on the incurred credit losses under IAS 39. Amer Sports applied the provision matrix as a practical expedient for measuring ECLs on trade receivables, contract assets and lease receivables with no significant financing component. The credit loss allowance was measured at an amount equal to the lifetime expected credit losses. The ECL model is forward-looking and the expected default rates are based on the realized credit losses in the past. The lifetime ECL allowances were calculated using the gross carrying amounts of the outstanding trade receivables and the expected default rates. The change in the impairment model under IFRS 9 did not have any material impact on Amer Sports financial statements.

### *(III) Hedge accounting*

The hedge accounting model under IFRS 9 simplifies the hedge accounting and aligns the hedge accounting more closely with the risk management strategy and objectives. IFRS 9 allows derivatives that hedge non-financial components of a price risk and that are separately identifiable and measurable to be designated in a hedge relationship for that risk component only. Under IAS 39 non-financial components were prohibited from being designated as hedged items. Amer Sports has not used this option. IFRS 9 allows the time value of options to be excluded from the designation of a hedging instrument and accounted for as a cost of hedging. The fair value changes in the time value of options were recognized in Other comprehensive income. They are reclassified from equity to profit and loss in the same period or periods during which the expected future cash flows impact the profit and loss. This reduces the volatility in the income statements compared to IAS 39. As a result of this reclassification, the opening balance of retained earnings January 1, 2017 increased by EUR 0.8 million being fully offset by the adjustment of the new equity class 'Other OCI items' leaving no impact on the total shareholders' equity. Under IFRS 9 the retrospective effectiveness testing as under IAS 39 is removed. The ineffectiveness of the hedges

previously used by Amer Sports was very minor or non-existent.

The impact from the reclassification of the time value of options from the profit and loss to the Other OCI items is included in the restated 2017 figures.

Amer Sports applied the standard *IFRS 15 Revenue from contracts with customers* for the first time from January 1, 2018 and restated the comparison information for the financial year 2017 according to the full retrospective method. IFRS 15 supersedes IAS 11 Construction contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programs and related interpretations.

IFRS 15 applies to revenue recognized from the contracts with Amer Sports customers and outlines the accounting requirements for when and how much to recognize revenue from the sale of goods and rendering of services based on a five-step framework. Revenue is recognized at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring promised goods or services to a customer when the control transfers to the customer either over time or at a point in time.

Amer Sports has restated the 2017 figures and disclosed them in a separate transition document (stock exchange release date April 13, 2018), which is available on [www.amersports.com](http://www.amersports.com). The accumulated effect of the retrospective application of EUR -2.2 million was recognized by adjusting the opening balance of the retained earnings of the earliest comparative period presented, which for Amer Sports was the financial period beginning of January 1, 2017. The restated figures for the financial year 2017 are used in these consolidated financial statements. The key impacts arising from the adoption of IFRS 15 were:

### *(I) Principal vs. agent consideration*

Amer Sports provides freight services in all its operating segments and installation services in its Fitness segment. Previously the revenue from both the freight and installation services were netted against the related expenses. As Amer Sports has the primary responsibility of providing the freight and/or installation service towards the customer, choosing the pricing of the service, and using third party service providers only to deliver the services, Amer Sports acts as a principal. As a result, both freight and installation revenue as well as the related expenses were recognized as

gross amounts. This led to increased net sales fully offset by increased cost of goods sold leaving no impact on EBIT.

### *(II) Transfer of control*

As a result of more detailed requirements from IFRS 15 with respect to the transfer of control, Amer Sports harmonized and sharpened its accounting principles and practices. The impact of this harmonization in the consolidated financial statements was not material.

### *(III) Other IFRS 15 areas*

The other identified IFRS 15 areas that were applicable to Amer Sports business were trade discounts, customer sales with right of return, customer loyalty campaigns, gift card breakage and extended payment terms. The impact of these adjustments on the consolidated income statement was not material.

The new standard *IFRS 16 Leases* replaces the current standard IAS 17 *Leases* as well as IFRIC 4 *Determining whether an Arrangement contains a lease* and other related interpretations. IFRS 16 sets out the principles for the recognition and measurement of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting of finance leases under IAS 17. At the commencement date of a lease, a lessee will recognise a lease liability and an asset representing the right of use of the underlying asset during the lease term. The lessee is required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. The lessee is also required to remeasure the lease liability upon the occurrence of certain events, e.g. a change in the lease term. The lessee recognizes the amount of the remeasurement of the lease liability in general as an adjustment to the right-of-use asset.

Amer Sports will adopt the new standard IFRS 16 from the annual period beginning on January 1, 2019 using the modified retrospective method. The comparison information for the prior periods is not therefore restated. Amer Sports elects to apply the standard to contracts that were previously identified as leases under IAS 17 and IFRIC 4. Amer Sports will therefore not apply the standard to contracts that were not previously identified as containing a lease under IAS 17 and IFRIC 4. Amer Sports elects to use the exemptions proposed by the standard on lease contracts for which the



lease term is shorter than 12 months as of the date of the initial application January 1, 2019, and on lease contracts for which the underlying asset is of low value (e.g. laptops, mobile phones).

Amer Sports recognizes the lease liability measured at the present value of the remaining lease payments and discounted using the lessee's incremental borrowing rate the date of initial application January 1, 2019. The right-of-use asset is measured on transition on a lease-by-lease basis by measuring the asset at an amount equal to the lease liability adjusted by the amount of any prepaid or accrued lease payments recognized immediately before the date of initial application.

Amer Sports operating lease contracts consist mainly of cars and real estates (e.g. retail stores, offices, warehouses).

According to IFRS 16 the lease term for contracts with an indefinite lease term is determined based on the notice period when the lessee is able to terminate the lease contract. In those cases where the notice period is short and the leased real estate is material, Amer Sports will use management judgement to determine the lease term to give a correct picture. The aspects that the management will consider are the time Amer Sports has been renting the real estate, the time Amer Sports is planning to continue to rent the premises as well as the planning horizon of the business.

Restoration costs related to the lease real estates are capitalized in the inception of the lease contracts and depreciated during the lease term. In those cases where the restoration costs are not determined in the lease contract but Amer Sports has the refurbishment obligation, the management uses judgement to estimate the restoration costs.

Amer Sports estimates that the standard has significant implications on the recognition of the lease expenses, non-current assets, interest-bearing liabilities as well as on the key financial ratios. Due to the great volume of the lease contracts and related liabilities Amer Sports expects to report significant increases in ROU assets and leasing liabilities. The off-balance sheet operating lease commitments as of December 31, 2018 were EUR 238.6 million for the continuing operations. The number of agreements recognized in the balance sheet under IFRS 16 may differ from the number of agreements recognized as operating lease commitments as the concept of agreements disclosed as lease commitments is somewhat different from the concept used in IFRS 16. Due

to the adoption of IFRS 16 Amer Sports operating profit will improve as according to the standard the accounting of lease expenses will change and a portion of the lease expenses under IAS 17 will be reported as interest expenses under IFRS 16.

In 2017, Amer Sports collected data of the existing lease contracts, evaluated potential tools for creating the journal entries according to IFRS 16 and created account structures in the ERP systems. During 2018, Amer Sports implemented the selected lease accounting tool, designed the lease accounting processes, posting logic and user manuals as well as organized group-wide trainings.

Other new and revised IFRS and IAS standards, amendments and interpretations that are issued but not yet effective are not expected to have any material impact in the Group's financial statements.

### Principles of consolidation

The consolidated financial statements include all subsidiaries in which the parent company holds directly or indirectly more than half of the votes or otherwise controls the subsidiary. Companies acquired during the financial year have been included in the consolidated financial statements from the date when control was obtained. Similarly, divested subsidiaries are included up to the date when control has been relinquished.

The ownership of the subsidiary shares within the group has been eliminated using the acquisition method. The transferred consideration and all the identifiable assets and liabilities of an acquired company are measured at fair values at the date of acquisition. Goodwill is recognized as the amount by which the total transferred consideration exceeds the fair value of the acquired net assets. The potential additional purchase price is measured at fair value on the balance sheet date and the related profit or loss is booked in the income statement. Goodwill is not amortized, but its value is tested for impairment at least once a year by means of a cash flow analysis (see impairment of assets below). Impairment losses are booked in the income statement.

Intercompany transactions as well as intercompany receivables and liabilities are eliminated.

### Foreign currencies

The transactions in subsidiaries' financial statements are valued in the currency of the country where the subsidiary

operates ("functional currency"). The Group financial statements are presented in euros, which is the functional currency of the parent company and the presentation currency of the Group. The assets and liabilities of foreign subsidiaries are translated into euros at the closing exchange rates confirmed by the European Central Bank on the balance sheet date. The income statement is translated into euros by consolidating each calendar month separately using the actual daily average rate for the month, whereby the sum of the twelve calendar months represents the whole year. Translation differences arising from the translation of the net investment in foreign operations are booked to translation differences in other comprehensive income. Intercompany long-term capital loans that are not expected to be repaid are considered as a part of the company's net investment in the foreign operation and are treated similarly.

The following exchange rates have been used in the consolidated accounts:

	Income statement <sup>*)</sup>		Balance sheet	
	2018	2017	12/18	12/17
USD	1.18	1.13	1.15	1.20
CAD	1.53	1.46	1.56	1.50
JPY	130.50	126.61	125.85	135.01
GBP	0.88	0.88	0.89	0.89

<sup>\*)</sup> Calculated average of the monthly average rates

Group companies record transactions in foreign currencies at the rate on the transaction date or at an estimated rate sufficiently close to the rate on the transaction date. Assets and liabilities denominated in foreign currencies that are outstanding at the end of the financial year are translated at the closing rate of exchange in effect on the balance sheet date.

Foreign exchange gains and losses related to operational transactions are presented in EBIT (Earnings before Interest and Taxes). Exchange rate gains and losses on foreign currency-denominated loans and other receivables and liabilities connected with financing transactions are recorded at their net values as financing income and expenses.

### Derivatives and hedge accounting

The company's derivative instruments may include foreign exchange forward contracts and options, interest rate swaps



and interest rate options and cross-currency swaps. Foreign exchange forward contracts and options are used to hedge against changes in the value of receivables and liabilities denominated in a foreign currency and interest rate swaps and interest rate options to hedge against the interest rate risk. Cross-currency swaps are used to hedge against changes in value of foreign currency denominated receivables and liabilities and against the interest rate risk.

Foreign exchange forward contracts and options, interest rate swaps and options and cross currency swaps are measured at fair value on the day that the Group becomes a party to the contract. Subsequent measurement is also at fair value. Foreign exchange derivatives are measured at fair value using the closing rates quoted by the European Central Bank on the reporting date together with common pricing models that are used for valuation of foreign exchange forward contracts and options. The fair values of interest rate and cross currency swaps are calculated as the current value of future cash flows. Interest rate options are valued with year-end interest rates together with common option pricing models.

Gains and losses from fair value measurement are treated in accordance with the purpose of the derivative financial instrument. For maturities below 12 months after the balance sheet date, the fair value of the derivatives is presented in prepaid expenses and other receivables or accrued liabilities. For maturities over 12 months, the fair value is presented in other non-current receivables or other interest-free liabilities.

Changes in the value of derivative instruments, which do not qualify for hedge accounting are recorded as financing income and expenses, except for when they are associated with hedging the cash flow from operating activities, in which case they are recorded in other operating income and expenses.

The Group applies cash flow and fair value hedge accounting to foreign exchange derivatives that hedge material cash flows from operating activities and to interest rate swaps and cross currency swaps hedging against the interest risks and fair value changes associated with floating rate loans denominated in foreign currency. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges, in accordance with IFRS 9, is recognized in the fair value and other reserves under shareholders' equity. Any ineffective component,

however, will be immediately recognized in the income statement. The cumulative change in gains or losses for the effective hedges is transferred to the income statement for the period when the hedged item is recorded in the income statement.

When a hedging instrument expires, is sold, or if the hedge does not meet the requirements set for hedge accounting under IFRS 9, any cumulative gain or loss recorded in equity remains in equity until the forecasted transaction is recorded in the income statement. When the forecasted cash flow is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately recorded in financing income and expenses in the income statement in the case of an interest rate hedge and in other operating income and expenses in the case of an operating cash flow hedge.

When initiating hedge accounting, the Group documents the correlation between the hedged item and the hedging instruments, as well as the Group's risk management objective and hedge initiation strategy. The Group documents and evaluates the effectiveness of hedges when initiating hedging and on a quarterly basis by examining the degree to which the hedging instrument offsets changes in the fair value and cash flow of the hedged item.

The Group does not hedge the net investment in foreign subsidiary operations with derivatives.

### Measurement of financial assets

In accordance with IFRS 9 *Financial Instruments*, financial assets are categorized as:

- I. financial assets at fair value through profit or loss
- II. financial assets measured at amortised cost
- III. financial assets at fair value through OCI

The classification of financial assets at initial recognition depends on the contractual cash flow characteristics of the financial asset and the Group's business model for managing them. All purchases or sales of financial assets are recognized on the settlement date.

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Derivatives are classified at fair value through profit

and loss unless they are designated as effective hedging instruments.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss. Assets in this category are classified as current assets, except for maturities over 12 months after the balance sheet date.

The Group measures financial assets at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. Financial assets are included in current assets, except for maturities over 12 months after the balance sheet date.

The Group's financial assets at amortized cost includes accounts receivables, other non-current financial assets and other non-interest yielding receivables.

The Group measures financial assets at fair value through OCI if both of the following conditions are met:

- the financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI.

Financial assets at fair value through OCI are measured at their fair value by applying the market prices at the balance sheet date or some other determination of value used by the company. The change in fair value is presented in fair





value and other reserves under shareholders' equity. Fair value changes are transferred from shareholders' equity to the income statement when the asset is sold or its value has been impaired such that an impairment loss must be recognized. Financial assets at fair value through OCI whose fair value cannot be determined reliably are measured at cost or a lower value if they are impaired. Financial assets at fair value through OCI are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months after the balance sheet date.

On each closing date, the Group assesses whether there is objective evidence for the impairment of a financial asset item or class. A significant or prolonged decline in the fair value of a financial asset below its cost is seen as evidence that the assets are impaired. The impairment loss is recorded as a charge to earnings in financing items. Impairment losses are not reversed through financing items.

### Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits held at call with banks, investments on money market funds as well as readily realizable marketable securities.

### Financial liabilities

In accordance with IFRS 9 *Financial Instruments*, financial liabilities are categorized as:

- I. financial liabilities at fair value through profit or loss
- II. financial liabilities measured at amortized cost

Financial liabilities at fair value through profit or loss include derivatives that are classified at fair value through profit and loss unless they are designated as effective hedging instruments.

Financial liabilities measured at amortized cost are initially carried at fair value. Transaction costs are included in the original carrying amount of financial liabilities. All financial liabilities are subsequently carried at amortized cost using the effective interest rate method. Financial liabilities are classified as current liabilities, except for maturities over 12 months after the balance sheet date, in which case they are classified as long-term liabilities.

Current financial liabilities include current interest-bearing liabilities, accounts payable and other current liabilities. Accounts payable correspond primarily trade payables. They also include payables that have been

transferred to vendor financing program, as there is no material difference in the nature or terms of the liabilities compared to other trade payables.

Long-term financial liabilities include long-term interest-bearing liabilities and other interest free liabilities.

### Revenue recognition

Amer Sports is in the business of selling technically advanced sports equipment, footwear and apparel. Revenue from contracts with customers is recognised at the point in time when control of the goods and services is transferred to the customer at an amount that reflects the consideration to which Amer Sports expects to be entitled in exchange for those goods and services. Amer Sports has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods and services before transferring them to the customer. These revenue arrangements relate to freight services in all Amer Sports operating segments and to installation services in the Fitness segment. The revenue from the freight services is recognized at a point in time generally upon the delivery of the goods when the control has been transferred to the customer. Also the revenue from the installation services is recognized at a point in time generally after the customer has approved the installed equipment.

If the consideration in a contract includes a variable amount, Amer Sports estimates the amount of consideration to which it is entitled in exchange for transferring the goods and services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of recognized accumulated revenue will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Contracts can provide the customers with a right of return, volume rebates, performance bonuses, payment term discounts and other discounts. The rights of return, volume rebates and discounts give rise to variable consideration.

Certain contracts provide a customer with a right to return the goods within a specified period. This relates mainly to the ecommerce business. Amer Sports uses the expected value method to estimate the goods that will be returned. For goods that are expected to be returned, Amer Sports recognizes a refund liability and a corresponding adjustment to the revenue. A right of return asset and a corresponding

adjustment to cost of goods sold is recognized for the right to recover products from the customer.

Amer Sports provides volume rebates and performance bonuses to certain wholesale customers. The rebates and performance bonuses are granted when the customers' purchases from Amer Sports exceed the threshold specified in the contract. Rebates and performance bonuses are offset against the trade receivables. Amer Sports applies mainly the expected value method to estimate the variable consideration for the expected future rebates and performance bonuses as the method best predicts the amount of variable consideration.

Amer Sports offers consumers certain loyalty campaigns where discount vouchers and credit points are granted to consumers. The loyalty points give usually rise to a separate performance obligation as they provide a material right to the consumer. A portion of the transaction price is allocated to the loyalty points based on the relative stand-alone selling prices and recognized as a contract liability until the points are redeemed. The likelihood that the consumer redeems the points is taken into account when the stand-alone selling price of the loyalty points is estimated. Revenue is recognized upon redemption of products by the customer.

Amer Sports offers certain customers extended payment times that exceed the normal payment times and can vary between 12 to 36 months. The revenue is recognized according to the value what the customer would have paid if the transaction was settled in cash being the expected value determined by using a discount rate to estimate the present value of the consideration. The revenue is recognized at the time when the control of the products is transferred to the customer. The loan receivables related to these sales are recognized in accordance with IFRS 9. The financing component is separate from the actual product revenue and recognized as interest income during the contract time when the customer pays in arrears. If the customer pays in advance, the financing component is recognized as interest expense. The discount rate shall be the rate that would be reflected in a separate financing transaction between Amer Sports and its customers at contract inception.

Amer Sports sells gift cards to consumers. The sold gift cards may not be fully redeemed and the unused amounts – the breakage – are recognized according to the expected value based on the historical breakage pattern.





Amer Sports provides typically warranties that promise the customer that the delivered product is as specified in the contract and covers general repairs for defects that existed at the time of sale, as required by law. These assurance-type warranties are accounted for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets. In the Fitness business certain customers are provided with service-type warranties where the warranty provides a service to the customer beyond fixing defects that existed at the time of sale. The service-type warranty represents a distinct service and is a separate performance obligation. A portion of the transaction price is allocated to the warranty based on its estimated stand-alone selling price. Revenue allocated to the warranty is deferred and recognized over the period in which warranty service is provided.

Amer Sports pay sales commissions to its employees as well as to external sales representatives. Amer Sports applies the optional practical expedient for costs to obtain customer contracts that allow the costs to be immediately expensed as the amortization period would have been below 12 months. The sales commissions are reported as selling and marketing expenses. The sales commissions paid to employees are included under Employee benefits.

Net sales represent the invoiced value of goods, less value added taxes as well as discounts, incentives and rebates earned by customers and adding or subtracting foreign exchange differences. Net sales is one of the key measures in Amer Sports.

Revenue obtained from other companies is booked to license income when these companies manufacture or sell products bearing Amer Sports trademarks. In addition, license income includes royalty payments obtained from other companies when they utilize manufacturing technology patents owned by Amer Sports. License income based on fixed license agreements is recognized evenly throughout the financial year. License income determined by sales volumes is recognized during the financial year as the licensee generates sales revenue. The non-refundable minimum guarantees related to certain licensing agreements are for functional immaterial properties, where the guarantee revenue is recognized at the point in time the control of the license is transferred to the customer.

Other operating income comprises rental income, gains on the sale of non-current assets as well as other non-recurring income, such as patent settlements.

### Cost of goods sold

The cost of goods sold includes all the salaries and wages, materials, procurement and other costs connected with the manufacture and purchase of products.

### Research and development

Research expenses are recognized as expenses when they are incurred. Product development expenses are capitalized when they meet the recognition criteria according to IAS 38 Intangible Assets.

### Selling and marketing expenses

Expenses related to the sales, distribution, marketing and advertising of products are booked to selling and marketing expenses. These include sales inventory, customer service, marketing and sales, media advertising expenses and athlete endorsements.

### Administrative and other expenses

Administrative and other expenses encompass Group Headquarters' expenses, general administration expenses, as well as minor one-off losses such as losses on disposals of non-current assets.

### Pension plans

The Group's pension arrangements comply with the local rules and practices of the countries where Amer Sports operates. The Group's pension arrangements are either defined contribution or defined benefit plans. Under defined contribution based plans, such as the Finnish TyEL employment pension system, the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions. In defined contribution plans, the Group's contributions are recorded as an expense in the period to which they relate.

Defined benefit plans are post-employment benefit plans other than defined contribution plans. In defined benefit plans, the pension expenses recognized in the income statement are determined using the projected unit credit method which calculates the present value of the obligation and the related service costs. The pension liability is measured by calculating the present value of future pension obligations, discounted using the market yield on high quality corporate bonds or government bonds in countries where there is no deep market for such bonds.

Fair value of plan assets is deducted from present value of obligation and net liability (asset) is presented in balance sheet. All actuarial gains and losses ("remeasurements") relating to post-employment benefits are recognized in full in other comprehensive income. For other long-term employee benefits, the Group recognizes actuarial gains and losses immediately in profit or loss. All past service costs are recognized immediately in the income statement. Net interest expense (income) is determined based on the net defined benefit liability (asset) and the discount rate at the beginning of the year. Expenses related to defined benefit post-employment plans are reported as follows:

- service cost: above EBIT
- net interest expense: in financing expenses
- remeasurement components: under other comprehensive income

### Share-based payment

The Group's key employees have been granted several share-based incentive schemes where the rewards are settled as equity instruments. The rewards are measured at fair value at the time of granting using generally accepted valuation models and recognized as expenses in the income statement in even installments over the vesting period of the rights. The income effect of the arrangements is presented as employee benefits in the income statement.

### Earnings before interest and taxes (EBIT)

Earnings before interest and taxes is a net amount which is derived from net sales by deducting the cost of goods sold and the research and development, selling, marketing, administrative and other expenses and adding license income and other operating income. Foreign exchange differences related to operational transactions are presented in EBIT whilst other foreign exchange differences are recorded as financing income and expenses.

### Non-current assets held for sale and discontinued operations

A non-current asset or a disposal group of assets and liabilities is categorized as held for sale when the economic benefits gained from it will be accrued primarily from its sale rather than from continuous use. Non-current assets or disposal groups held for sale are measured at the lower of carrying amount or fair value less selling costs and disclosed



as a separate line item in the balance sheet. These assets are not depreciated.

Discontinued operations refer to a significant part of the company (such as a segment) that it has decided to discontinue. The net result of discontinued operations is disclosed on its own line in the income statement, separately from continuing operations.

### Income taxes

Taxes include the taxes for the financial year calculated on the basis of the result for the period and in accordance with the tax legislation of each company's local domicile as well as assessed or returned taxes for previous financial periods and the change in deferred taxes.

Deferred tax assets and liabilities are calculated on all temporary differences between the book and tax base of assets in accordance with the tax rate at the balance sheet date or with the substantially enacted future tax rate. Temporary differences arise from factors such as unused tax losses, depreciation differences, provisions, defined benefit pension plans, the fair valuation of derivative financial instruments, the internal inventory margin as well as measurements to fair value of assets in connection with business acquisitions. The tax effect of undistributed earnings of subsidiaries is recorded as a deferred tax liability if a dividend payout is probable and it will result in tax consequences. A deferred tax asset is recognized as a result of unused tax losses and other temporary differences to the extent that it is probable that these can be utilized in future financial periods. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same tax authority.

### Earnings per share

The undiluted earnings per share are calculated by dividing the net result for the financial year less interest on the hybrid bond (net of tax) by the weighted average number of shares outstanding during the financial year. The dilutive effect of warrants and shares granted on the basis of share-based incentive plans is taken into account in calculating diluted earnings per share.

The effect of share issues on previous years' earnings per share is taken into account by using a share issue ratio.

### Government grants

Government grants related to R&D activities are recorded as adjustments to expenses, except when they relate to investments, in which case they are deducted from the cost. General grants are reported under other operating income.

### Intangible rights and other intangible non-current assets

Intangible rights comprise trademarks and patents. Other intangible assets include for example software licenses. Patents and software licenses are recognized in the balance sheet at cost and amortized on a straight-line basis during a useful life of three to fifteen years. Trademarks with indefinite useful lives are not amortized, but tested for impairment on an annual basis (see impairment of assets below). Development expenses are capitalized when they meet the recognition criteria in IAS 38 and amortized during their useful lives.

### Tangible non-current assets

Tangible non-current assets are stated at cost less accumulated depreciation and any impairment losses (see impairment of assets below).

Depreciation is calculated on a straight-line basis in order to write down the cost of the tangible assets to their residual values over their expected useful lives, adjusting for any impairment. The depreciation periods are:

Buildings and constructions	25–40 years
Machinery and equipment	3–10 years

Land and water are not depreciated.

### Impairment of non-current assets

The carrying amounts of non-current tangible and intangible assets are assessed by means of impairment tests whenever there is an indication of impairment. Any impairment of goodwill and other intangible rights having an indefinite useful life are nevertheless assessed at least once a year.

Impairment tests involve measuring the recoverable amount of said asset. The recoverable amount is the higher of the asset's net selling price or cash flow-based value in use. An impairment loss is recognized in the income statement when the carrying amount of an asset is greater than the recoverable amount. Impairment recognized on assets other

than goodwill is reversed if a change occurs in the estimates leading to the impairment charge. An impairment loss is reversed to a maximum amount that does not exceed the carrying amount of the asset if impairment would not have been originally recognized.

The recoverable amount of goodwill and other intangible rights with indefinite useful lives is determined via fair value less cost of selling or higher cash flow-based value-in-use (impairment tests of these items are more closely explained in note 7).

In the cash flow-based impairment calculations for other intangible rights and property, plant and equipment, cash flows are recognized so that the first three years are based on the budgets and strategic plans for the next three years as approved by the Group's Board of Directors. In the calculations, later years are estimated conservatively according to the growth assumptions made in the three-year plans. The residual values used in the calculations are estimates of the probable net selling prices of the asset items.

The discount rate in the calculations is based on the long-term risk-free market interest rates and on generally used standard risk premiums (the key assumptions of the discount rate are presented more closely in the note 7).

### Lease agreements

Lease agreements relating to tangible assets, in which the Group retains a significant part of the ownership risks and rewards, are classified as finance lease agreements. A finance lease agreement is recorded on the balance sheet at the lower of the asset's fair value or the present value of minimum lease payments, and it is depreciated. Lease obligations are included in interest-bearing liabilities. Other leasing payments are treated as rental expenses.

### Inventories

Inventories are measured at the lower of cost calculated according to the FIFO principle or the net realizable value. For self-manufactured products, the cost includes direct wage and raw material costs for the manufacture of the products as well as a portion of the indirect costs of manufacture. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

**Shareholders' equity**

An equity instrument is recorded in the shareholders' equity if the instrument includes no contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the issuer.

The subscription proceeds from share issues are booked to invested unrestricted equity reserve to the extent that they are not, in accordance with a shareholders' resolution, booked to the share capital. The transaction costs of the share issues are charged to retained earnings net of tax.

The acquisition cost of repurchased own shares is charged to equity until the shares are cancelled or reissued.

Any dividend or repayment of capital proposed by the Board of the Directors is not deducted from distributable shareholders' equity until approved at the Annual General Meeting.

**Provisions**

Obligations arising as the consequence of a past event, which are legal or which the company has an actual obligation to settle and are considered certain or likely to occur, are booked in the income statement under an appropriate expense heading. They are presented in the balance sheet as provisions when it is probable that the resources will be transferred out of the Group but the precise amount or timing is not known. In other cases they are presented as accrued liabilities. The most important regular provisions are due to the repair or replacement of products during the warranty period. These provisions are determined on the basis of historical experience. A provision for reorganization is made when the Group has drawn up a detailed reorganization plan and announced the reorganization. Long-term provisions are discounted.

**Use of estimates in the financial statements**

When preparing the financial statements, the Group's management has to make estimates and assumptions influencing the content of the financial statements and it must exercise its judgment regarding the application of accounting policies. The most important of these estimates and assumptions are related to impairment of goodwill and other asset items, such as trademarks, property, plant and equipment, inventories and accounts receivable;

provisions for reorganization, warranty and legal proceedings; evaluation of pension liabilities and share-based payments schemes as well as the future utilization of deferred tax assets. Actual results may differ from these estimates. Any changes in the estimates and assumptions are recognized in the period in which the estimate or assumption is revised.

**Critical accounting estimates and assumptions***Pension plans*

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (or income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

Amer Sports determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. Other key assumptions for pension obligations are based in part on current market conditions (see note 6).

Net liability recognized for defined benefit pension plans related to the continuing operations was EUR 69.6 million as of December 31, 2018.

*Share-based payment*

The Group key employees have been granted several share-based incentive schemes where the rewards are settled as equity instruments. The rewards are measured at fair value at the time of granting using generally accepted valuation models and periodized as expenses in the income statement in even installments over the vesting period of the rights. The income effect of the arrangements is presented as employee benefits in the income statement. Assessment is also made whether share-based incentives are settled with cash or equity instruments.

Expenses recognized for the share-based incentive schemes for the year ended December 31, 2018 amounted to EUR 13.6 million.

*Income taxes*

Management judgment is required in determining provisions for income taxes, deferred tax assets and liabilities and the extent to which deferred tax assets can be recognized. As of

December 31, 2018, the company has recognized net deferred tax assets of EUR 27.4 million on tax loss carry forwards and other temporary differences. The Group is also subject to income taxes in various jurisdictions. Judgment is required in determining the Group's provision for income taxes. There may be transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group anticipates questions arising in tax audits and recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

*Impairment of non-current assets*

The carrying amounts of non-current tangible and intangible assets are assessed by means of impairment tests whenever there is an indication of impairment.

Any impairment of goodwill and other intangible assets having an indefinite useful life are nevertheless assessed at least once a year. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates. As of December 31, 2018, the amount of goodwill and other non-current intangible assets with indefinite useful lives tested for impairment amounted to EUR 439.2 million and EUR 360.2 million, respectively. No impairment losses were recognised in these assets in 2018 or 2017 related to the continuing operations. Management estimates, used assumptions as well as sensitivity analyses are presented in note 7.

Impairment losses related to the capitalised R&D expenses and other intangible non-current assets in the continuing operations were EUR 2.5 million in 2018 (16.7%).

*Inventories*

The Group periodically reviews its inventories for excess amounts, obsolescence and declines in market value below cost and records an allowance against the inventory balance for any such declines. These reviews require management to estimate future demand for products. If the future demand for Group's products was weaker than anticipated or the market conditions deteriorated, the value of inventories would likely have to be written down. As of December



31, 2018, the amount of inventories on the balance sheet amounted to EUR 546.9 million related to the continuing operations. Value of inventories has been decreased by EUR 21.4 million for the year ended December 31, 2018 to correspond to its net realizable value in the continuing operations.

#### *Accounts receivable*

Accounts receivable are carried at the original invoiced amount less expected credit losses and credits for returns and trade discounts. The expected credit losses are measured at an amount equal to the lifetime expected credit losses according to a provision matrix to calculate ECLs for trade receivables and contract assets. The ECL model is forward-looking and the expected default rates are based on the realized losses in the past based on the previous three years taking into account the time value of money, probability-weighted outcome, supportable information available without undue cost or effort about the past events, current conditions and forecasts of future economic conditions. The lifetime ECL allowances are calculated using the gross carrying amounts of the outstanding trade receivables and the expected default rates with probability-weighted outcomes. The historically observed default rates are updated annually. In addition,

forward-looking specific provision is prepared in cases where the basic ECL allowance based on the historical loss data does not cover expected losses. The estimates are based on a systematic, on-going review and evaluation performed as part of the credit-risk evaluation process. The specific provision is updated on a quarterly basis. As of December 31, 2018, the amount of accounts receivable for the continuing operations on balance sheet amounted to EUR 620.7 million and the ECL allowance amounted to EUR 12.5 million (continuing operations).

#### *Provisions*

Provisions are recognized on the balance sheet when there is a legal or actual obligation for the company to settle an obligation arising as the consequence of a past event that is considered certain or likely to occur. The most important regular provisions are due to the repair or replacement of products during the warranty period. These provisions are determined on the basis of historical experience. The provisions recognized represents management's best estimate of the present value of the future costs assumed to be incurred. The actual costs may differ from the estimated. As of December 31, 2018, the amount of provisions on balance sheet was EUR 45.2 million (continuing operations).



## 2. SEGMENT INFORMATION

Amer Sports operates primarily in one industry - the design, manufacturing, distribution, selling and marketing of sporting goods, apparel and footwear.

The company is managed through its global operating segments, business areas, regional sales organizations and company wide platforms such as global operations, which encompass business functions from product development to product sourcing, manufacturing and outbound logistics.

The chief operating decision maker of the Group is the President and CEO, who is assisted by the Executive Board. The Chairman of the Board of Directors continuously monitors Amer Sports' operations and development through contact with the President and CEO. The President and CEO is also the President of Outdoor operating segment. Ball Sports and Fitness operating segments have their own Presidents.

Amer Sports has three reportable operating segments:

- Outdoor: manufacturer and supplier of footwear, apparel, winter sports equipment and sports instruments
- Ball Sports: manufacturer and supplier of racquet and team sports equipment and golf equipment
- Fitness: manufacturer and supplier of fitness equipment

The operating segments are based on the Group's global organizational structure and management reporting. The decisions concerning assessing the performance of segments and allocation of resources to the segments are mainly based on segments' net sales and earnings before interest and taxes excluding items affecting comparability (EBIT excluding IAC). The operating segments are not fully independent as they operate in cooperation with Amer Sports' regional sales organizations and company wide support functions.

No operating segments have been aggregated to form the above reportable operating segments.

### OPERATING SEGMENTS

2018*) EUR million	Outdoor	Ball Sports	Fitness	Operating segments total	Unallocated items	Total
Net sales	1,661.3	638.1	378.8	2,678.2	-	2,678.2
EBIT excl. IAC	205.4	44.8	11.9	262.1	-30.9	231.2
% of net sales	12.4	7.0	3.1	9.8		8.6
IAC					-22.3	-22.3
EBIT					208.9	208.9
% of net sales						7.8
Financing income and expenses					-42.2	-42.2
Earnings before taxes					166.7	166.7
Goodwill and intangible assets with indefinite useful lives	462.3	171.3	165.9	799.5	-	799.5
Other assets	987.9	374.8	200.8	1,563.5	471.4	2,034.9
Assets held for sale						69.0
Liabilities	388.9	306.1	72.6	767.6	1,181.2	1,948.8
Liabilities held for sale						34.5
Capital expenditure	53.5	18.3	10.8	82.6	3.0	85.6
Depreciation	49.3	6.7	12.5	68.5	1.4	69.9
Cash flow from operating activities before financing items and taxes	173.0	65.9	14.5	253.4	-39.8	213.6

2017 EUR million	Outdoor	Ball Sports	Fitness	Operating segments total	Unallocated items	Total
Net sales*)	1,540.0	659.0	375.6	2,574.6	-	2,574.6
EBIT excl. IAC*)	178.4	45.2	20.1	243.7	-29.3	214.4
% of net sales*)	11.6	6.9	5.4	9.5		8.3
IAC*)					-44.9	-44.9
EBIT*)					169.5	169.5
% of net sales*)						6.6
Financing income and expenses*)					-26.6	-26.6
Earnings before taxes*)					142.9	142.9
Goodwill and intangible assets with indefinite useful lives <sup>1)</sup>	240.9	163.5	161.6	566.0	-	566.0
Other assets <sup>1)</sup>	953.0	326.3	189.5	1,468.8	567.3	2,036.1
Liabilities <sup>1)</sup>	380.7	262.8	72.1	715.6	1,001.1	1,716.7
Capital expenditure <sup>1)</sup>	53.3	18.9	10.0	82.2	1.4	83.6
Depreciation <sup>1)</sup>	49.9	5.7	12.6	68.2	1.2	69.4
Cash flow from operating activities before financing items and taxes <sup>1)</sup>	247.9	64.6	17.2	329.7	-30.8	298.9

<sup>1)</sup> Continuing and discontinued operations

\*) Figures related to 2018 and 2017 refer to Amer Sports continuing operations



## AMER SPORTS 2018

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The operating segments have been divided into the following business areas:

**Outdoor**

- Footwear: Salomon, Arc'teryx
- Apparel: Salomon, Arc'teryx, Peak Performance
- Winter Sports Equipment: Salomon winter sports equipment, Atomic and Armada
- Sports Instruments: Suunto

**Ball Sports**

- Individual Ball Sports: Wilson, Racquet Sports and Golf
- Team Sports: Wilson, DeMarini, Louisville Slugger and EvoShield

**Fitness**

- Fitness Equipment: Precor, Queenax

The accounting policies for segment reporting do not differ from the Group's accounting policies.

There were no intersegment business operations in 2018 and 2017. In the income statement, line items below EBIT have not been allocated to the segments.

The assets and liabilities of the operating segments include only items directly connected to the business as well as the goodwill and non-current intangible assets with indefinite useful lives related to them. Tax assets and liabilities, prepaid and accrued interest, receivables and payables related to derivative financial instruments, cash and cash equivalents, and interest-bearing liabilities are not allocated to the operating segments.

Unallocated items relating to EBIT include income and expenses of corporate headquarters.

Geographic net sales are presented according to customers' location and assets according to where the assets are located. Goodwill and intangible assets with indefinite useful lives are not allocated to the geographical areas.

**OTHER ASSETS**

EUR million	2018 <sup>*)</sup>	2017 <sup>1)</sup>
Other non-current assets, accounts and other receivables and inventories of operating segments	1,563.5	1,468.8
Deferred tax assets	108.4	106.0
Unallocated other non-current assets, accounts and other receivables	35.8	28.4
Derivative financial instruments	40.5	38.8
Prepaid interest	13.9	17.2
Current tax assets	23.2	18.5
Cash and cash equivalents	249.6	358.4
Unallocated other assets	471.4	567.3

**LIABILITIES**

EUR million	2018 <sup>*)</sup>	2017 <sup>1)</sup>
Other interest-free long-term liabilities, accounts payable, non-tax and non-financing related accrued liabilities and provisions of operating segments	767.6	715.6
Interest-bearing long-term liabilities	792.6	632.8
Deferred tax liabilities	81.0	31.3
Interest-bearing current liabilities	213.6	186.3
Unallocated accounts payable and accrued liabilities	10.6	5.4
Derivative financial instruments	23.8	75.8
Accrued interests	14.8	21.5
Current tax liabilities	44.8	48.0
Unallocated liabilities	1,181.2	1,001.1

**GEOGRAPHIC INFORMATION  
2018<sup>\*)</sup>**

EUR million	EMEA	Americas	Asia Pacific	Elimination	Unallocated items	Total
External net sales	1,162.6	1,123.8	391.8	-	-	2,678.2
Assets	1,002.0	933.4	167.1	-171.2	903.1	2,834.4
Capital expenditure	60.4	18.1	7.1	-	-	85.6

**2017**

EUR million	EMEA	Americas	Asia Pacific	Elimination	Unallocated items	Total
External net sales <sup>*)</sup>	1,087.6	1,122.2	364.8	-	-	2,574.6
Assets <sup>1)</sup>	830.3	1,014.0	151.0	-109.5	716.3	2,602.1
Capital expenditure <sup>1)</sup>	44.0	32.1	7.5	-	-	83.6

<sup>1)</sup> Continuing and discontinued operations

<sup>\*)</sup> Figures related to 2018 and 2017 refer to Amer Sports continuing operations





### 3. ACQUIRED BUSINESSES

#### 2018

In April 2018, Amer Sports Corporation announced the acquisition of all the shares and related businesses of Peak Performance AB from the Danish fashion company IC Group. The acquisition was completed on June 29, 2018. Based in Stockholm, Sweden, Peak Performance is a leading premium sports fashion brand with net sales of approximately EUR 145 million and EBIT of approx. EUR 16.5 million in the last 12 months. The final acquisition price was DKK 1,831 million (EUR 245.8 million). Peak Performance net sales in July-December were EUR 84.1 million and EBIT excl. IAC was EUR 15.2 million.

Peak Performance has a strong presence in the North and Central European markets, and the brand is also highly recognized outside of Europe. The acquisition accelerates Amer Sports' Softgoods business and enables faster growth and scale & synergy across the apparel brands Arc'teryx, Salomon and Peak Performance.

The fair value of the acquired net assets of Peak Performance was EUR 245.8 million. EUR 159.0 million of the fair value was allocated to the marketing related non-current intangible assets and EUR 5.1. million to customer relationships which are amortized in 10 years. EUR 102.3 million of the fair value was allocated to goodwill. The purchase price allocation was finalized during Q4 2018.

The following fair values of the assets and liabilities of Peak Performance have been consolidated into Amer Sports balance sheet from the acquisition date.

EUR million	Fair value
Intangible non-current assets	164.1
Goodwill	102.3
Other non-current assets	9.6
Inventories	17.7
Accounts receivables and other current assets	19.7
Cash	0.6
Total assets	314.0
Deferred tax liabilities	33.8
Interest-free liabilities	34.4
Total liabilities	68.2
Net assets	245.8
Purchase price	245.8

#### Analysis of the cash flows on the acquisition

EUR million	Fair value
Purchase price	245.8
Peak Performance cash	-0.6
Transaction costs	2.7
Net cash flow on acquisition	247.9

#### 2017

On March 29, 2017 Amer Sports acquired the iconic US ski brand Armada with annual net sales of approximately USD 10 million. The acquisition included the Armada brand, Armada branded products, as well as intellectual property and distribution rights. The transaction value was USD 4.1 million, of which USD 2.5 million was settled with cash. Armada has been integrated into Amer Sports Winter Sports Equipment business unit. According to the purchase price allocation the fair value of acquired net assets was EUR 4.4 million resulting in a gain of EUR 0.6 million. EUR 2.2 million of the fair value was allocated to Armada trademark, which is amortized in 10 years.

The acquisition had no material impact on Amer Sports 2017 financial results.

### 4. OTHER OPERATING INCOME

EUR million	2018*)	2017*)
Acquisition related accounting adjustment	-	0.6
Gain on sale of non-current assets	0.5	0.1
Government subsidies	1.5	0.8
Credits for research and competitiveness taxes	1.0	2.4
Insurance compensations	1.7	0.0
Other	2.7	2.3
Total	7.4	6.2

### 5. EMPLOYEE BENEFITS

EUR million	2018*)	2017*)
Wages and salaries	403.3	391.1
Social expenditure		
Pensions - defined contribution plans	19.3	14.1
Pensions - defined benefit plans	4.6	4.6
Other social security	81.9	79.9
Total	509.1	489.7

In countries where social expenditure paid to the government cannot be divided between pensions and other social security, the expenses are presented under the heading Other social security.

Salaries and other compensation of the management are presented in note 27.

\*) Figures related to 2018 and 2017 refer to Amer Sports continuing operations



## 6. PENSIONS

Pension security for Group companies is based on each country's local regulations and practices. The Group's most significant defined benefit pension plan is for Wilson Sporting Goods Co. (USA), whose present value of funded obligations is 36% (37%) of the Group's total value. Besides the USA, the Group has defined benefit pension plans in France, Switzerland, the UK, Germany, Japan and Austria. In addition to these, the acquisition of Peak Performance entities in June 2018 added also Sweden, Norway and the Netherlands to the list of countries where Amer Sports entities have defined benefit pension plans. These are handled via pension funds or pension companies whose assets are not included in Group's assets. Contributions to the funds are made in accordance with local regulations. In the USA and the UK pension funds are closed, and new members are no longer admitted to them. The Group's other pension arrangements, such as the Finnish TyEL statutory employment pension, are mainly defined contribution plans.

The discontinued operations have been deducted from the closing balance of the defined benefit obligations as of December 31, 2018 on a single row in the calculation for the financial year 2018 below.

The net liability recognized in the balance sheet relating to defined benefit pension plans is defined as follows:

EUR million	2018 <sup>*)</sup>	2017 <sup>*)</sup>
Present value of funded obligations	191.5	187.7
Fair value of plan assets	-121.9	-117.6
Net liability in the balance sheet at December 31	69.6	70.1

<sup>\*)</sup> Figures related to 2018 and 2017 refer to Amer Sports continuing operations

The movement in the defined benefit obligation is as follows:

EUR million	Present value of obligation	Fair value of plan asset	Total
At January 1, 2017	196.6	-118.6	78.0
Current service cost	4.5	0.0	4.5
Past service cost and gains and losses on settlements	0.1	0.0	0.1
Administration cost paid from plan assets	-0.7	0.8	0.1
Interest expense/(income)	5.7	-3.9	1.8
Cost recognized in income statement	9.6	-3.1	6.5
Remeasurements:			
Return on plan assets, excluding amounts included in interest expenses/(income)	0.0	-8.1	-8.1
(Gain)/loss from change in demographic assumptions	-0.8	0.0	-0.8
(Gain)/loss from change in financial assumptions	10.6	0.0	10.6
Experience (gains)/losses	-3.9	0.0	-3.9
Remeasurements effects recognized in OCI	5.9	-8.1	-2.2
Contributions:			
Employers	-0.9	-6.0	-6.9
Employees	0.7	-0.7	0.0
Benefits paid from plan assets	-7.1	6.6	-0.5
Exchange rate differences	-17.1	12.3	-4.8
At December 31, 2017	187.7	-117.6	70.1

EUR million	Present value of obligation	Fair value of plan asset	Total
At January 1, 2018	187.7	-117.6	70.1
Current service cost	4.6	0.0	4.6
Past service cost and gains and losses on settlements	0.3	0.0	0.3
Administration cost paid from plan assets	-0.7	0.8	0.1
Interest expense/ (income)	5.7	-3.9	1.8
Cost recognized in income statement	9.9	-3.1	6.8
Remeasurements:			
Return on plan assets, excluding amounts included in interest expenses/(income)	0.0	11.3	11.3
(Gain)/loss from change in demographic assumptions	-0.4	0.0	-0.4
(Gain)/loss from change in financial assumptions	-9.5	0.3	-9.2
Experience (gains)/losses	-0.9	0.0	-0.9
Remeasurements effects recognized in OCI	-10.8	11.6	0.8
Contributions:			
Employers	-0.9	-6.3	-7.2
Employees	1.1	-1.1	0.0
Benefits paid from plan assets	-6.9	6.2	-0.7
Company acquisitions, added	9.3	-7.1	2.2
Discontinued operations, deducted	-4.0	0.0	-4.0
Exchange rate differences	6.1	-4.5	1.6
At December 31, 2018	191.5	-121.9	69.6



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## Principal actuarial assumptions:

%	2018			2017		
	USA	Europe	Japan	USA	Europe	Japan
Discount rate	4.10–4.25	0.90–2.80	0.50	3.50–3.70	0.70–2.50	0.50
Inflation	2.25	1.00–3.50	0.00	2.25	1.00–3.40	0.00
Future salary increases	2.50	1.00–3.00	1.70	2.50	0.00–3.00	1.80
Future pension increases	0.00	0.00–2.50	0.00	0.00	0.00–2.10	0.00

## Sensitivity analysis:

%	Change in assumption	Impact on defined obligation
Discount rate	0.25% decrease	6.8
Inflation rate	0.25% increase	1.2
Mortality rate	1 year increase in life expectancy	4.5

## Major categories of plan assets:

EUR million	2018 <sup>*)</sup>	2017
US equities	21.3	21.8
UK equities	4.3	4.8
Other equities	17.3	19.4
Corporate bonds	47.8	48.4
Government bonds	17.9	18.1
Other including cash	13.3	5.1

Through its defined pension plans Amer Sports is exposed to actuarial risks such as investment risk, interest rate risk, inflation risk and mortality risk.

The main risk is that additional contributions are required if investment returns are not sufficient to pay for the benefits. The level of equity returns is a key determinant of overall investment return; the investment portfolio is also subject to range of other risks typical to asset classes held.

A decrease in corporate bond yields, a rise in inflation or an increase in life expectancy would result in an increase in plan liabilities. This would detrimentally impact the balance sheet position and may give rise to increased cost in income statement. This effect would be partially offset by an increase in the value of the plan's bond holdings. Additionally, caps on inflationary increases are in place to protect the plan against extreme inflation.

The estimated contributions to the pension plans during 2018 are EUR 7.8 million.

The weighted average of the duration of the defined benefit obligations is 12.8.

<sup>\*)</sup> Figures related to 2018 refer to Amer Sports continuing operations



## 7. DEPRECIATION, AMORTIZATION AND IMPAIRMENT LOSSES

### Depreciation and amortization by asset type

EUR million	2018 <sup>*)</sup>	2017 <sup>*)</sup>
Intangible rights	3.0	6.8
Other intangible assets	19.6	13.5
Buildings and constructions	13.4	12.1
Machinery and equipment	33.9	32.9
Total	69.9	65.3

### Impairment losses by asset type

EUR million	2018 <sup>*)</sup>	2017 <sup>*)</sup>
Intangible rights	-	4.3
Other intangible assets	2.5	12.0
CIP	-	0.4
Total	2.5	16.7

### Depreciation, amortization and impairment losses by function

EUR million	2018 <sup>*)</sup>	2017 <sup>*)</sup>
Cost of goods sold	20.0	20.0
Research and development	18.6	30.6
Selling and marketing	19.7	16.7
Administration and other expenses	14.1	14.7
Total	72.4	82.0

<sup>\*)</sup> Figures related to 2018 and 2017 refer to Amer Sports continuing operations

Amer Sports brands are well known and established in their respective markets. Products sold under these brands have been available to customers for a long period of time and they have been used by top athletes for decades. Amer Sports focuses on brand awareness and on the quality and performance of the products sold under those brands. The

brands will continue to generate positive cash flow, hence they are not subject to amortization.

Impairment tests of goodwill and other intangible rights with indefinite useful lives, such as trademarks, are performed when the management has identified indications of impairment or once a year when business areas' plans for the next three years are approved by the management in the last quarter. The Group management uses assumptions in respect of future market and economic conditions, such as economic growth, expected inflation rates, expected market share, revenue and margin developments.

Goodwill is monitored by management at Cash Generating Unit ("CGU") level, the level at which it and other intangible assets with indefinite lives are tested for impairment. The CGUs in Amer Sports for continuing operations are the following: Winter Sports Equipment, Salomon Apparel and Footwear, Arc'teryx Apparel and Gear, Sports Instruments, Individual Ball Sports, Team Sports, Peak Performance, and Fitness.

The impairment tests were calculated during the fourth quarter of 2018 on budgeted 2019 opening balances by comparing the carrying amount of the asset being tested to its recoverable amount. Recoverable amount is the higher of value-in-use ("VIU") and fair value less cost of selling. If the VIU indicates impairment, the fair value less cost to sell is calculated in order to determine recoverable amount. The VIU has been calculated using a discounted cash flow model method for each CGU based on the following assumptions:

- A five-year future period was used after which a perpetuity value was defined.
- First year is based on the approved budget and the next two years on the business areas' detailed business plans. The expected growth for the fourth and fifth year is zero in real terms.
- The perpetuity value is derived from a combination of estimate period and actual results using the Gordon model. The default perpetuity growth is 2% which is in line with the management's view on long-term inflation which is no growth in real terms. In some cases where

management expects well above average growth after the estimate period, the growth rate may rise to 5%.

- Current cost structure is to remain unchanged.
- Discount rate is determined separately for the North American and European businesses and it has varied on the range of 6.85%-10.17% pre-tax (7.92%-11.88%); equal to 5.62%-7.88% post-tax (6.29%-7.79%). The main components of the discount rate were:

	2018 <sup>*)</sup>	2017
Risk Free Interest Rate Debt	0.35%-3.06%	0.34%-2.31%
Risk Free Interest Rate Equity	1.02%-3.32%	1.18%-2.77%
Equity Market Risk Premium	5.32%	5.69%
Asset Beta (Unlevered Beta)	0.86	0.89
Debt Risk Premium	1.24%	1.56%
Tax Rate	25%	27%-36%

<sup>\*)</sup> Figures related to 2018 refer to Amer Sports continuing operations

The main changes to discount rate arose from a fall in the equity market risk premium, lower debt servicing costs and lower asset beta.



Goodwill and other intangible rights with indefinite useful lives have been allocated to CGUs as described in the table below. The table also sets out the discount rates used per CGU:

EUR million	Pre-tax discount rate, %		Goodwill		Intangible rights with indefinite useful lives	
	2018*)	2017*)	2018*)	2017*)	2018*)	2017*)
Outdoor						
Winter Sports Equipment	7.0	8.1	11.7	11.7	86.9	86.1
Salomon Apparel and Footwear	7.0	8.0	-	-	65.5	65.0
Arc'teryx Apparel and Gear	8.3	10.2	-	-	7.7	8.0
Peak Performance	6.9	-	102.3	-	159.0	-
Sports Instruments	7.0	8.1	29.1	29.1	-	-
Ball Sports						
Individual Ball Sports	10.0	11.2	75.9	72.4	-	-
Team Sports	10.0	11.2	56.8	54.2	38.6	36.9
Fitness						
Fitness	10.2	11.4	163.4	159.2	2.5	2.4
Total	7.7	9.1	439.2	326.6	360.2	198.4

\*) Figures related to 2018 and 2017 refer to Amer Sports continuing operations

In 2018 and 2017, the value-in-use of goodwill and other intangible rights with indefinite useful lives of all CGUs exceeded their carrying amounts. The table below summarizes how a +/- 1-2%-point change in discount rate and/or in perpetuity growth would impact on the result of the impairment test in 2018:

	-2%	-1%	Growth	1%	2%
-2%	0	0	0	0	0
-1%	0	0	0	0	0
Rate	0	0	0	0	0
1%	15	0	0	0	0
2%	175	143	110	79	33

Based on the changes in the key variables used in the sensitivity analysis, the management estimates that it is unlikely that there is sensitivity on impairment.

The table below summarizes how a +/- 1-2%-point change in growth rate and/or in profitability in the 5 year estimate period would impact on the result of the impairment test in 2018:

	-2%	-1%	Growth	1%	2%
2%	0	0	0	0	0
1%	0	0	0	0	0
EBIT-%	0	0	0	0	0
-1%	0	0	0	0	0
-2%	0	0	0	0	0

Based on the changes in the key variables used in the sensitivity analysis, the management estimates that it is unlikely that there is significant sensitivity on impairment.

## 8. COMPENSATION OF AUDITORS

EUR million	2018	2017
Statutory audit	2.5	2.1
Tax consulting	0.1	0.1
Other services	0.0	0.1
Total	2.6	2.3

## 9. SHARE-BASED PAYMENTS

In 2018, the Group had several share-based incentive arrangements which are targeted to Group key personnel. These have been accounted for in accordance with IFRS 2. According to the terms of the arrangements, the Group key employees are granted shares and a cash payment covering taxes and tax-related costs arising from the reward.

Figures related to 2018 and 2017 refer to Amer Sports continuing and discontinued operations.

### Performance share plans 2013 and 2016

The performance share plan 2013 included six earning periods: the calendar years 2013, 2014 and 2015 and calendar years 2013-2015, 2014-2016 and 2015-2017. The Board of Directors decided on the earnings criteria and the targets to be established for them for each earning period at the beginning of each earning period. Rewards from the plan for the earning periods 2013, 2014 and 2015 were based on the Group's EBIT and net sales. The rewards for the earning periods 2013-2015, 2014-2016 and 2015-2017 were based on the Group's total shareholder return.

The performance share plan 2016 includes five earning periods: the calendar years 2016 and 2017 and calendar years 2016-2018, 2017-2019 and 2018-2020. The Board of Directors decides on the earnings criteria and the targets to be established for them for each earning period at the beginning of each earning period. The rewards from the plan for the earning periods 2016 and 2017 were based on the Group's EBIT and net sales. The potential rewards for the earning periods 2016-2018 and 2017-2019 will be based on the Group's total shareholder return. The potential reward for the earning period 2018-2020 will be based on the Group's net sales growth and EBIT margin. Continuation of employment is required.

A prerequisite for participation by key personnel in the plans and for receiving rewards on the basis of the plans is



that they must acquire company shares. In 2018, as a reward for meeting this condition, 13,442 shares were transferred to new key personnel participating in the performance share plan (2017: 58,000).

Potential rewards from the earning periods will be paid partly in company's shares and partly in cash. Cash payments will equal to taxes and tax-related costs which arise from the reward to key personnel. The amount of net rewards to be paid on the basis of the performance share plan 2016 will be a maximum total of 1,383,333 Amer Sports Corporation shares. In 2017, 64,430 shares were transferred to key personnel in relation to the earning period 2014–2016 but no shares in relation to the earning period 2016. In 2018, 65,880 shares were transferred to key personnel in relation to the earning period 2015–2017 and 59,549 shares in relation to the earning period 2017. Shares awarded in connection with the earning periods 2016 and 2017 may not be transferred during the restriction periods ending on December 31, 2018, and December 31, 2019 respectively.

In 2018, 8,087 shares granted as share-based incentives based on the performance share plan were returned to Amer Sports Corporation in accordance with the terms of the incentive plan as employment ended (2017: 24,436).

The Performance Share Plan is directed to approximately 350 key employees, including the members of the Group Executive Board. Members of the Executive Board must hold 50% of the shares they receive on the basis of incentive plans as long as the value of the shares held by the member of the Executive Board in total corresponds to the person's annual gross salary.

Performance share plan has been measured at fair value at grant date. The cash payment intended to cover the tax consequences has been calculated using the share market price on the date of conveying the shares. The cash payment accrued relating to shares not yet conveyed has been revalued at the share market price prevailing on the closing date.

### Restricted stock plan 2016

In restricted stock plans, potential rewards will be based on continuation of employment. Potential rewards from the earning periods will be paid partly as the company's shares and partly in cash. Cash payments will equal to taxes and tax-related costs incurring by a result of receiving a reward.

The restricted stock plan 2016 includes three earning periods: calendar years 2016, 2017 and 2018. Shares may not be transferred during the restriction periods, which will end on December 31, 2018, December 31, 2019, and December 31, 2020 respectively. The amount of net rewards to be paid on the basis of the restricted stock plan 2016 will be a maximum total of 200,000 Amer Sports Corporation shares. In 2017 and in relation to earning period 2016, 52,800 shares were transferred. In 2018 and in relation to earning period 2017, 61,200 shares were transferred.

The key conditions and assumptions used in the determination of the fair value of the arrangements are presented in the table below. The shareholder rights are registered on the date of registration of the shares transfer to the employees (including right to dividends) and, as a consequence, there is no impact from dividend payment on the fair value of the arrangements.

	2018	2017	2016	2015
Grant date	Jan 2, 2018	Feb 9, 2017	Feb 3, 2016	Feb 2, 2015
Number of instruments granted	663,042	394,478	426,645	528,247
Fair value at grant date, EUR	22.87	22.86	25.03	18.13
Vesting period, years	3	3	3	3
Adjustment made to the number of instruments granted in previous years	-234,195	-342,294	-273,643	-257,419
Returned shares	-12,087	-35,036	-41,502	-49,840

EUR million	2018	2017
Expense of share-based incentive schemes recognized in earnings	13.6	5.0
Accrual of cash component of share-based incentive schemes	6.0	2.1



**10. FINANCING INCOME AND EXPENSES**

EUR million	2018 <sup>*)</sup>	2017 <sup>*)</sup>
Interest income	1.2	1.9
Interest expenses		
Interest expenses on interest-bearing debt	-17.1	-15.6
Interest expenses related to derivative instruments	-12.4	-12.2
Interest expenses related to pension liabilities	-1.6	-1.8
Other interest expenses	-5.1	-3.8
Total interest expenses	-36.2	-33.4
Change in fair value of derivative instruments not used in hedge accounting	2.9	4.2
Exchange rate gains or losses	-2.9	1.6
Other financing expenses	-7.2	-0.9
Total, net	-42.2	-26.6

**11. INCOME TAXES**

EUR million	2018 <sup>*)</sup>	2017 <sup>*)</sup>
Current taxes	38.8	43.8
Deferred taxes	3.0	5.3
Total	41.8	49.1
Thereof for prior periods	-5.8	-1.7
EUR million	2018 <sup>*)</sup>	2017 <sup>*)</sup>
Current taxes:		
EMEA	17.0	25.6
Americas	11.0	2.2
Asia Pacific	10.8	16.0
Total	38.8	43.8
Deferred taxes	3.0	5.3
Total	41.8	49.1

Reconciliation between income taxes at local tax rates in different countries and the total tax expense in the income statement:

EUR million	2018 <sup>*)</sup>	2017 <sup>*)</sup>
Taxes at local rates applicable to earnings in countries concerned	35.3	35.7
Permanent differences	-0.2	-0.2
Realisability of deferred tax assets	3.1	-0.1
Changes in tax rates and tax laws <sup>1)</sup>	1.6	10.2
Changes in uncertain tax positions	1.2	8.3
Taxes for prior periods	-5.8	-1.7
Tax credits/withholding tax	2.8	-3.8
Other US taxes (BEAT & GILTI)	2.6	0.3
Other	1.2	0.4
Taxes recognized in the income statement	41.8	49.1
Effective tax rate, %	25.1	34.6

<sup>1)</sup> The 2017 figure relates mainly to the US federal tax rate reduction from 35% to 21%.

**12. EARNINGS PER SHARE**

	2018 <sup>*)</sup>	2017 <sup>*)</sup>
Net result from continuing operations, EUR million	124.9	93.8
Net result attributable to equity holders of the parent company, EUR million	47.5	92.9
Net result for the calculation of earnings per share, EUR million	47.5	92.9
Weighted average number of shares outstanding during the period (1,000 pcs)	115,193	116,708
Earnings per share, continuing operations, EUR	1.08	0.80
Earnings per share, continuing and discontinued operations, EUR	0.41	0.80
Weighted average number of shares outstanding during the period, diluted (1,000 pcs)	115,964	117,181
Earnings per share, continuing operations, diluted, EUR	1.08	0.80
Earnings per share, continuing and discontinued operations, diluted, EUR	0.41	0.79

\*1 Figures related to 2018 and 2017 refer to Amer Sports continuing operations.

**13. INTANGIBLE AND TANGIBLE NON-CURRENT ASSETS**

EUR million	Intangible rights	Goodwill	Other intangible assets	Land and water	Buildings and constructions	Machinery and equipment	Advances paid and construction in progress
Initial cost, January 1, 2018	299.2	440.4	136.0	14.1	176.4	422.8	23.8
Additions	1.4	-	13.9	1.5	7.7	23.8	37.3
Company acquisitions	164.1	102.3	3.5	-	7.4	13.7	0.3
Company divestments and disposals	-0.2	-	-	-	-	-0.9	-
Transfers, scrapping and impairment	-0.2	-	8.9	-	9.1	-3.0	-33.4
Translation differences	4.5	13.4	2.0	0.4	1.8	5.2	1.3
Transfers to assets held for sale	-41.5	-17.6	-0.4	-	-2.6	-39.7	-
Balance, December 31, 2018	427.3	538.5	163.9	16.0	199.8	421.9	29.3
Accumulated depreciation and impairment losses, January 1, 2018	51.4	96.1	78.9	0.0	102.5	306.3	0.0
Depreciation during the period	3.0	-	19.6	-	13.4	33.9	-
Company acquisitions	-	-	2.1	-	6.3	8.9	-
Company divestments and disposals	-0.1	-	-	-	-	-0.8	-
Transfers, scrapping and impairment	-0.7	-	1.9	-	0.5	-15.4	-
Translation differences	0.5	3.2	1.0	-	1.4	4.3	-
Transfers to assets held for sale	-2.8	-	-0.4	-	-2.5	-31.7	-
Balance, December 31, 2018	51.3	99.3	103.1	0.0	121.6	305.5	0.0
Balance sheet value, December 31, 2018	376.0	439.2	60.8	16.0	78.2	116.4	29.3
Carrying amount of finance leases included	-	-	-	-	-	16.1	-

Accumulated impairment losses of goodwill at January 1, 2018 totaled EUR 16.7 million.

Additions in other intangible assets and advances paid and construction in progress include EUR 14.6 million of capitalized product development expenses including investments in the new platforms for connected devices and digital services.

EUR million	Intangible rights	Goodwill	Other intangible assets	Land and water	Buildings and constructions	Machinery and equipment	Advances paid and construction in progress
Initial cost, January 1, 2017	314.3	478.5	138.3	15.0	160.6	424.5	20.6
Additions	3.5	-	14.9	0.3	8.2	21.4	35.3
Company acquisitions	2.2	-	-	-	-	-	-
Company divestments and disposals	-	-	-	-0.6	-0.2	-0.7	-
Transfers, scrapping and impairment	-5.5	2.3	-12.5	-	16.2	-6.2	-30.3
Translation differences	-15.3	-40.4	-4.7	-0.6	-8.4	-16.5	-1.8
Balance, December 31, 2017	299.2	440.4	136.0	14.1	176.4	422.5	23.8
Accumulated depreciation and impairment losses, January 1, 2017	48.8	105.1	71.5	0.0	98.0	296.7	0.0
Depreciation during the period	8.5	-	13.5	-	12.1	35.3	-
Company divestments and disposals	-	-	-	-	-0.2	-0.7	-
Transfers, scrapping and impairment	-4.3	-	-3.3	-	-1.4	-12.8	-
Translation differences	-1.6	-9.0	-2.8	-	-6.0	-12.2	-
Balance, December 31, 2017	51.4	96.1	78.9	0.0	102.5	306.3	0.0
Balance sheet value, December 31, 2017	247.8	344.3	57.1	14.1	73.9	116.2	23.8
Carrying amount of finance leases included	-	-	-	-	-	17.7	-

Accumulated impairment losses of goodwill at January 1, 2017 totaled EUR 19.0 million.

Additions in other intangible assets include EUR 15.6 million of capitalized product development expenses including investments in the new platforms for connected devices and digital services.

**14. OTHER NON-CURRENT FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI AND CASH AND CASH EQUIVALENTS**

Other non-current financial assets at fair value through OCI, EUR 0.9 million (0.4), consist of shares in unlisted companies, real estate shares and other items. They are measured at fair value. Cash and cash equivalents, EUR 249.6 million (358.4), include cash in hand EUR 236.9 million, short-term deposits EUR 3.1 million, and restricted cash EUR 9.6 million. Cash and cash equivalents attributable to discontinued operations were EUR 1.0 million.

**15. DEFERRED TAX ASSETS AND LIABILITIES**

EUR million	Jan 1, 2018	Dec 31, 2018*
Deferred tax assets:		
Provisions	19.8	16.4
Carryforward of unused tax losses	15.9	21.5
Employee benefits	11.6	12.0
Impairment	2.3	-5.8
Fair value adjustments	9.6	1.5
Tax credits	14.2	14.5
Internal inventory margin	8.3	6.8
Other temporary differences	24.3	7.5
Total	106.0	74.4
Deferred tax liabilities:		
Depreciation differences	-26.0	-11.8
Other temporary differences	-5.3	-35.2
Total	-31.3	-47.0
Net deferred tax assets	74.7	27.4

\*1 Figures related to 2018 refer to Amer Sports continuing operations.



EUR million	Jan 1, 2018	Charge in income statement	Translation differences	Charged to OCI	Company acquisitions	Charge in income statement of discontinued operations	Discontinued operations	Dec 31, 2018
Carryforward of unused tax losses	15.9	5.7	-0.4	-	0.3	-	-	21.5
Other temporary differences	58.8	-8.7	0.2	-10.5	-32.8	4.7	-5.8	5.9
Total	74.7	-3.0	-0.2	-10.5	-32.5	4.7	-5.8	27.4

Deferred taxes recognized in the balance sheet at December 31, 2018:

Deferred tax assets	108.4
Deferred tax liabilities	81.0

At December 31, 2018 there were unused tax losses carried forward of EUR 24.4 million (19.7) and other temporary differences of EUR 17.0 million (15.1) for which no deferred tax assets were recognized. The unrecognized deferred tax assets at December 31, 2018 totaled EUR 12.9 million (11.3). No deferred tax asset has been recognized since the utilization of losses and other temporary differences in full in the near future is not probable or the losses have been created in countries where the possibilities for their utilization are limited. For the assessment of probability, in addition to past performance and the respective prospects for the foreseeable future, appropriate tax structuring measures are also taken into consideration.

Amer Sports does not recognize deferred tax liabilities for unremitted earnings of non-Finnish subsidiaries to the extent that they are expected to be permanently invested in international operations. These earnings, the amount of which cannot be practicably computed, could become subject to additional tax if they were remitted as dividends or if the company were to sell the shareholdings in the subsidiaries.

## 16. VALUATION PROVISIONS OF INVENTORIES AND ACCOUNTS RECEIVABLE

EUR million	2018 <sup>*)</sup>	2017
Impairment losses of accounts receivable	12.5	8.3
Net realizable value valuation provision	21.4	23.8

### Aging analysis of accounts receivable and amounts recognized as impairment losses

EUR million	2018 <sup>*)</sup>	Impairment losses	Net 2018 <sup>*)</sup>	2017 <sup>1)</sup>	Impairment losses	Net 2017 <sup>1)</sup>
Undue accounts receivable	485.8	-1.0	484.8	494.7	-	494.7
Accounts receivable 1-30 days overdue	63.7	-0.5	63.2	50.0	-	50.0
Accounts receivable 31-60 days overdue	22.9	-0.9	22.0	19.2	-	19.2
Accounts receivable 61-90 days overdue	8.9	-0.4	8.5	15.0	-	15.0
Accounts receivable 91-120 days overdue	15.9	-0.6	15.3	7.4	-	7.4
Accounts receivable more than 120 days overdue	36.0	-9.1	26.9	11.1	-8.3	2.8
Total	633.2	-12.5	620.7	597.4	-8.3	589.1

### Gross and net inventories

EUR million	2018 <sup>*)</sup>	2017 <sup>1)</sup>
Gross inventories	568.3	505.1
Net realizable value valuation provision	-21.4	-23.8
Net inventories	546.9	481.3

<sup>\*)</sup> Figures related to 2018 refer to Amer Sports continuing operations

<sup>1)</sup> Figures related to 2017 are restated in accordance with IFRS 15

**17. PREPAID EXPENSES  
AND OTHER RECEIVABLES**

EUR million	2018 <sup>*)</sup>	2017
Prepaid interest	13.9	17.2
Prepaid advertising and promotion	5.2	4.9
Other tax receivables	24.3	30.2
Accrued employee benefits	20.7	18.8
Derivative instruments	37.9	37.2
Other receivables	56.8	56.8
Total	158.8	165.1

<sup>\*)</sup>Figures related to 2018 refer to Amer Sports continuing operations

**18. SHAREHOLDERS' EQUITY**

EUR million	Number of shares	Share capital	Premium fund	Invested unrestricted equity reserve
January 1, 2017	118,517,285	292.2	12.1	163.1
Capital repayment				-72.7
December 31, 2017	118,517,285	292.2	12.1	90.4
Capital repayment				-80.7
Cancellation of own shares	-2,000,000			
December 31, 2018	116,517,285	292.2	12.1	9.7

The articles of association of Amer Sports Corporation do not restrict the number of shares that can be issued.

**Premium fund**

The premium fund is used for recognizing the payments for share subscriptions received in excess of the par value (EUR 4.00 per share) before the 2009 share issue.

**Fund for own shares**

Fund for own shares includes the cost of own shares held by Amer Sports Corporation (Dec 31, 2018: EUR -27.8 million or 1,296,540 shares; Dec 31, 2017: EUR 66.8 million or 3,294,524 shares).

**Translation differences**

Translation differences comprise the differences arising from the elimination of net investments in non-euro entities.

**Fair value and other reserves**

Fair value and other reserves include changes in the fair values of available-for-sale financial assets and derivative financial instruments used for hedging interest and foreign currency cash flows.

**Invested unrestricted equity reserve**

Invested unrestricted equity reserve contains the subscription proceeds from a share issue to the extent that it is not, in accordance with an explicit decision of the shareholders, booked to the share capital.

**Amount of dividends proposed**

The Board of Directors proposes that no dividend shall be distributed to shareholders for the financial year 2018. The capital repayment for financial year 2017 amounted to EUR 80.7 million (0.70 per share) and was distributed from the invested unrestricted equity reserve.

**19. INTEREST-BEARING LIABILITIES**

EUR million	Outstanding		Repayments				2024 and after	Fair value
	Dec 31, 2018	2019	2020	2021	2022	2023		
Bonds	475.4	-	174.7	71.5	133.7	95.5	-	464.0
Loans from financial institutions	350.7	50.4	0.2	0.1	-	50.0	250.0	350.0
Commercial papers	159.9	159.9	-	-	-	-	-	159.9
Other interest-bearing liabilities	20.2	3.3	3.1	3.1	3.2	3.4	4.1	20.2
Total	1,006.2	213.6	178.0	74.7	136.9	148.9	254.1	994.1

EUR million	Outstanding		Repayments				2023 and after	Fair value
	Dec 31, 2017	2018	2019	2020	2021	2022		
Bonds	670.5	153.7	-	200.1	87.9	133.3	95.5	662.3
Loans from financial institutions	131.1	30.4	50.5	0.2	-	50.0	-	131.1
Other interest-bearing liabilities	17.5	2.2	2.2	2.3	2.4	2.5	5.9	17.5
Total	819.1	186.3	52.7	202.6	90.3	185.8	101.4	810.9

Fair values have been calculated by discounting future cash flows at market-determined interest rates at the end of the financial period.

**FINANCE LEASE LIABILITIES**

EUR million	2018	2017
Finance lease liabilities are due as follows:		
Not later than one year	3.1	4.2
Later than one year but not later than five years	12.8	14.4
Later than five years	0.6	3.2
Total minimum lease payments	16.5	21.8

Present value of minimum lease payments is not materially different from their carrying amount.

**20. ACCRUED LIABILITIES**

EUR million	2018 <sup>*)</sup>	2017 <sup>1)</sup>
Accrued personnel costs	80.2	95.4
Accrued discounts and rebates	10.9	28.0
Accrued interest	14.8	21.5
Accrued advertising and promotion	11.6	14.5
Value added tax	42.5	35.8
Payables related to derivatives	20.0	70.4
Refund liabilities	8.9	0.5
Other accrued liabilities	115.4	87.2
Total	304.3	353.3

<sup>\*)</sup> Figures related to 2018 refer to Amer Sports continuing operations

<sup>1)</sup> Figures related to 2017 are restated in accordance with IFRS 15

**21. PROVISIONS**

EUR million	Product warranty	Restructuring	Environmental	Other	Total
Balance at January 1, 2018	31.9	5.5	0.3	8.3	46.0
Translation differences	0.4			0.2	0.6
Reclassification from accrued liabilities					0.0
Company acquisitions	0.6			0.3	0.9
Provisions made during the year	13.9	0.6		3.3	17.8
Provisions used during the year	-11.8	-2.6		-2.2	-16.6
Provisions reversed during the year	-1.1	-0.9		-1.1	-3.1
Transfer to liabilities held for sale	-0.4				-0.4
Balance at December 31, 2018	33.5	2.6	0.3	8.8	45.2
Current provisions					37.6
Long-term provisions					7.6
Total					45.2

The most important regular provisions are due to the repair or replacement of products during their warranty period. In material terms warranty provisions are realized in the following year. In Fitness business some extended warranty periods are granted to customers. Extended warranties expected to realise after one year are presented under long-term provisions and they were EUR 2.5 million at the 2018 period end.

The Group has long-term environmental provisions in USA.

Other provisions include e.g. buyback provisions of Fitness business and asset retirement obligations of some leased premises.

**22. ADJUSTMENTS TO CASH FLOW FROM OPERATING ACTIVITIES**

EUR million	2018	2017
Impairment losses	70.3	16.7
Share-based incentive schemes	3.8	2.3
Gains and losses on sale of non-current assets	0.5	0.2
Other non-cash valuation gains and losses	-12.1	-4.1
Total	62.5	15.1

**23. OPERATING LEASE COMMITMENTS**

EUR million	2018 <sup>*)</sup>	2017
The future minimum payments of non-cancellable operating leases:		
Not later than one year	63.5	53.0
Later than one year but not later than five years	133.2	125.7
Later than five years	41.9	53.2
Total	238.6	231.9
Total rent expense of non-cancellable operating leases recognized in the income statement <sup>*)</sup>	63.3	60.4

Non-cancellable rental agreements are primarily related to the office, shop and production premises rented by the Group.

<sup>\*)</sup> Figures related to 2018 and 2017 refer to Amer Sports continuing operations.

**24. CONTINGENT LIABILITIES**

EUR million	2018 <sup>*)</sup>	2017
Guarantees	46.5	35.8
Other contingent liabilities	59.1	72.5

Other contingent liabilities are primarily due to long-term endorsement contracts with several professional and other leagues, particularly in the United States, and athlete contracts.

There are no guarantees or contingencies given for the management of the Group, for the shareholders, or for the associated companies.

**Ongoing litigations**

The Group has extensive international operations and is involved in a number of legal proceedings, including product liability suits. The Group does not expect the outcome of any legal proceedings currently pending to have materially adverse effect upon its consolidated results or financial position.

<sup>\*)</sup> Figures related to 2018 refer to Amer Sports continuing operations

**25. PRINCIPAL GROUP COMPANIES AT DECEMBER 31, 2018**

	Group holding, %
Amer Sports Austria GmbH, Bergheim bei Salzburg, Austria	100
Amer Sports Canada Inc., British Columbia, Canada	100
Amer Sports Corporation, Helsinki, Finland	
Amer Sports Deutschland GmbH, Garching, Germany	100
Amer Sports Europe Services GmbH, Garching, Germany	100
Amer Sports European Center AG, Cham, Switzerland	100
Amer Sports France S.A.S., Villefontaine, France	100
Amer Sports Japan, Inc., Tokyo, Japan	100
Amer Sports Shanghai Trading Ltd, Shanghai, China	100
Amer Sports Sourcing Ltd, Hong Kong, China	100
Amer Sports UK Limited, Camberley, UK	100
Amer Sports Winter & Outdoor Company, Ogden, USA	100
Atomic Austria GmbH, Altenmarkt, Austria	100
Peak Performance Production AB, Stockholm, Sweden	100
Precor Incorporated, Woodinville, USA	100
Salomon S.A.S., Annecy, France	100
Suunto Oy, Vantaa, Finland	100
Wilson Sporting Goods Co., Chicago, USA	100

Principal group companies in the above list are the most important companies of the Group from the operational perspective. In addition to the parent company they include key brand companies, biggest sales companies and major logistics and sourcing companies.

A complete list of Amer Sports' subsidiaries is included in the statutory accounts of Amer Sports Corporation. Group had no associated companies at December 31, 2018.



**26. FAIR VALUE AND OTHER RESERVES****EUR million**

Balance at January 1, 2018	-27.5
Gains and losses deferred to shareholders' equity	
Hedging of operating cash flows	12.9
Hedging of interest cash flows	1.0
Gains and losses recognized in the income statement	
Hedging of operating cash flows	40.4
Hedging of interest cash flows	-1.6
Total of changes during the year	52.7
Deferred taxes	-10.5
Balance at December 31, 2018	14.7
Balance at January 1, 2017	27.8
Change in accounting principles (IFRS 9)	-0.8
Gains and losses deferred to shareholders' equity	
Hedging of operating cash flows	-23.2
Hedging of interest cash flows	5.4
Gains and losses recognized in the income statement	
Hedging of operating cash flows	-46.7
Hedging of interest cash flows	-3.5
Total of changes during the year	-68.8
Deferred taxes	13.5
Balance at December 31, 2017	-27.5

**27. RELATED PARTY TRANSACTIONS**

Related parties include the parent company, subsidiaries (note 25), the Board of Directors and the Executive Board.

Key management includes the Board of Directors and the Executive Board. Salaries and remuneration paid to key management is shown below:

EUR million	2018	2017
Salaries and remuneration of the Board of Directors	0.5	0.5
Salaries and remuneration of the Executive Board (excluding President and CEO)	7.7	5.9
Annual salary of the President and CEO	0.7	0.7
Annual and long-term incentives of the President and CEO	0.8	0.5
Total	9.7	7.6
Cumulative expenses, President and CEO	0.2	0.4
Total	9.9	8.0

Compensation recognized in earnings:

EUR million	2018	2017
Salaries and other short-term employee benefits	6.4	6.7
Post-employment benefits	0.4	0.3
Share-based payments	3.9	1.9
Total	10.7	8.9

40% of the annual remuneration to the Board of Directors is paid in shares and 60% in cash.

Members of the Board of Directors do not have contractual retirement benefits with the company.

The terms and conditions of the President and CEO's employment are defined in a written executive agreement that has been approved by the Board of Directors. Both the company and the President and CEO must provide six months' notice to terminate the President and CEO's employment contract. Should the company terminate the President and CEO's appointment, a severance payment equaling twelve months of total annual gross salary is payable. The President and CEO participates in the standard local statutory pension system and may retire at the age of 65. In 2018, the expense for post-employment benefits was EUR 0.1 million (0.1).

In 2018, EUR 0.3 million (0.3) of the salaries and remuneration paid to the President and CEO was paid in shares.

No loans have been granted to the Group's key management.

**Shares held by management**

Amer Sports Board of Directors held a total of 2,814,880 Amer Sports Corporation shares as of December 31, 2018 (December 31, 2017: 2,807,352), or 2.4% (2.4) of the outstanding shares and votes.

Amer Sports Executive Board (including the President and CEO) owned a total of 635,836 Amer Sports Corporation shares on December 31, 2018 (December 31, 2017: 571,569), representing 0.5% (0.5) of the shares and votes.

Incentive plans are described in note 9. The members of the company's Board of Directors are not included in the Group's incentive plans.

**28. BALANCE SHEET VALUES OF FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT CATEGORIES**

2018* EUR million	Financial assets/ liabilities at fair value through profit and loss	Derivative financial instruments used in hedge accounting	Financial liabilities measured at amortized cost	Financial assets/ liabilities at fair value through OCI	Carrying amount by balance sheet item	Fair value
<b>NON-CURRENT FINANCIAL ASSETS</b>						
Other non-current financial assets			5.1	0.9	6.0	6.0
Derivative financial instruments <sup>3)</sup>						
Foreign exchange derivatives		2.6			2.6	2.6
Interest rate derivatives and cross currency swaps	7.2				7.2	7.2
<b>CURRENT FINANCIAL ASSETS</b>						
Hold-to-collect accounts receivable			615.9		615.9	615.9
Available for sale factoring receivables				4.8	4.8	4.8
Other non-interest yielding receivables <sup>1)</sup>			82.8		82.8	82.8
Promissory notes <sup>1)</sup>				14.9	14.9	14.9
Derivative financial instruments <sup>3)</sup>						
Foreign exchange derivatives	5.4	27.1			32.5	32.5
Interest rate derivatives and cross currency swaps		0.5			0.5	0.5
Cash and cash equivalents, commercial papers and deposits			249.6		249.6	249.6
Balance sheet values by category at Dec 31, 2018	12.6	30.2	953.4	20.6	1,016.8	1,016.8
<b>LONG-TERM FINANCIAL LIABILITIES</b>						
Long-term interest-bearing liabilities			792.6		792.6	780.5
Other long-term liabilities			32.2		32.2	32.2
Derivative financial instruments <sup>3)</sup>						
Foreign exchange derivatives		1.6			1.6	1.6
Interest rate derivatives and cross currency swaps	4.9	2.2			7.1	7.1
<b>CURRENT FINANCIAL LIABILITIES</b>						
Current interest-bearing liabilities			213.6		213.6	213.6
Accounts payable			361.7		361.7	361.7
Other current liabilities <sup>2)</sup>			238.8		238.8	238.8
Derivative financial instruments <sup>3)</sup>						
Foreign exchange derivatives	6.0	8.0			14.0	14.0
Interest rate derivatives and cross currency swaps	1.1				1.1	1.1
Balance sheet values by category at Dec 31, 2018	12.0	11.8	1,638.9	-	1,662.7	1,650.6

EUR million	2018* <sup>1)</sup>
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<sup>1)</sup> Other non-interest yielding receivables	
Prepaid expenses and other receivables	158.8
./. Other tax receivables	23.2
./. Derivative financial instruments	37.9
	97.7

<sup>2)</sup> Other current liabilities	
Accrued liabilities	304.3
./. Other tax liabilities	45.5
./. Derivative financial instruments	20.0
	238.8

<sup>3)</sup> The balance sheet values of the derivatives have been recorded as they are disclosed in the Group's balance sheet and Fair value reserve, and therefore cannot be reconciled with their actual fair values.

\* Figures related to 2018 refer to Amer Sports continuing operations



2017 EUR million	Financial assets/ liabilities at fair value through profit and loss	Derivative financial instruments used in hedge accounting	Financial liabilities measured at amortized cost	Financial assets/ liabilities at fair value through OCI	Carrying amount by balance sheet item	Fair value
<b>NON-CURRENT FINANCIAL ASSETS</b>						
Other non-current financial assets			4.5	0.4	4.9	4.9
Derivative financial instruments <sup>3)</sup>						
Foreign exchange derivatives		1.6			1.6	1.6
Interest rate derivatives and cross currency swaps	10.1				10.1	10.1
<b>CURRENT FINANCIAL ASSETS</b>						
Hold-to-collect accounts receivable			551.4		551.4	551.4
Available for sale factoring receivables				37.7	37.7	37.7
Other non-interest yielding receivables <sup>1)</sup>			86.0		86.0	86.0
Promissory notes <sup>1)</sup>				11.7	11.7	11.7
Derivative financial instruments <sup>3)</sup>						
Foreign exchange derivatives	11.0	14.4			25.4	25.4
Interest rate derivatives and cross currency swaps	2.2				2.2	2.2
Cash and cash equivalents, commercial papers and deposits			328.4		328.4	328.4
Investments on money market funds				30.0	30.0	30.0
Balance sheet values by category at Dec 31, 2017	23.3	16.0	970.3	79.8	1,089.4	1,089.4
<b>LONG-TERM FINANCIAL LIABILITIES</b>						
Long-term interest-bearing liabilities			632.8		632.8	624.9
Other long-term liabilities <sup>4)</sup>			28.6		28.6	28.6
Derivative financial instruments <sup>3)</sup>						
Foreign exchange derivatives		3.8			3.8	3.8
Interest rate derivatives and cross currency swaps	9.6	1.6			11.2	11.2
<b>CURRENT FINANCIAL LIABILITIES</b>						
Current interest-bearing liabilities			186.3		186.3	186.0
Accounts payable			315.0		315.0	315.0
Other current liabilities <sup>2)</sup>			245.1		245.1	245.1
Derivative financial instruments <sup>3)</sup>						
Foreign exchange derivatives	2.3	44.3			46.6	46.6
Interest rate derivatives and cross currency swaps	13.5	0.7			14.2	14.2
Balance sheet values by category at Dec 31, 2017	25.4	50.4	1,407.8	-	1,483.6	1,475.4

EUR million	2017
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<sup>1)</sup> Other non-interest yielding receivables	
Prepaid expenses and other receivables	165.1
./. Other tax receivables	30.2
./. Derivative financial instruments	37.2
	97.7

<sup>2)</sup> Other current liabilities	
Accrued liabilities	353.3
./. Other tax liabilities	37.8
./. Derivative financial instruments	70.4
	245.1

<sup>3)</sup> The balance sheet values of the derivatives have been recorded as they are disclosed in the Group's balance sheet and Fair value reserve, and therefore cannot be reconciled with their actual fair values.

<sup>4)</sup> Reclassification of liability in Fitness segment



## AMER SPORTS 2018

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The following table presents the Group's financial assets and liabilities that are measured at fair value at December 31, 2018:

	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Financial assets at fair value through profit or loss		12.6		12.6
Derivatives used for hedging		30.2		30.2
Other non-current financial assets at fair value through OCI			0.9	0.9
<b>Total</b>		<b>42.8</b>	<b>0.9</b>	<b>43.7</b>
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss		12.0		12.0
Derivatives used for hedging		11.8		11.8
<b>Total</b>		<b>23.8</b>		<b>23.8</b>

Level 1 instruments are traded in active markets with quoted prices. Level 2 instruments are, for example, over-the-counter derivatives and the fair value is determined by using valuation techniques from observable market data. Level 3 instruments are valued by using valuation techniques without any observable market data.

The following table presents the Group's financial assets and liabilities that are measured at fair value at December 31, 2017:

	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Financial assets at fair value through profit or loss		23.3		23.3
Derivatives used for hedging		16.0		16.0
Other non-current financial assets at fair value through OCI			0.4	0.4
<b>Total</b>		<b>39.3</b>	<b>0.4</b>	<b>39.7</b>
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss		25.4		25.4
Derivatives used for hedging		50.4		50.4
<b>Total</b>		<b>75.8</b>		<b>75.8</b>

## 29. FINANCIAL RISK MANAGEMENT

Amer Sports is exposed to customary financial risks relating to its global businesses such as funding and liquidity risks, foreign exchange and interest rate risks, counterparty and credit risks. Financial risk management is centralized within Amer Sports Treasury, which is acting as an in-house bank providing financial services for subsidiaries within the Group. Risk management is governed by the Treasury Policy approved by the Board of Directors. The Policy includes principles and risk limits relating to debt structure, counterparties, bank relations and interest rate and foreign exchange risk management. Written guidelines have been set to manage operational risks. Amer Sports Treasury follows and monitors risks constantly and does not allow any material deviations from the Treasury Policy. The Board of Directors reviews the financial risks annually.

### Funding risk

Amer Sports aims to use different sources of funding. The focus has been in debt transactions taken directly from domestic and/or international debt capital markets. During the years 2017 and 2018, Amer Sports finalized the following financial transactions:

Amer Sports financed the acquisition of Peak Performance on June 29, 2018 by a short-term debt of EUR

180.0 million for bridge financing and using the existing cash reserves. The short-debt was refinanced on July 31 by EUR 150.0 million seven (7) year floating rate Term Loan Facility from OP Corporate Bank plc. At the end of year 2018, Amer Sports had Nordea's EUR 50.0 million short-term Term Loan Facility (bridge financing) remaining in its balance sheet. In November, Amer Sports took seven (7) year fixed rate EUR 50.0 million Term Loan from Helaba.

In November 2017, Amer Sports signed a five-year EUR 200 million amendment and restatement agreement to the Revolving Credit Facility (RCF) of EUR 150 million from 2014. The facility of EUR 200 million replacing the previous RCF is meant for general corporate purposes. The facility has an extension option of 1+1 years.

### Liquidity risk

Amer Sports has a cyclical need for working capital that also defines the level of liquidity for the Group. Typically, the highest level of working capital has been reached in the third quarter when the short-term debt is tied up in inventories and accounts receivable.

Amer Sports Treasury has established several cash pooling structures with Group's relationship banks in order to control the liquidity of the Group. Treasury Policy sets guidelines for the management of the liquidity that is outside cash pooling structures.

Short-term shortages of liquidity are covered by issuance of corporate papers through Finnish commercial paper program with total size of EUR 500 million.

Amer Sports uses sale of receivables and vendor financing with purpose to balance liquidity swings of the Group. In December 2018, EUR 89.7 (62.5) million receivables in total were sold within two different receivable sale programs that are in place for certain approved US and Europe based obligors. Other discounting programs are used within the group, but the volumes are less significant. The value of payables transferred to Asian vendor finance program was EUR 90.0 (73.4) million at year end 2018.

Depending on the projections of short-term and long-term liquidity forecasts, excess liquidity is placed on the money market within limits and instruments defined in the Treasury Policy.

Amer Sports' EUR 200 million syndicated committed revolving credit facility is a back-up for exceptional liquidity needs. At the end of 2018 Amer Sports had no drawings from the facility.



The below table is a breakdown of the Group's non-derivative financial liabilities and net-settled derivatives in their contractual maturities.

#### MATURITY ANALYSIS FOR FINANCIAL LIABILITIES BASED ON THEIR CONTRACTUAL MATURITY

EUR million	Dec 31, 2018 <sup>*)</sup>			2019	2020	2021	2022	2023 and after
	Nominal value	Available	Total					
Loans from financial institutions								
Repayments	350.7		350.7	50.4	0.2	0.1		300.0
Interest	27.1		27.1	3.3	3.3	3.4	4.0	13.1
Bonds								
Repayments	475.4		475.4		174.7	71.5	133.7	95.5
Interest	31.5		31.5	11.2	8.7	5.4	4.7	1.5
Other interest-bearing liabilities								
Repayments	20.2		20.2	3.3	3.1	3.1	3.2	7.5
Interest	0.1		0.1	0.0	0.0	0.0	0.0	0.1
Commercial papers								
Repayments	159.9		159.9	159.9				
Accounts payable								
Repayments	361.7		361.7	361.7				
Other interest-free liabilities								
Repayments	32.2		32.2	32.2				
Total								
Repayments	1,400.1		1,400.1	607.5	178.0	74.7	136.9	403.0
Interest	58.7		58.7	14.5	12.0	8.8	8.7	14.7
Financial guarantee contracts		4.9	4.9	4.9				
Committed revolving credit facility		200.0	200.0					200.0
Derivative liabilities								
Foreign exchange derivatives under hedge accounting	1,439.8		1,439.8	1,175.6	264.2			
Other foreign exchange derivatives	575.6		575.6	566.9	8.7			
Interest rate swaps under hedge accounting, fair value	3.1		3.1					3.1
Other interest rate derivatives, fair value <sup>1)</sup>	1.9		1.9		1.9			
Derivative assets								
Foreign exchange derivatives under hedge accounting	1,477.1		1,477.1	1,208.1	269.0			
Other foreign exchange derivatives	574.3		574.3	565.6	8.7			
Interest rate swaps under hedge accounting, fair value	0.7		0.7		0.7			
Other interest rate derivatives, fair value <sup>1)</sup>	0.4		0.4			0.4		

<sup>1)</sup> The fair value of the Other interest rate derivatives has partly been recorded in the Fair value reserve in the shareholder's equity, and therefore the disclosed fair value amounts cannot be reconciled with the Group's balance sheet values.

<sup>\*)</sup> Figures related to 2018 refer to Amer Sports continuing operations



EUR million	Dec 31, 2017			2018	2019	2020	2021	2022 and after
	Nominal value	Available	Total					
Loans from financial institutions								
Repayments	131.1		131.1	30.4	50.5	0.2	0.0	50.0
Interest	4.1		4.1	1.5	0.9	0.6	0.6	0.5
Bonds								
Repayments	670.5		670.5	153.7		200.1	87.9	228.8
Interest	47.5		47.5	15.0	11.4	9.4	5.6	6.1
Other interest-bearing liabilities								
Repayments	17.5		17.5	2.2	2.2	2.3	2.4	8.4
Interest	0.1		0.1	0.0	0.0	0.0	0.0	0.1
Accounts payable								
Repayments	315.0		315.0	315.0				
Other interest-free liabilities								
Repayments	28.6		28.6	28.6				
Total								
Repayments	1,162.7		1,162.7	529.9	52.7	202.6	90.3	287.2
Interest	51.7		51.7	16.5	12.3	10.0	6.2	6.7
Financial guarantee contracts		4.8	4.8	4.8				
Committed revolving credit facility		200.0	200.0					200.0
Derivative liabilities								
Foreign exchange derivatives under hedge accounting	1,378.1		1,378.1	1,046.3	331.8			
Other foreign exchange derivatives	760.1		760.1	712.3	47.8			
Interest rate swaps under hedge accounting, fair value	1.4		1.4	1.0		0.4		
Cross currency swaps, fair value	9.2		9.2	9.2				
Other interest rate derivatives, fair value <sup>1)</sup>	3.8		3.8	0.2			3.6	
Derivative assets								
Foreign exchange derivatives under hedge accounting	1,358.2		1,358.2	1,023.7	334.5			
Other foreign exchange derivatives	764.7		764.7	717.2	47.5			
Interest rate swaps under hedge accounting, fair value	0.7		0.7	0.1		0.4	0.2	
Other interest rate derivatives, fair value <sup>1)</sup>	0.1		0.1	0.1				

<sup>1)</sup> The fair value of the Other interest rate derivatives has partly been recorded in the Fair value reserve in the shareholder's equity, and therefore the disclosed fair value amounts cannot be reconciled with the Group's balance sheet values.





## CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

EUR million	Current interest-bearing loans (excl. financial leases)	Current obligations under financial leases	Long-term interest-bearing loans (excl. financial leases)	Long-term obligations under financial leases	Dividends payable	Derivative financial instruments <sup>3)</sup>	Total
Balance at January 1, 2018	0.0	2.3	801.5	15.3		75.8	894.9
Cash flows	157.0		19.5				176.5
Foreign exchange movement			5.0				5.0
Changes in fair values <sup>3)</sup>						-52.0	-52.0
New financial leases		1.0		4.6			5.6
Other	53.3		-53.3		0.0		0.0
Balance at December 31, 2018	210.3	3.3	772.7	19.9	0.0	23.8	1,030.0

<sup>3)</sup> The balance sheet values of the derivatives have been recorded as they are disclosed in the Group's balance sheet and Fair value reserve, and therefore cannot be reconciled with their actual fair values.

## Currency risk

Transaction risk arises from foreign currency denominated receivables and liabilities, cash flow estimates in foreign currencies and derivatives. Translation risk relates to the foreign currency denominated earnings when they are translated into euro. Amer Sports has operations in most of the major currency areas, and its sales are diversified in multiple currencies. On the business unit level, transaction risk arises when the unit sells in its home currency but the cost base is in foreign currencies or sells or buys goods in foreign currencies. Amer Sports' risk management is aiming to eliminate material uncertainties relating to foreign exchange rates.

At the end of the year, Amer Sports' currency position consisted of inter-company and external interest-free and interest-bearing currency denominated receivables and liabilities and foreign exchange derivatives. Foreign exchange derivatives include both balance sheet and cash flow hedges.

The geography of Amer Sports businesses has led to the most significant currencies being US dollar, Canadian dollar, British pound, Swedish krona, Swiss franc and Japanese yen. The significance of US dollar is emphasized by its dominant role in the global procurement and the growth in Apparel and Footwear. In funding, Amer Sports has diversified its funding

sources, which is reflected in diverse currency denomination of the external debt.

Balance sheet risks have been managed by financing subsidiaries in their home currencies. The risks have been concentrated on the centralized distribution and purchasing units that invoice the subsidiaries in their respective home currencies. The parent company's balance sheet risk arises from internal and external liabilities in foreign currencies.

The following table sets out the foreign exchange position at the balance sheet date:

EUR million	Dec 31, 2018						Dec 31, 2017					
	USD	CAD	GBP	SEK	CHF	JPY	USD	CAD	GBP	SEK	CHF	JPY
Interest-bearing external receivables	-	-	-	-	-	-	-	-	-	76.2	-	-
Interest-bearing inter-company receivables	271.6	47.4	-	19.5	-	7.0	283.4	63.4	-	-	-0.2	5.4
External receivables	10.3	-12.0	-7.4	-1.0	1.0	0.0	16.0	-14.0	-6.4	0.7	1.1	0.0
Inter-company receivables	28.5	-17.2	13.2	4.9	2.8	8.0	61.0	-53.9	12.1	2.3	6.8	2.9
Interest-bearing external liabilities	-105.1	-	-	-	-	-	-179.3	-	-	-76.2	-	-
Interest-bearing inter-company liabilities	-	-	-7.8	-	-3.5	-	-	-	-7.1	-7.5	-	-
External payables	-127.0	38.5	0.7	0.1	0.1	-4.2	-123.4	34.6	0.2	0.0	-0.1	-1.0
Inter-company payables	-3.3	3.5	0.2	0.0	-0.3	-0.9	-51.4	39.4	-0.4	0.0	-0.3	-0.6
Foreign exchange derivatives	587.1	-205.5	-107.0	-104.2	-70.7	-67.0	621.9	-211.0	-112.5	-44.9	-81.1	-67.6
Total	661.9	-145.3	-108.1	-80.6	-70.6	-57.1	628.2	-141.5	-114.1	-49.4	-73.8	-60.9



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The table below presents the sensitivity of shareholders' equity and the income statement at the balance sheet date to the strengthening of the euro by 10%, provided other factors remain unchanged. The weakening of the euro by 10% would cause a similar change in the opposite direction:

EUR million	Shareholders' equity	Income statement
USD	-69.7	3.5
CAD	14.9	-0.3
GBP	10.6	0.2
SEK	8.3	-0.3
CHF	5.4	1.6
JPY	4.2	1.5

The following table presents the corresponding sensitivities at the balance sheet date in 2017:

EUR million	Shareholders' equity	Income statement
USD	-71.2	8.4
CAD	13.1	1.1
GBP	11.1	0.3
SEK	4.5	0.4
CHF	6.0	1.4
JPY	3.2	2.9

Earnings sensitivity before taxes is influenced by changes in the fair value of derivative instruments not used in hedge accounting and on-balance sheet hedging derivative instruments as well as changes in the value of on-balance sheet currency-denominated loans and receivables. Shareholders' equity is affected by changes in the fair value of derivative instruments used in hedge accounting recognized under the hedge reserve.

The following table sets out Amer Sports' cash flows (including discontinued operations) that are under hedging policy for the next 24 months (EUR million):

USD	CAD	GBP	SEK	CHF	NOK	JPY	CZK	OTHER
1,166	-199	-158	-141	-110	-98	-84	-60	-143

The following table sets out the hedging of Amer Sports' cash flows as at December 31, 2018 (EUR million):

USD	CAD	GBP	SEK	CHF	NOK	JPY	CZK	OTHER
-764	162	105	87	67	65	60	35	91

The strengthening of the euro against the USD typically improves Amer Sports' result of operations. The strengthening of the euro against the other foreign currencies typically weakens Amer Sports' result of operations. A significant share of the US dollar denominated procurement cost risk is eliminated against the US dollar denominated operating result. Due to the growth of the business that is dependent on sourcing from Asia, the US dollar procurement exceeded the US dollar denominated operating result significantly.

According to the hedging policy, the transaction risk arising from subsidiaries' business operations is hedged up to 12–24 months. In practice, the hedge ratios are higher for closer months than for later months. The hedge ratio is maintained between 55% and 95% of 24 months cash flow, except in currencies with high interest rate where the hedge horizon is 12–18 months. The hedged cash flow is expected to be realized during the following 12–24 months. Amer Sports hedges only annual cash flows or other exposures with a value of over EUR 3.0 million.

The company applies hedge accounting for annual cash flows with a counter value of over EUR 10 million per currency pair in the entity. It monitors hedge ratios daily and tests effectiveness at three-month intervals. Foreign exchange differences of foreign exchange derivatives are

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

recognized as hedging reserve while interest rate differentials related to the foreign exchange derivatives are recorded through financial profit and loss.

According to its Treasury Policy, Amer Sports may hedge 0 to 50% of subsidiaries' equity. At the end of 2018, there were no outstanding equity hedges or net investment hedges.

**Interest risk**

Amer Sports is exposed to interest rate risk when it funds its operations with euro or currency denominated debt. The risk arises from the repricing of floating rate debt and with the raising of new floating rate debt. A fixed rate debt is subject to "fair value risk". The purpose of interest rate risk management is to bring predictability for interest expenses by keeping the duration within the agreed limits with an optimal mix of fixed and floating rate debt. Treasury is constantly hedging current outstanding interest rate position of the Group and from time to time may hedge forthcoming position of the Group, up to 7 years. The interest rate derivatives that can be used in the risk management are defined in the Treasury Policy.

The neutral target for duration of interest rate position is 12 months, but it is allowed to vary between 6 and 18 months. As of December 31, 2018, the duration was 18 months. 64% of the debt portfolio was at fixed rate as of December, 2018. The company has set EUR 3.0 million sensitivity limits to 1% raise in the market rate for the following 12 months interest expenses and negative mark-to-market valuation of non-hedge accounting transactions.

Cash and cash equivalents are excluded from the interest rate risk portfolio of the company due to their short term nature.

The sensitivity of the income statement contains changes in interest expenses for the next 12 months due to an increase/decrease of 1% in market interest rates, provided that other factors remain unchanged.

Shareholders' equity is effected by a change in the market value of the hedge accounting interest rate swaps. The change is booked to the hedge reserve.



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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The below table illustrates the sensitivity of shareholders' equity and income statement to an increase of 1% in interest rates, provided that other factors remain unchanged. The sensitivity is calculated to interest-bearing liabilities. Interest rate floors are excluded from the calculations.

EUR million	Position	2018
Shareholders' equity	283.0	10.9
Income statement	331.6	-1.2
Income statement due to ineffective		
Other interest rate derivatives	106.8	1.1

In 2017, the sensitivity of the shareholders' equity and income statement to an increase of 1% interest rates, provided that other factors remain unchanged, was:

EUR million	Position	2017
Shareholders' equity	226.7	4.3
Income statement	159.0	-1.2
Income statement due to ineffective		
Other interest rate derivatives	185.0	4.4

The effective interest rate of the total debt including interest rate hedges was 2.6%. The interest rate was 2.3% on bonds, 0.9% on bank loans and 0.2% on commercial papers.

The average interest rate of the Group's interest-bearing debt including interest rate derivatives and facility fees was 1.7% (Dec 31, 2017: 2.5). After foreign exchange derivatives that hedge the inter-company debt, the average interest rate was 2.5% (Dec 31, 2017: 3.2).

Amer Sports applies hedge accounting to interest rate derivatives whenever it is applicable. Non-hedge accounting derivatives are measured at fair value and the result is recognized in the financing items.

### Credit risk

The company is exposed to customary credit risk through its accounts receivable. The Group has a global customer base, and there are no significant risk concentrations. The largest single customer accounts for 5% of total accounts receivable and the largest 20 combined total about 30%. At the end of year 2018 the actual payment time for the outstanding sales was 71 days.

Amer Sports uses a global credit insurance program to support sales activities. Major part of European and Asian customers risks are covered by the credit insurance.

The company assumes limited repurchase obligations through its fitness related financial leasing agreements.

Excess liquidity is placed either in bank deposits within banks that Amer Sports has outstanding debt or committed facilities, or on money market instruments of funds that are selected according to Treasury Policy's criteria and limits.

The credit risk arising from derivatives is negligible. The risk is minimized by limiting the number of counterparties, their shares of the total portfolio and by monitoring the credit standings and their outstanding liability to Amer Sports.

The following table sets out the balance sheet values or fair values of financial assets which represent the maximum amount of the credit risk at balance sheet dates:

EUR million	Balance sheet value or fair value Dec 31, 2018 <sup>*)</sup>	Balance sheet value or fair value Dec 31, 2017
<b>Non-current financial assets</b>		
Other non-current financial assets	6.0	4.9
Derivative financial instruments <sup>3)</sup>		
Foreign exchange derivatives	2.6	1.6
Interest rate and cross currency swap derivatives	7.2	10.1
<b>Current financial assets</b>		
Hold-to-collect accounts receivables	615.9	551.4
Available for sale factoring receivables	4.8	37.7
Other interest-free receivables	82.8	86.0
Promissory notes	14.9	11.7
Derivative financial instruments <sup>3)</sup>		
Foreign exchange derivatives	32.5	25.4
Interest rate and cross currency swap derivatives	0.5	2.2
Cash and cash equivalents, commercial papers and deposits	249.6	328.4
Investments on money market funds	-	30.0

<sup>3)</sup> The balance sheet values of the derivatives have been recorded as they are disclosed in the Group's balance sheet and Fair value reserve, and therefore cannot be reconciled with their actual fair values.

(+ = Assets, - = Debt)

<sup>\*)</sup> Figures related to 2018 refer to Amer Sports continuing operations



## DERIVATIVE FINANCIAL INSTRUMENTS

EUR million	Dec 31, 2018					Dec 31, 2017	
	Nominal value	Fair value	2019	2020	2021 and after	Nominal value	Fair value
<b>Hedge accounting-related</b>							
Foreign exchange derivatives hedging cash flows from operations	1,477.1	24.8	1,208.1	269.0		1,358.2	-26.8
Interest rate swaps hedging interest cash flow	483.0	-2.4		83.0	400.0	226.7	-0.7
Interest cash flow of cross currency swaps	-	-				76.2	0.0
<b>Other derivative contracts</b>							
Foreign exchange derivatives	574.3	-1.7	565.6	8.7		764.7	6.6
Interest rate swaps <sup>1)</sup>	106.8	-1.5		85.0	21.8	185.0	-3.7
Foreign exchange difference of cross currency swaps	-	-				0.0	-9.2

<sup>1)</sup> The fair value of the Other interest rate derivatives has partly been recorded in the Fair value reserve in the shareholder's equity, and therefore the disclosed fair value amounts cannot be reconciled with the Group's balance sheet values.

## Capital management

The Group's capital management aims at the optimal capital structure that ensures the normal short-term and long-term operational requirements of business.

Amer Sports financial targets are mid-single digit organic, currency-neutral annual growth of net sales, annual EBIT growth (excl. Items affecting comparability) ahead of net sales growth and in cash flow conversion free cash flow to net profit at least 80%. The balance sheet target is to have a year-end Net Debt/EBITDA ratio 3 in maximum.

Net Debt/EBITDA illustrates how Amer Sports can generate operational cash flow to serve its debt. Also, it shows required profitability level against the outstanding debt and therefore makes it possible to link business specific targets to Group's balance sheet structure. It creates a dynamic key performance indicator combining balance sheet structure and profitability target setting.

Amer Sports' bank facilities include a financial covenant where Amer Sports' Net Debt to Consolidated LTM EBITDA excl. IAC shall not be more than 3.50:1. The bank facilities

include also typical representations and warranties and events of default. Amer Sports does not foresee any risks to a breach in the financial covenant in the next financial year given the current business environment.

EUR million	Dec 31, 2018 <sup>*)</sup>	Dec 31, 2017
Interest-bearing liabilities	1,006.2	819.1
Cash and cash equivalents	249.6	358.4
Net debt	756.6	460.7
Total shareholders' equity	920.1	885.4
EBITDA excl. IAC, continuing operations	303.6	237.7
Net debt/EBITDA excl. IAC, continuing operations	2.5	2.0

<sup>\*)</sup> Figures related to 2018 refer to Amer Sports continuing operations

**Offsetting financial assets and liabilities**

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements as at December 31, 2018:

EUR million	Gross amount of derivative financial assets	Related amounts not set off	
		Financial instruments	Net amount
Derivative financial instruments	20.1	21.3	-1.2

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements as at December 31, 2018:

EUR million	Gross amount of derivative financial liabilities	Related amounts not set off	
		Financial instruments	Net amount
Derivative financial instruments	1.0	1.3	-0.3

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements as at December 31, 2017:

EUR million	Gross amount of derivative financial assets	Related amounts not set off	
		Financial instruments	Net amount
Derivative financial instruments	6.1	4.6	1.5

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements as at December 31, 2017:

EUR million	Gross amount of derivative financial liabilities	Related amounts not set off	
		Financial instruments	Net amount
Derivative financial instruments	39.9	14.8	25.1

Other financial assets and liabilities than derivative financial assets and liabilities are not subject to material offsetting, enforceable master netting or similar agreements. Financial assets and liabilities that are not set off in the balance sheet, but may be set off are under enforceable master netting arrangements (such as International Swaps and Derivatives Association Inc, ISDA, Master Agreement and Schedules governing terms, obligations and other provision related to trading and settlement of derivative trades) that allow the Group and the counterparty for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis, however, each party to the master netting arrangement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

**30. REVENUE FROM CONTRACTS  
WITH CUSTOMERS****NET SALES PER SEGMENT**

EUR million	2018 <sup>*)</sup>	2017 <sup>*)</sup>
Outdoor	1,661.3	1,540.0
Ball Sports	638.1	659.0
Fitness	378.8	375.6
Total	2,678.2	2,574.6

**GEOGRAPHIC BREAKDOWN OF NET SALES**

EUR million	2018 <sup>*)</sup>	2017 <sup>*)</sup>
EMEA	1,162.6	1,087.6
Americas	1,123.8	1,122.2
Asia Pacific	391.8	364.8
Total	2,678.2	2,574.6

**REVENUE STREAMS**

EUR million	2018 <sup>*)</sup>	2017 <sup>*)</sup>
Net sales of products and services	2,678.2	2,574.6
License income	5.4	5.5
Other operating income	7.4	6.2
Total	2,691.0	2,586.3

**CONTRACT BALANCES**

EUR million	2018 <sup>*)</sup>	2017
Trade receivables	620.7	589.1

<sup>\*)</sup> Figures related to 2018 refer to Amer Sports continuing operations.

Trade receivables are non-interest yielding receivables. The allowance for the expected credit losses on trade receivables amounted to EUR 12.5 million.

**RIGHT OF RETURN ASSETS AND REFUND LIABILITIES**

EUR million	2018 <sup>*)</sup>	2017
Right of return assets	2.9	0.0
Refund liabilities	8.9	0.5

Right of return asset represents Amer Sports' right to recover the products expected to be returned by customers. The asset is measured at the former carrying amount of the inventory less any expected costs to recover the products, including any potential decreases in the value of the returned products.

Refund liability is the obligation to refund some or all of the consideration receivable from the customer and is measured at the amount Amer Sports expects it will have to return to the customer.

**31. DISCONTINUED OPERATIONS AND  
ASSETS AND LIABILITIES HELD FOR SALE**

On 5th September, as part of the strategy update, Amer Sports announced a decision to place its Cycling business under strategic review. Following the decision the company started a formal process to actively find a potential buyer for the asset. The sale of Cycling business is expected to be completed by the end of Q3 2019. As required by the reporting standards, all income and expenses of the Cycling business are reported as discontinued operations for 2018 and comparative figures for 2017 are adjusted accordingly. Balance sheet items related to Cycling business are reported under assets and liabilities held-for-sale as of September 2018 onwards.

**Impairment loss recognized on the  
remeasurement to fair value**

Based on received bids from potential buyers in Q4 2018 and further fair value assessments by the management, impairment loss of EUR 67.8 million on the remeasurement of net assets to fair value was recognized in December 2018. This included write-downs of goodwill by EUR 18.3 million, other intangible non-current assets by EUR 32.4 million and tangible non-current assets by EUR 5.1 million. Net working capital related remeasurements to fair value were EUR 12.0 million.

<sup>\*)</sup> Figures related to 2018 and 2017 refer to Amer Sports continuing operations.



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The result of the Cycling business is shown as discontinued operations in the consolidated income statement:

EUR million	2018	2017
<b>NET SALES</b>	113.8	134.6
Cost of goods sold	-76.8	-80.8
License income	0.1	0.2
Other operating income	0.4	0.8
Research and development expenses	-8.6	-8.8
Selling and marketing expenses	-32.0	-33.7
Administrative and other expenses	-11.7	-14.0
Impairment loss recognised on the remeasurement to fair value less costs to sell	-67.8	-
<b>EARNINGS BEFORE INTEREST AND TAXES</b>	-82.6	-1.7
Financing income	0.2	0.3
Financing expenses	-0.4	0.0
Financing income and expenses, net	-0.2	0.3
<b>EARNINGS BEFORE TAXES</b>	-82.8	-1.4
Income taxes	5.4	0.5
<b>NET RESULT</b>	-77.4	-0.9
Earnings per share from discontinued operations, EUR	-0.67	-0.01
Earnings per share from discontinued operations, diluted, EUR	-0.67	-0.01

The following assets and liabilities were reported as assets and liabilities held for sale:

**ASSETS**

EUR million	2018
<b>NON-CURRENT ASSETS</b>	
Intangible rights	5.5
Machinery and equipment	2.6
Available-for-sale financial assets	0.2
Deferred tax assets	6.6
<b>TOTAL NON-CURRENT ASSETS</b>	14.9
<b>CURRENT ASSETS</b>	
<b>INVENTORIES, NET</b>	
Raw material and consumables	7.8
Work in progress	0.8
Finished goods	27.7
	36.3
<b>RECEIVABLES</b>	
Accounts receivable, net	13.9
Current tax assets	0.1
Prepaid expenses and other receivables	2.8
	16.8
<b>CASH AND CASH EQUIVALENTS</b>	1.0
<b>TOTAL CURRENT ASSETS</b>	54.1
<b>TOTAL ASSETS HELD FOR SALE</b>	69.0

**LIABILITIES**

EUR million	2018
<b>LONG-TERM LIABILITIES</b>	
Deferred tax liabilities	0.8
Defined benefit pension liabilities	4.0
	4.8
<b>CURRENT LIABILITIES</b>	
Accounts payable	11.2
Accrued liabilities	5.5
Provisions	13.0
	29.7
<b>TOTAL LIABILITIES HELD FOR SALE</b>	34.5
<b>NET ASSETS HELD FOR SALE</b>	34.5

Net cash flows incurred by the Cycling business are:

EUR million	2018	2017
Operating	-13.9	2.4
Investing	-1.9	-2.6
Financing	-	-
<b>Net cash outflow</b>	-15.8	-0.2

OCI included the following Cycling business related items: translation differences EUR 1.9 million and remeasurement impact of postemployment benefit plans after tax EUR 0.3 million.





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# Parent Company Income Statement

EUR million	2018	2017
Other operating income	30.1	24.6
<b>EXPENSES</b>		
Personnel expenses	9.2	8.9
Depreciation	1.3	1.0
Other expenses	25.4	15.9
Total expenses	35.9	25.8
<b>EARNINGS BEFORE INTEREST AND TAXES</b>	-5.8	-1.2
Financing income	86.7	276.7
Financing expenses	-104.5	-129.2
Financing income and expenses	-17.8	147.5
<b>EARNINGS BEFORE APPROPRIATIONS AND TAXES</b>	-23.6	146.3
Appropriations	14.0	3.9
Income taxes	-0.5	-0.1
<b>NET RESULT</b>	-10.1	150.1



# Parent Company Cash Flow Statement

EUR million	2018	2017
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>		
EBIT	-5.8	-1.2
Depreciation	1.3	1.0
Adjustments to cash flow from operating activities	0.0	0.1
Cash flow from operating activities before change in working capital	-4.5	-0.1
Increase (-) or decrease (+) in trade and other current receivables	-3.6	20.4
Increase (+) or decrease (-) in interest-free current liabilities	5.7	0.8
Change in working capital	2.1	21.2
Cash flow from operating activities before financing items and taxes	-2.4	21.1
Interest paid	-30.9	-27.1
Interest received	0.1	0.2
Financing items and taxes	-30.8	-26.9
Total net cash flow from operating activities	-33.2	-5.8
<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>		
Investments in subsidiaries	-25.1	-15.0
Capital expenditure	-2.2	-1.4
Proceeds from sale of tangible non-current assets	0.1	0.0
Dividends received	-	175.0
Net cash flow from investing activities	-27.2	158.6

EUR million	2018	2017
<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>		
Repurchase of own shares	-4.6	-53.9
Transfer of own shares	3.9	3.3
Change in short-term borrowings	169.2	-114.5
Withdrawals of long-term borrowings	350.0	-
Repayments of long-term borrowings	-330.1	-
Change in current receivables	-182.4	117.3
Capital repayment paid	-80.7	-72.7
Group contributions received	3.8	-
Other financing items <sup>*)</sup>	5.4	-38.3
Net cash flow from financing activities	-65.5	-158.8
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	-125.9	-6.0
Cash and cash equivalents		
Cash and cash equivalents at year end	138.6	264.5
Cash and cash equivalents at year beginning	264.5	270.5
Change in cash and cash equivalents	-125.9	-6.0

<sup>\*)</sup> Including, for example, cash flow from hedging intercompany balance sheet items



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# Parent Company Balance Sheet

ASSETS EUR million	2018	2017
<b>NON-CURRENT ASSETS</b>		
INTANGIBLE ASSETS		
Intangible rights	2.9	2.4
TANGIBLE ASSETS		
Land and water	0.8	0.8
Buildings and constructions	0.6	0.7
Machinery and equipment	0.9	1.0
Other tangible assets	0.3	0.3
Construction in progress	0.6	0.0
	3.2	2.8
OTHER NON-CURRENT INVESTMENTS		
Investments in subsidiaries	752.3	747.2
Other bonds and shares	0.1	0.1
	752.4	747.3
<b>TOTAL NON-CURRENT ASSETS</b>	<b>758.5</b>	<b>752.5</b>
<b>CURRENT ASSETS</b>		
RECEIVABLES		
Long-term		
Receivables from subsidiaries	723.8	607.3
Deferred tax assets	3.5	3.1
Short-term		
Receivables from subsidiaries	293.9	216.5
Prepaid expenses	53.7	55.9
	1,074.9	882.8
MARKETABLE SECURITIES		
Other securities	-	30.0
CASH AND CASH EQUIVALENTS	138.6	234.5
<b>TOTAL CURRENT ASSETS</b>	<b>1,213.5</b>	<b>1,147.3</b>
<b>TOTAL ASSETS</b>	<b>1,972.0</b>	<b>1,899.8</b>

SHAREHOLDERS' EQUITY AND LIABILITIES EUR million	2018	2017
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	292.2	292.2
Premium fund	12.1	12.1
Invested unrestricted equity reserve	26.2	106.4
Retained earnings	176.2	27.3
Net result	-10.1	150.1
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>496.6</b>	<b>588.1</b>
<b>LIABILITIES</b>		
LONG-TERM LIABILITIES		
Bonds	475.4	516.7
Loans from financial institutions	300.0	100.0
	775.4	616.7
CURRENT LIABILITIES		
Bonds	-	153.7
Loans from financial institutions	50.0	30.0
Other interest-bearing liabilities	159.9	-
Accounts payable	0.4	0.6
Payables to subsidiaries	440.9	410.2
Other current liabilities	0.4	0.2
Accrued liabilities	48.4	100.3
	700.0	695.0
<b>TOTAL LIABILITIES</b>	<b>1,475.4</b>	<b>1,311.7</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>1,972.0</b>	<b>1,899.8</b>



# Parent Company Accounting Policies

The parent company's financial statements are prepared in accordance with the Finnish law. The results are reported in euros using the historical cost convention. The financial statements are presented excluding the notes to the financial statements.

## FOREIGN CURRENCIES

The parent company records foreign currency transactions at the rates of exchange on the transaction date. Assets and liabilities denominated in foreign currencies are translated at the closing rate of exchange confirmed by the European Central Bank in effect at the balance sheet date.

Exchange rate gains and losses related to financing operations are reported at their net values as financing income and expenses.

## DERIVATIVE INSTRUMENTS

The company's derivative instruments may include foreign exchange forward contracts and options, interest rate swaps and interest rate options and cross-currency swaps. Foreign exchange forward contracts and options are used to hedge against changes in the value of receivables and liabilities denominated in a foreign currency and interest rate swaps and interest rate options to hedge against the interest rate risk. Cross-currency swaps are used to hedge against changes in value of foreign currency denominated receivables and liabilities and against the interest rate risk.

Foreign exchange forward contracts and options, interest rate swaps and options and cross currency swaps are measured at fair value on the day that the parent company becomes a party to the contract. Subsequent measurement is also at fair value. The changes of fair values are recorded to earnings. Foreign exchange derivatives are measured at fair value using the closing rates quoted by the European Central Bank on the reporting date together with common pricing models that are used for valuation of foreign exchange forward contracts and options. The fair values of interest rate and cross currency swaps are calculated as the current value of future cash flows. Interest rate options are valued with year end interest rates together with common option pricing models.

The interest rate differential on foreign exchange derivatives, interest rate derivatives and cross currency swaps is allocated over the duration of the derivative on a net basis in interest expenses. The exchange rate differences are recognized in the income statement.

## INTANGIBLE AND TANGIBLE NON-CURRENT ASSETS

Non-current assets are stated at cost less accumulated depreciation.

Depreciation is calculated on a straight-line basis in order to write down the cost or revalued amounts of assets to their residual values over their expected useful lives which are as follows:

Intangible rights and other capitalized expenditure	5–10 years
Buildings	40 years
Machinery and equipment	3–10 years

Land and water are not depreciated.

## SHAREHOLDERS' EQUITY

An equity instrument is recorded in the shareholders' equity if the instrument includes no contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the issuer.

The subscription proceeds from share issues are booked to invested unrestricted equity reserve to the extent that they are not, in accordance with a shareholders' resolution, booked to the share capital. The transaction costs of the share issues are charged to financing expenses.

The acquisition cost of repurchased own shares is charged to equity until the shares are cancelled or reissued.

Any dividend proposed by the Board of Directors is not deducted from distributable shareholders' equity until approved at the Annual General Meeting.

## PROVISION FOR CONTINGENT LOSSES

Future costs and losses which the company has an obligation to settle and which are certain or likely to occur are disclosed in the income statement under an appropriate expense heading. They are presented in the balance sheet as provisions for contingent losses when the precise amount or timing is not known. In other cases they are presented as accrued liabilities.

## LEASING

Leasing payments are treated as rental expenses.

## PENSION PLANS

The pension and related fringe benefit arrangements of the parent company's employees are administered by a pension insurance company and recorded as determined by actuarial calculations and payments to the insurance company.

## SHARE-BASED PAYMENT

The tax compensation of share-based incentive schemes granted to key employees of the parent company is posted as personnel expenses in the income statement over the vesting period of the schemes. The acquisition price of the shares has been booked to equity on the date of acquisition.

## TAXES

Taxes include taxes for the period calculated on the basis of the net result for the period, assessed or returned taxes for prior periods as well as deferred taxes calculated on temporary differences between the book and tax base of assets.

## DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets or liabilities are calculated on temporary differences between the book and tax base of assets in accordance with the future tax rate that is substantially enacted at the end of the financial period. A deferred tax asset is recognized to the estimated probable amount. It is presented under the long-term receivables.



# Signatures of Board of Directors' Report and Financial Statements

Helsinki, Finland, February 7, 2019

Bruno Sälzer  
Chairman

Ilkka Brotherus  
Vice Chairman

Manel Adell  
Member of the Board

Petri Kokko  
Member of the Board

Tamara Minick-Scokalo  
Member of the Board

Hannu Ryöppönen  
Member of the Board

Lisbeth Valther  
Member of the Board

Heikki Takala  
CEO



# Auditor's Report

## TO THE ANNUAL GENERAL MEETING OF AMER SPORTS CORPORATION

### REPORT ON THE AUDIT OF FINANCIAL STATEMENTS

#### Opinion

We have audited the financial statements of Amer Sports Corporation (business identity code 0131505-5) for the year ended 31 December 2018. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position as well as its financial performance and its cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Audit Committee.

#### Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the *Auditor's Responsibilities for the Audit of Financial Statements* section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland

regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 8 to the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures

performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.



Key Audit Matter	How our audit addressed the Key Audit Matter
<p><b>Revenue recognition</b></p> <p><i>We refer to the group's accounting policies and the note 30.</i></p>	
<p>Revenue is measured taking into account discounts, incentives and rebates earned by customers, and is recognised when the control of the underlying products and services have been transferred to the purchaser either over time or at a point in time. The group focuses on revenue as a key performance measure which could create the incentive for revenue to be recognised before the control have been transferred. Due to the multitude and variety of contractual terms across the group's markets management judgment is needed to account for the revenue, and therefore, revenue could be subject to misstatement, whether due to fraud or error. Based on above revenue recognition was a key audit matter.</p> <p>This matter was also a significant risk of material misstatement referred to in EU Regulation No 537/2014, point (c) of Article 10(2).</p>	<p>To address the risk of material misstatement relating to revenue recognition we performed, among others, the following audit procedures:</p> <ul style="list-style-type: none"> <li>• We assessed the compliance of the group's accounting policies over revenue recognition, including those relating to discounts, incentives and rebates, with applicable accounting standards.</li> <li>• We tested the group's controls over timing of revenue recognition and over the calculation of discounts, incentives and rebates. These controls comprised a combination of transaction level prevent controls and detect controls.</li> <li>• We tested the cutoff of revenue with substantive analytical procedures supplemented with test of details on a transaction level either side of the balance sheet date as well as credit notes prepared after the balance sheet date.</li> <li>• We considered the appropriateness of the group's disclosures in respect of revenues.</li> </ul>

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><b>Valuation goodwill and intangible rights</b></p> <p><i>We refer to the group's accounting policies and the notes 7, 13 and 31.</i></p>	
<p>At the balance sheet date, the value of tested goodwill and intangible rights amounted to 805 M€ representing 28% of the total assets and 87% of the total equity. Valuation of goodwill and intangible rights was a key audit matter because the impairment testing imposes estimates and judgment. The group management use assumptions in respect of determining weighted average cost of capital as well as future market and economic conditions such as economic growth, expected inflation rates, expected market share and revenue and margin developments.</p>	<p>We performed, among others, the following audit procedures:</p> <ul style="list-style-type: none"> <li>• We involved our valuation specialists to assist us in evaluating the assumptions and methodologies used by the group, in particular those relating to the forecasted revenue growth, profit margins and weighted average cost of capital.</li> <li>• We focused on analysing the sensitivity in the available headroom by cash generating unit and whether any reasonably possible change in assumptions could cause the carrying amount to exceed its recoverable amount.</li> <li>• We assessed the historical accuracy of the management's estimates.</li> <li>• We considered the appropriateness of the group's disclosures in respect of impairment testing.</li> </ul>





Key Audit Matter	How our audit addressed the Key Audit Matter
<b>Valuation of product development costs</b> <i>We refer to the group's accounting policies and the notes 7 and 13.</i>	
Product development costs are capitalized when they meet the recognition criteria of IAS 38 <i>Intangible Assets</i> . Capitalised development costs are amortized during their useful lives. An impairment is recognised if the carrying amount of an asset exceeds its recoverable amount Additions to capitalised product development costs amounted to 15 M€ in 2018 and 16 M€ in 2017. The group wrote down capitalized product development costs as impairment charges 3 M€ in 2018. Valuation of development costs was a key audit matter because the impairment assessment imposes significant management judgment.	<p>We performed, among others, the following audit procedures:</p> <ul style="list-style-type: none"> <li>• We assessed the compliance of the group's accounting policies over the recording of development costs with applicable accounting standards.</li> <li>• We evaluated the analyses made by management with respect to capitalized and impaired development costs.</li> <li>• We also considered the appropriateness of the group's disclosures about the development costs.</li> </ul>

Key Audit Matter	How our audit addressed the Key Audit Matter
<b>Income taxes</b> <i>We refer to the group's accounting policies and the notes 11 and 15.</i>	
The group has extensive international operations and in the normal course of business the management makes assumptions and judgments in relation to tax issues and exposures. Income taxes was a key audit matter due to the inherent uncertainty of complying with evolving tax regulations in multiple different tax jurisdictions and the recovery of deferred tax assets recognised with respect to tax loss carryforwards.	<p>We performed, among others, the following audit procedures:</p> <ul style="list-style-type: none"> <li>• We assessed the group's process around the recording and assessment of tax provisions.</li> <li>• We involved our tax specialists to assist us in performing an assessment of the group's correspondence with relevant tax authorities, to evaluate the recorded tax provisions for relevant risks.</li> <li>• We assessed the assumptions used with our tax specialists.</li> <li>• We assessed relevant tax opinions from third parties obtained by the management.</li> <li>• We also considered the appropriateness of the group's disclosures in respect of income taxes.</li> </ul>



Key Audit Matter	How our audit addressed the Key Audit Matter
<p style="text-align: center;"><b>Inventory valuation</b>  <i>We refer to the group's accounting policies and the note 16.</i></p>	
<p>At the balance sheet date the total value of inventory of continuing operations and related excess and obsolete provision amounted to 568 M€ and 21 M€, respectively (net 547 M€). Inventory valuation was a key audit matter, because the gross inventory and related provision are material to the financial statements, involve management judgment and are subject to uncertainty due to rapid technological, fashion and consumer demand changes.</p>	<p>We performed, among others, the following audit procedures:</p> <ul style="list-style-type: none"> <li>• We assessed the compliance of the group's accounting policies over the recording of inventory with applicable accounting standards.</li> <li>• We evaluated the analyses and calculations made by management with respect to slow moving and obsolete stock and the expected demand and market value related to the inventoried items. We also assessed the historical accuracy of management's estimates.</li> <li>• We considered the appropriateness of the group's disclosures about the accounting policies for the valuation of inventory and the related balances.</li> </ul>

### Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

### Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but

is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit



evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## OTHER REPORTING REQUIREMENTS

### Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on 12 March 2015, and our appointment represents a total period of uninterrupted engagement of four years.

### Other information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with

the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki, 7 February 2019

Ernst & Young Oy  
Authorized Public Accountant Firm

**Heikki Ilkka**  
Authorized Public Accountant



# Statement of Non-Financial Information

Amer Sports is a sporting goods company with internationally recognized brands including Salomon, Arc'teryx, Peak Performance, Atomic, Mavic, Wilson, Suunto and Precor. The company's technically advanced sports equipment, footwear and apparel improve performance and increase the enjoyment of sports and outdoor activities. The Group's business is balanced by its broad portfolio of sports and products and a presence in all major markets.

Amer Sports' strategy is based on five strategic cornerstones which will enable the company to achieve its ambitions and financial targets. The strategic cornerstones are: Clear portfolio roles and business synergies, Faster growth in softgoods, Winning with consumers, Winning in go-to-market, and Operational excellence.

Amer Sports' strategy emphasizes excellence in consumer-centric product creation. Through continuous research and development, Amer Sports seeks to develop new and better sporting goods, services and experiences that appeal to both consumers and trade customers. Amer Sports aims to ensure the quality and safety of products, make products durable while improving efficiency, and, with actions related to these areas, meet the expectations of its stakeholders and strive for continuous improvement.

Amer Sports' global operations encompass business functions from product development to product sourcing, manufacturing and outbound logistics. Reliable, efficient and timely supply chain management and operations are important elements of the Group's strategy.

Amer Sports sources a significant proportion of its products from suppliers located throughout Asia, and the company is committed to socially responsible sourcing practices. Amer Sports manufactures approximately 24% of its products itself, approximately 12% is produced by partially outsourced vendors, and approximately 64% of the production value is outsourced.

The Amer Sports Sourcing Office in Hong Kong is responsible for monitoring and improving social compliance of its global suppliers, vendor qualification, product industrialization, contract management, price negotiations, procurement process, optimization and export administration for Amer Sports Group.

The Amer Sports Code of Conduct (available in 14 languages) defines the major principles of the company's business conduct, and Amer Sports expects its business partners to adhere to a code of conduct that is consistent with its own. The content of the Code of Conduct focuses on the promises to consumers, shareholders and business partners and refers to International Labour Organization (ILO) standards and the United Nations' Universal Declaration on Human Rights. Code of Conduct aspects include product safety, responsible marketing, accurate and transparent information, safe, fair and healthy workplace for employees, environment, antitrust and competition law, conflicts of interest, anti-corruption and bribery, privacy, financial reporting, protection of confidential information, and compliance with all laws and regulations.

## PRODUCT COMPLIANCE

Amer Sports is fully committed to international, regional or country-specific laws and regulations that limit the chemical contents of the materials used in the Amer Sports products. To protect the environment and consumers' health, Amer Sports' Restricted Substance List (RSL) goes beyond law and regulations. Additionally, Amer Sports has included ethical sourcing guidelines (related to e.g. animal welfare and country of origin of conflict minerals) in its RSL Policy. Amer Sports categories have developed further their category-based RSLs.

Existing and new suppliers of Amer Sports brands, as well as Amer Sports' own manufacturing facilities, are required to adhere to the RSL Policy. Amer Sports requires the adherence to this policy to be documented through written confirmation and chemical test certificates from accredited third-party test laboratories (e.g. SGS, Intertek). In case test reports reveal non-compliance, production of affected materials will be stopped, non-compliant materials will be destroyed, and replacement products with compliant alternative materials will be produced at suppliers' expense. Amer Sports reserves the right to conduct random audits to ensure compliance with its RSL Policy at any time. These audits will be executed either by Amer Sports staff or authorized representatives.

The Apparel & Gear category has published its RSL as a part of the Amer Sports bluesign membership, and the Footwear category's RSL has been published as part of its annual review process. Amer Sports plans to complete the RSL policy for all other categories in the near future.

## HUMAN RIGHTS AND ANTI-CORRUPTION AND BRIBERY

The Amer Sports Ethical Policy sets out the core values of the sourcing operations. The company expects its suppliers to operate according to the principles in its Ethical Policy, which is embedded into the supplier agreement and signed by suppliers confirming their compliance with the Policy. The Ethical Policy requires that suppliers do not engage in the giving or receiving, directly or indirectly, of bribes, kickbacks, or other illicit payments or improper benefits intended to achieve business advantage or financial gain. Amer Sports expects its sourcing partners to respect human rights in the spirit of internationally recognized social and ethical standards, including the International Labour Organization (ILO) Standards and the United Nations' Universal Declaration on Human Rights, and to prohibit corruption and bribery. The Amer Sports Ethical Policy is aligned with the Fair Labor Association's Code of Conduct, and it is available in 24 languages.

To ensure that Amer Sports' business partners and its own manufacturing facilities are in compliance with the Amer Sports standards, the company has implemented a Vendor social and labor monitoring program. Under the program, existing and new suppliers of Amer Sports brands as well as Amer Sports' own manufacturing facilities are audited by a third-party audit company. The main features of the Amer Sports Social Compliance approach are:

- Amer Sports Vendor Sustainability team, located in Hong Kong, provides training on the Amer Sports standards defined in the Amer Sports Ethical Policy and the audit procedures. This is part of the vendor onboarding process.
- Amer Sports has commissioned third-party auditors from Bureau Veritas or UL Responsible Sourcing Inc. to conduct regular social and labor compliance audits in helping



## AMER SPORTS 2018

## STATEMENT OF NON-FINANCIAL INFORMATION

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sourcing partners comply with labor regulations, industry standards, and health and safety practices in workplaces.

- If improvement opportunities are identified in an audit, corrective action plan has to be developed by vendors with a re-audit before the next order will be placed. In case of systemic issues, Amer Sports also collaborates with industry peers in developing joint corrective action plans for improvements, e.g. the Better Factory Cambodia initiative.
- Amer Sports follows regularly the Vendors' social labor performance and their sourcing scores. The scores are part of both strategic vendor development plans and the regular monthly performance review cycles. The audit findings are categorized into different risk levels indicating the priorities of the corrective actions to be taken. Facilities have to perform a root cause analysis of the audit findings and develop corrective action plans to improve their performance.

To develop its monitoring programs and improve its suppliers' performance, Amer Sports is a member in several non-governmental organizations. Amer Sports has been a full member of the Sustainable Apparel Coalition (SAC) since 2018 and a signatory of Social Labor Convergence Project (SLCP), which is a multi-stakeholder project aiming to improve labor conditions in the apparel and footwear industry.

Wilson Sporting Goods Company is a Category B licensee of Fair Labor Association (FLA). As a parent company of Wilson, Amer Sports engages in the FLA's due diligence process including the third-party assessment by FLA for facilities and review of Amer Sports' social compliance program.

Amer Sports collaborates with Better Work, an International Labour Organization (ILO) program, in different capacity building activities for our vendors. The collaboration includes the Better Factory Cambodia initiative. Additionally, it provides access to Better Work's working conditions assessment reports and coaching and training plans and facilitates monitoring the improvement progress done by Better Work at facilities.

Arc'teryx collaborated with SMART Myanmar to support our vendors in the country in sustainable production of social responsibility projects. Arc'teryx also collaborated

<b>Production (%)</b>	<b>2018<sup>*)</sup></b>	<b>2017</b>	<b>2016</b>
Sourcing	64	64	64
By partially outsourced vendors	12	13	13
Own production	24	23	23

<b>Suppliers' employees in audited factories</b>	<b>2018<sup>*)</sup></b>	<b>2017</b>	<b>2016</b>
Suppliers' employees in audited factories	161,458	116,457	123,016
Number of countries where suppliers' employees in audited factories are located	22	20	17

<b>Suppliers covered by Supplier Code of Conduct (%)<sup>*)</sup></b>	<b>2018<sup>*)</sup></b>	<b>2017</b>	<b>2016</b>
Purchase value from suppliers with signed supplier CoC	96	94	93

<sup>\*)</sup> Including Peak Performance vendors

<b>Audits</b>	<b>2018<sup>*)</sup></b>	<b>2017</b>	<b>2016</b>
Factories audited <sup>1)</sup>	153	129	133
Audit visits by external third party	127	121	110
Remediation visits by Amer Sports' CR team	52	64	56

<b>Breakdown of audit findings (%)</b>	<b>2018<sup>*)</sup></b>	<b>2017</b>	<b>2016</b>
Monitoring & documentation	5	5	5
Human rights	3	2	2
Compensation & benefits	11	10	11
Working hours	14	14	12
Fire safety	17	23	27
Operation & machine safety	38	31	30
Environmental & chemical safety	12	15	13

<b>Audited purchasing volume (%)</b>	<b>2018<sup>*)</sup></b>	<b>2017</b>	<b>2016</b>
Audited purchasing volume of purchase turnover forecast <sup>2)</sup>	97.5	98.4	96.3

<b>Breakdown of supplier turnover by country risk <sup>3)</sup> [%]</b>	<b>2018<sup>*)</sup></b>	<b>2017</b>	<b>2016</b>
High risk countries (of total supplier turnover)	96	93	93
Low risk countries (of total supplier turnover)	4	7	7

<sup>\*)</sup> 2018 figures include Peak Performance

<sup>1)</sup> Some factories were visited more than once in 2018

<sup>2)</sup> Peak Performance does not perform audits on low-risk countries\_

<sup>3)</sup> Country risk level referring to BSCI (Business Social Compliance Initiative) definition 2018



with Business for Social Responsibility (BSR) and kicked off a HERproject in Myanmar to support vendors in educating female workers on health, financial inclusion and gender equality topics. This initiative helps unlock the full potential of women working in the country. Both projects are expected to complete in 2019/2020.

Peak Performance is a member of amfori BSCI (Business Social Compliance Initiative) program. Amfori is a global business association for open and sustainable trade. Its vendors are monitored under the BSCI audit program and their working conditions performance is tracked over time. Peak Performance is also committed to improving building safety in Bangladesh. It is a signatory brand of the Accord on Fire and Building Safety in Bangladesh. In 2019, Amer Sports will explore how Peak Performance's audit programs can be integrated into existing Amer Sports processes.

Product compliance and environmental sustainability have been added to the responsibilities of the Vendor Sustainability department within Amer Sports Operations in order to provide holistic support to sustainability.

Amer Sports has several key performance indicators to track how the social and labor compliance audits have improved the suppliers' performance related to human rights, working conditions, and prohibition of corruption and bribery.

Improvement is tracked by providing examples of the progress within 5 plus years out of the KPIs.

## ENVIRONMENT

Amer Sports is committed to reducing the environmental impact of its products and operations through the use of methods which are responsible and economically sound. Amer Sports strives to continuously improve its performance and assess the environmental impacts of its decisions. To guide its Group-wide actions, Amer Sports has created its Environmental Guidelines to outline the commitment to reduce the environmental impacts of its operations.

Amer Sports brands and categories have many approaches on how they work to reduce their environmental impact, based on their environmental policies defined in the ISO certifications. Salomon and Mavic have ISO 14001 environmental certification and ISO 50001 certification for the energy management system in their Design Center in Annecy,

France. The ISO 50001 standard supports organizations in all sectors to use energy more efficiently.

Suunto has ISO 14001 environmental certification for its headquarter and manufacturing facility in Vantaa, Finland. The ISO 14001 standard provides a practical tool to manage environmental performance and it is based on the principle of continuous improvement of environmental performance by monitoring and controlling the impacts linked to the company's activities. In 2018, Suunto joined in Mission2020.org, a dive industry initiative, to take care of oceans.

Precor has an Environmental Management Policy statement that has established objectives to identify the environmental aspects and significant impacts of its business, expanding its recycling program, leveraging

innovative programs and achieving a zero landfill status, as well as reusing steel and aluminum in the production of machined components.

Amer Sports has also defined its Circular economy principles. Circular economy is about closing the loop in business, for instance, using resources in a way that they are kept in circulation. This will reduce waste, increase resource productivity and help reduce environmental impacts, in line with Amer Sports environmental guidelines. The Amer Sports Circular Economy Principles include Product Lifecycle, Resource Efficiency, Durability & Repair, Business Models, and End of Use.

In 2018, Salomon, Arc'teryx and Peak Performance signed the United Nations' Charter for Fashion industry. The

Energy consumption (kWh)	2018	2017	2016
Total energy consumption within the organization <sup>*)</sup>	110,784,889	106,403,196	101,127,451
Total non-renewable energy <sup>*)</sup>	94,563,896	90,958,641	85,837,783
Total renewable energy <sup>*)</sup>	16,220,993	15,444,555	15,289,668
Reduction of energy consumption, % <sup>*)</sup>	4.1%	5.2%	1.6%

<sup>\*)</sup> Minor corrections were made as new and more accurate data became available.

Emissions intensity (tCO <sub>2</sub> /mEur)	2018	2017	2016
Emissions intensity ratio	16.62	16.73	16.81

Waste (t)	2018	2017	2016
Recycling & reuse	5,980	5,309	5,727
Composting <sup>*)</sup>	64	62	64
Incineration (mass burn)	1,093	1,024	1,094
Landfill <sup>*)</sup>	3,873	2,508	2,012
Hazardous waste	n/a	n/a	n/a
Total amount of waste	11,010	8,903	8,897
Waste recycled or reused (%)	54%	60%	64%

<sup>\*)</sup> Minor corrections were made as new and more accurate data became available.

2018 data was collected for the Q1–Q3 period and extrapolated to calculate the full-year dataset. Peak Performance data is integrated in the environmental figures for half year only.



Charter addresses several climate change issues ranging from decarbonization of the production phase, selection of climate-friendly and sustainable materials, low-carbon transport, improved consumer dialogue and awareness, working with the financing community and policymakers to catalyze scalable solutions, and exploring circular business models. Signatories are committed to the Charter's target and provide their support by participating as active members in the Charter's working groups.

As a full member of Sustainable Apparel Coalition (SAC), Arc'teryx continued working closely with the organization in driving environmental sustainability, e.g. cooperation in developing the Higg Facility Environmental programs (FEM). FEM is a tool to measure the environmental performance of vendors including Environmental Management System, energy, water use, wastewater, air emissions, waste, and chemical management. The company uses the Higg score to benchmark and drive improvements at its vendors. To initiate the improvement process in terms of environmental sustainability, Arc'teryx provided training workshops for its vendors in assisting them to adopt Higg FEM. More than half of the Apparel and Footwear finished goods vendors have registered to the Higg FEM in 2018, and the program has been implemented by some of its raw materials vendors.

Amer Sports measures its performance in environmental impacts with key performance indicators, and aims to continuously reduce the environmental impacts of its operations.

Improvement is tracked by providing examples of the progress within 5 plus years out of the KPIs.

## SOCIAL AND EMPLOYEE MATTERS

Amer Sports' People Strategy aims to ensure sustainable business success, and it is aligned with the Group strategy, business initiatives, and selected focus areas. People Vision defines passion and professionalism as sources for great performance and productive engagement.

Amer Sports is committed to providing opportunities for continuous development and learning for all its employees since passionate and capable people perform and excel. The

company evaluates and develops the company's strategic capability areas systematically in order to drive organizational and personal growth and effectiveness.

Amer Sports has a 'Strategy, Structure and Capability Review' practice in place in all its entities to ensure alignment between company strategy and their structure, people and culture. The main focus currently is to increase the organization's digital capability, and the long-standing aim is to enable resource fluidity through agile resource management actions as well as to increase transparency for future capability and resourcing needs.

High performance culture is enforced through coaching dialogue and motivational pay & performance management processes. Amer Sports cascades its vision and strategy to organizational levels through our performance management process 'Coaching for Success'. This process provides employees with the opportunity to have a one-to-one performance & development discussion with the manager / team lead and encourages an ongoing feedback dialogue.

In 2017, the Coaching for Success process was completed for 74% of total workforce. Amer Sports targets continuously to improve its Coaching for Success quality and completion and have all Amer Sports employees covered in the global Human Resources performance process. The 2018 Performance Review through Coaching for Success is being completed during Q1 2019.

Organizational dialogue and employee engagement is also fostered through a renewed employee engagement assessment executed in 2018 with the 'Pulse Survey' across all Amer Sports entities. 87% of all invited employees provided their feedback. A coordinated follow-up dialogue across the Group aims at further driving employee engagement and at greater business and performance impact and investment pay-out.

Talent engagement and retention is enabled through systematic talent management and succession planning practice. In 2018, Amer Sports maintained a strong focus on building and scaling capabilities to support the strategy of profitable growth.

## ETHICS

The Amer Sports Code of Conduct defines the major principles of the company's business conduct. Success in competition requires determination to win, team spirit, fair play and innovation, and these values guide the company's operations around the world. Every Amer Sports employee is responsible for his or her own behavior, acting with integrity, and observing the highest standards of business ethics.

To familiarize and understand the content of the Code of Conduct and also to ensure awareness of anti-corruption and bribery, Amer Sports has established an e-learning test, which is part of the onboarding process, and all new employees are asked to take the Code of Conduct e-learning test. The Code of Conduct e-learning test covers product safety, responsible marketing, accurate and transparent information, safe, fair and healthy workplace for employees, environment, antitrust and competition law, conflicts of interest, anti-corruption and bribery, privacy, financial reporting, protection of confidential information, and compliance with all laws and regulations. The Code of Conduct is available in 14 languages. Company employees are the most important source of insight for revealing a possible misconduct that needs to be corrected. Amer Sports has an ethics and compliance system, an online channel provided for this purpose. Employees may make reports anonymously through the ethics and compliance channel.

Amer Sports will confirm a process to track the annual % of the Code of Conduct completion coverage, out of all of its own employees, and targets to continuous improvement and progress in Code of Conduct completion.



**RISKS AND RISK MANAGEMENT**

The Board of Directors approves and endorses the company's Risk Management Policy that defines the objectives, principles, processes and responsibilities concerning risk management at Amer Sports. The Board of Directors and the Audit Committee review the Policy annually and ensure that the risk management activities are aligned with the Policy.

The Risk Assessment is performed by Business Units and Group Functions. A risk universe provides a structure to the process that assesses Financial, Operational, Compliance and Strategic risks. Specific risk categories cover Governance, the Code of Conduct, and Regulatory type of risks, such as corporate social responsibility risks,

health, safety and environmental risks. The risk management process includes risk identification, assessment, control, communication, and monitoring.

Risks are reviewed and assessed annually by the Executive Board, which also conducts an annual risk management mapping and assessment at Group level. Risk reporting is integrated into the annual meeting cycle of the Board of Directors and the review is reported annually to the Audit Committee. Risk reporting is also integrated into the monthly operational, strategic and functional reviews.

When assessing relevant risks, both the financial impact and the probability for the risk to occur are assessed to give guidance in the final risk ranking. When deciding on the final prioritization, also possible mitigating actions are considered.

**Statement of non-financial information signatures**

Helsinki, Finland, February 7, 2019

Bruno Sälzer

Ilkka Brotherus

Manel Adell

Petri Kokko

Tamara Minick-Scokalo

Hannu Ryöppönen

Heikki Takala

Lisbeth Valther



# Corporate Governance Statement

## CORPORATE GOVERNANCE

In its decision making and administration, Amer Sports Corporation (hereinafter referred to as "Amer Sports" or "the Company") applies the Finnish Limited Liability Companies Act, the Finnish Securities Markets Act and the rules issued by Nasdaq Helsinki Ltd, Amer Sports' Articles of Association, and the Finnish Corporate Governance Code 2015 for listed companies. Amer Sports complies with the code without exceptions. The code is published at [www.cgfinland.fi](http://www.cgfinland.fi).

This Corporate Governance Statement has been prepared pursuant to the Finnish Corporate Governance Code 2015 for listed companies and the Securities Markets Act (Chapter 7, Section 7) and it is issued separately from the Board of Directors' report. The Audit Committee of the Board of Directors has reviewed this Corporate Governance Statement and the auditor Ernst & Young Oy has verified that the Statement has been issued and that the description of the main features of the internal control and risk management systems relating to the financial reporting process is consistent with the financial statements.

## GENERAL

Pursuant to the provisions of the Finnish Limited Liability Companies Act and the Articles of Association of Amer Sports the responsibility for the control and management of Amer Sports is divided between the General Meeting of shareholders, the Board of Directors and the President and CEO. Shareholders participate in the control and management of Amer Sports through resolutions approved at General Meetings of shareholders, which convene upon notice given by the Board of Directors. In addition, General Meetings of shareholders may be held if requested in writing by an auditor of Amer Sports or by shareholders representing at least one-tenth of all shares of the Company.

Amer Sports' shares are listed on Nasdaq Helsinki Ltd. In addition, Amer Sports has a Level I American Depositary Receipt ("ADR") program. The ADRs are traded over-the-counter in the United States. Two depositary receipts are equivalent to one Amer Sports share.

## BOARD OF DIRECTORS

### Composition and Term of the Board of Directors

The Board of Directors is responsible for duly organizing the administration and operations of Amer Sports. The Annual General Meeting of shareholders ("the AGM") elects a minimum of five and a maximum of eight members of the Board of Directors for a term that ends at the close of the first Annual General Meeting following the election. There is no special order of appointment of the members.

The Board evaluates the independence of its members annually or, if necessary, more often. Each member of the Board of Directors is obligated to provide the Board of Directors with sufficient information to allow an evaluation of their independence.

### The Board of Directors' Rules of Procedure and Meeting Practices

Amer Sports Board of Directors approves the rules of procedure to govern its work, including a meeting schedule, on an annual basis. The rules of procedure include the

### The following members were elected to the Board of Directors at the AGM held on March 8, 2018:

Name	Year born	Position	Year of appointment	Nationality
Bruno Sälzer	1957	Chairman since 2017	2008	German
Manel Adell	1961	Member	2017	Spanish
Ilkka Brotherus	1951	Vice chairman since 2002	2000	Finnish
Petri Kokko	1966	Member	2018	Finnish
Tamara Minick-Scokalo	1959	Member	2017	American
Hannu Ryöppönen	1952	Member	2009	Finnish
Lisbeth Valther	1966	Member	2015	Danish

All Board members are independent of the Company and significant shareholders.

### Composition of the Board of Directors during the period of January 1, 2018–March 8, 2018 was the following:

Name	Year born	Position	Year of appointment	Nationality
Bruno Sälzer	1957	Chairman	2008	German
Manel Adell	1961	Member	2017	Spanish
Ilkka Brotherus	1951	Vice chairman	2000	Finnish
Christian Fischer	1964	Member	2008	Austrian
Tamara Minick-Scokalo	1959	Member	2017	American
Hannu Ryöppönen	1952	Member	2009	Finnish
Lisbeth Valther	1966	Member	2015	Danish

All Board members were independent of the Company and significant shareholders.



specific themes discussed at each meeting and discussion items reviewed at each meeting. The rules of procedure also include a schedule of the dates when the Board of Directors will visit the operations of the Company and its partners, as well as the annual evaluation of the Board of Directors' own performance at the end of the term. Committees established by the Board of Directors assist the Board of Directors in matters that have been assigned to them.

The Board of Directors convenes 8–10 times a year according to a predetermined annual meeting schedule and in addition when necessary. The President and CEO and the CFO participate in the meetings of the Board of Directors and the General Counsel acts as the secretary of the Board. The Board may invite other Amer Sports executives to participate in the meetings as necessary. At least once a year, the Board of Directors convenes without representatives of the Company's management in attendance.

Meeting documents and other material are delivered to the members of the Board of Directors in advance and all meetings are documented.

### Main Duties of the Board of Directors

The duties and responsibilities of the Board of Directors are defined according to the Finnish Limited Liability Companies Act, other applicable legislation, and Amer Sports' Articles of Association. The Board of Directors has general authority in all matters where neither law nor the Company's Articles of Association stipulate that a matter should be decided or performed by any other bodies. In addition, the Board of Directors must act in the interests of the Company and all shareholders in all circumstances, and direct Amer Sports' operations with a view to generating the maximum enduring added value to shareholders without neglecting other stakeholders.

The main duties of the Board of Directors are to:

1. Decide on Amer Sports' strategy and business operations
  - Decide on the Company's strategy and ensure that it is up-to-date
  - Approve the business plans on the basis of the strategy and annual budget, and monitor achievements
  - Decide on significant, strategically important investments or acquisitions and the sale of assets

2. Amer Sports' administration and key functions
  - Appoint and dismiss the President and CEO
  - Appoint and dismiss the immediate subordinates of the President and CEO
  - Decide on the terms of service of the President and CEO and his or her immediate subordinates, including possible incentive programs
  - Set the President and CEO's personal targets for each year and monitor their achievement
  - Monitor management succession and human resources strategy
  - Evaluate the performance of the Board of Directors once a year

3. Supervise the management of financial administration, internal control and risk management
  - Review and approve interim reports, annual financial statements and the report by the Board of Directors as well as related stock exchange releases
  - Meet with the Company's auditors at least once a year
  - Oversee significant risks connected with the Company's operations and risk management
  - Oversee Corporate Social Responsibility strategy, policies and implementation

4. Prepare and approve proposals to be decided on at the AGM

According to the rules of procedure, the Chairman of the Board of Directors, in addition to leading the work of the Board of Directors, continuously monitors Amer Sports' operations and development through contact with the President and CEO. Furthermore, the Chairman represents the Company in matters associated with shareholders and ensures that the work of the Board of Directors is evaluated annually, and that the Board of Directors continuously updates and expands its knowledge of Amer Sports' operations.

### 2018

In addition to its standard duties, the Board of Directors continued to drive the transformation of the company in accordance with its strategy towards areas of faster growth, higher profitability and better asset efficiency. The Board

of Directors reviewed the Amer Sports operations (global quality, supply chain and manufacturing) and the General Data Protection Regulation (GDPR) processes. In April, Board of Directors decided on the acquisition of Peak Performance business. In September, the Board of Directors received a non-binding preliminary indication of interest from a consortium comprising of ANTA Sports Products Limited and other investors ("Investor Consortium") to acquire the entire share capital of Amer Sports for cash consideration. After a thorough assessment of the offer and negotiations with the Investor Consortium, the Board of Directors signed a Combination agreement on December 7, 2018.

The Annual General Meeting of shareholders held on March 8, 2018 elected seven members to the Amer Sports Board of Directors. The Annual General Meeting re-elected Bruno Sälzer, Manel Adell, Ilkka Brotherus, Tamara Minick-Scokalo, Hannu Ryöppönen and Lisbeth Valther as members of the Board of Directors and elected Petri Kokko as a new member. The Board of Directors re-elected Bruno Sälzer as Chairman and Ilkka Brotherus as Vice Chairman of the Board of Directors.

The composition of the Board of Directors during the period of January 1, 2018–March 8, 2018 was Bruno Sälzer, Manel Adell, Ilkka Brotherus, Christian Fischer, Tamara Minick-Scokalo, Hannu Ryöppönen and Lisbeth Valther.

The Board of Directors convened 24 times during the calendar year 2018 (5 times before the AGM held on March 8, 2018 and 19 times after the AGM). The attendance rate at meetings of the Board of Directors was as follows:

Name	Attendance rate (%)	
Bruno Sälzer	100%	
Manel Adell	96%	
Ilkka Brotherus	100%	
Petri Kokko	100%	[March 8, 2018–December 31, 2018]
Tamara Minick-Scokalo	96%	
Hannu Ryöppönen	100%	
Lisbeth Valther	100%	
Christian Fischer	80%	[January 1, 2018–March 8, 2018]



## BOARD COMMITTEES

The Board of Directors has established three permanent Committees to assist the Board of Directors in the matters assigned to them and has defined the rules of procedure for the Committees. The Board of Directors elects the members and Chairmen of the Committees amongst its members in the beginning of the term. The Committees shall regularly report on its work to the Board of Directors. The Committees have no independent decision-making power.

### Audit Committee

Audit Committee supervises the Company's financial administration. The Audit Committee comprises a minimum of three members of the Board of Directors. The members must be independent and have the qualifications necessary to perform the duties of the Audit Committee. The Audit Committee meets at least four times per year and maintains regular contact with the Company's external auditor. The Audit Committee monitors the reporting of the Company's financial statements and the adequacy of internal control and risk management systems. Audit Committee organizes the auditor selection process and monitors compliance with the rotation rules. Audit committee pre-approves permissible non-audit services and monitors the cap on the permissible services. In addition, the Audit Committee monitors the statutory audit process, evaluates the independence of the statutory audit firm, and prepares the recommendation presented to the Annual General Meeting on the election of the auditor.

### 2018

In 2018, in addition to its regular duties, the Audit Committee reviewed the operations of Company's treasury functions, Financials Shared Services and Robotic Process Automation (RPA). The Audit Committee also reviewed Company's GDPR compliancy and ensured Company's policy on Alternative Performance Measures (APM) is compliant with the guidelines issued by the European Securities and Markets Authority (ESMA).

On March 8, 2018, the Board of Directors elected Hannu Ryöppönen (Chairman), Petri Kokko, Bruno Sälzer and Lisbeth Valther as members of the Audit Committee. The composition of the Audit Committee during the period of January 1, 2018–March 8, 2018 was Hannu Ryöppönen

(Chairman), Bruno Sälzer, Christian Fischer and Lisbeth Valther. The Audit Committee convened five times in 2018 (one meeting before the AGM held on March 8, 2018 and four meetings after the AGM) and the meeting attendance rate was as follows:

Name	Attendance rate (%)	
Hannu Ryöppönen	100%	
Lisbeth Valther	100%	
Bruno Sälzer	100%	
Petri Kokko	100%	(March 8, 2018–December 31, 2018)
Christian Fischer	100%	(January 1, 2018–March 8, 2018)

### Compensation and Human Resources Committee

Compensation and Human Resources Committee ensures good governance in monitoring executive rewards, gives guidance on Amer Sports' reward philosophy and executive reward programs, assesses pay and performance relationships and recommends executive pay decisions concerning the President and CEO and his immediate direct reports for approval by the Board of Directors. In addition, the Committee gives guidance on succession planning and top talent identification and ensures development of competencies in line with succession planning. The Compensation and Human Resources Committee comprises a minimum of three members of the Board of Directors. The Chairman of the Committee convenes meetings as required, but at least twice a year.

### 2018

In 2018, the Compensation and Human Resources Committee continued its focus on developing executive compensation programs, succession plans and leadership & capability development to support the strategy of the company.

On March 8, 2018, the Board of Directors elected Lisbeth Valther (Chairman), Manel Adell, Ilkka Brotherus and Tamara Minick-Scokalo as members of the Committee. The composition of the Compensation and Human Resources Committee during the period of January 1, 2018–March 8, 2018 was the same as after March 8, 2018. The Compensation and Human Resources Committee convened

four times in 2018 and the meeting attendance rate was as follows:

Name	Attendance rate (%)
Lisbeth Valther	100%
Manel Adell	75%
Ilkka Brotherus	100%
Tamara Minick-Scokalo	100%

### Nomination Committee

Nomination Committee ensures good governance in preparing proposals concerning members of the Board of Directors and their compensation for decision by the General Meeting of shareholders. The Nomination Committee communicates with major shareholders in matters concerning the appointment of the Board of Directors, when considered to be appropriate. The Nomination Committee comprises a minimum of three members of the Board of Directors. The Chairman of the Committee convenes meetings as required, but at least once a year.

The Company has no shareholders' nomination board.

### 2018

On March 8, 2018, the Board of Directors elected Bruno Sälzer (Chairman), Ilkka Brotherus and Hannu Ryöppönen as members of the Nomination Committee. The composition of the Nomination Committee during the period of January 1, 2018–March 8, 2018 was Ilkka Brotherus (Chairman), Bruno Sälzer and Hannu Ryöppönen. The Nomination Committee convened four times in 2018 and the meeting attendance rate was as follows:

Name	Attendance rate (%)
Bruno Sälzer	100%
Ilkka Brotherus	100%
Hannu Ryöppönen	100%

### Diversity of the Board of Directors

The Nomination Committee values the benefits that diversity brings and seeks to maintain a Board of Directors comprised of talented and dedicated members with a diverse mix and an appropriate balance of professional expertise, experience,



skills, age, gender, nationalities and backgrounds. The Committee shall consider candidates for members on the basis of their merits with consideration of the needs in the Board of Directors having due regard to the benefits of diversity. Based on these principles, the Committee aims to ensure skills and qualifications which collectively represented in the Board of Directors shall provide an appropriate balance of diversity, expertise and experience to maintain and enhance the overall effectiveness of the Board of Directors.

Amer Sports Board of Directors comprises seven members. The cultural background of the Board members is diverse: they represent five different nationalities. In addition, their length of service is spread: two members have served in Amer Sports Board of Directors for more than 10 years, one for 6–10 years and four for less than five years. The Board members have significant experience in brand building, softgoods, fashion, consumer goods, retail, digital, international business including the US and China, and financial management.

The objective is to have both genders represented in the Board of Directors and the aim is to strive towards an appropriately balanced gender distribution. At the end of 2018, two of the Board members were female and five male.

## PRESIDENT AND CEO AND OTHER EXECUTIVES

### President and CEO

The Board of Directors nominates the President and CEO, who is responsible for managing Amer Sports in accordance with the Finnish Limited Liability Companies Act and instructions provided by the Board of Directors.

The President and CEO reports to the Board of Directors and keeps the Board of Directors informed about Amer Sports' business, including information about relevant markets and competitors, as well as the Company's financial position and other matters of significance. The President and CEO is also responsible for overseeing the Company's day-to-day administration and ensuring that the financial administration of the Company has been arranged in a reliable manner. The President and CEO is assisted by the Executive Board.

### Heikki Takala

President and CEO of Amer Sports since 2010. Master of Science degree in International Business, Helsinki School of Economics and Business Administration and ESADE (Barcelona). Born 1966. Finnish nationality.

Primary work experience: Several leadership positions in brand management, marketing, sales and commercial strategy at country, region and global level at Procter & Gamble 1992–2010.

### The Executive Board

The Executive Board is responsible for ensuring that the Amer Sports strategy is implemented consistently across all

operating segments and business units. Other executives participate in the meetings as necessary.

The Amer Sports Executive Board comprises of the CFO, the Chief Commercial Officer, the President of Connected Devices and Digital Services, the Chief Human Resources Officer and the Presidents of operating segments and the most important business areas. The Presidents of the operating segments and business areas serve as the brand and/or operating segment representatives at the Executive Board.

## SHAREHOLDINGS OF BOARD OF DIRECTORS AND EXECUTIVE BOARD ON DECEMBER 31, 2018

Shareholder	Shares	Controlled corporations
Board of Directors		
Bruno Sälzer	80,365	
Manel Adell	2,101	18,230
Ilkka Brotherus	2,695,777	500,000
Petri Kokko	959	
Tamara Minick-Scokalo	2,101	
Hannu Ryöppönen	29,722	
Lisbeth Valther	3,855	
Executive Board		
Heikki Takala	215,920	
Rob Barker	39,909	
Michael Dowse	49,198	
Jon Hoerauf	4,631	
Sebastian Lund	6,513	
Heikki Norta	13,841	
Jean-Marc Pambet	79,618	
Michael Schineis	70,570	
Jussi Siitonen	85,786	
Michael White	69,850	
TOTAL	3,450,716	518,230
% of shares	3.0	0.4
Including controlled corporations	3,968,946	
% of shares	3.4	



## MAIN FEATURES OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS RELATING TO THE FINANCIAL REPORTING PROCESS

The Board of Directors of Amer Sports approves and endorses the Company's Risk Management Policy. This policy defines the objectives, principles, processes and responsibilities concerning risk management within Amer Sports companies.

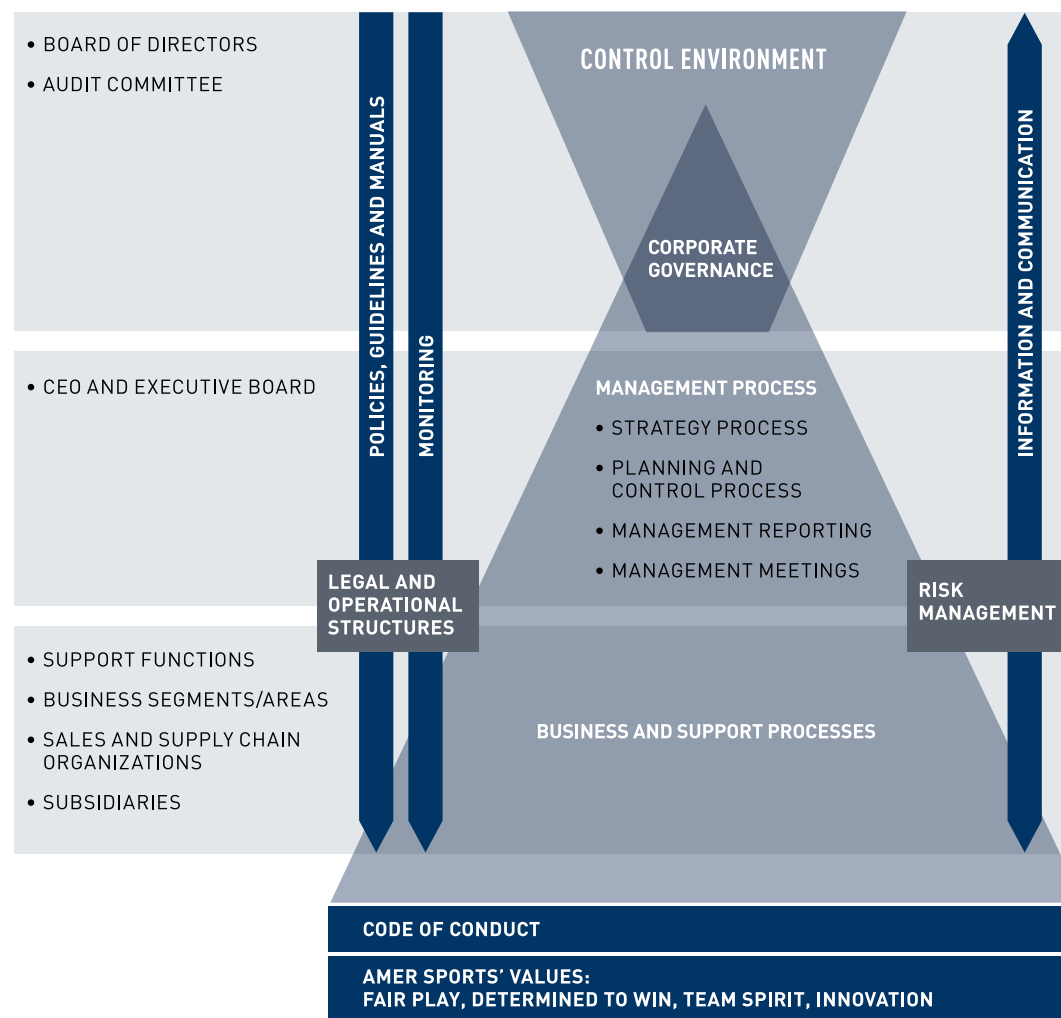
The risk management process is embedded in the business management in order to support the accomplishment of the Company's strategic business targets and financial reporting objectives. Responsibility for risk management rests with Amer Sports' operating segments/areas, sales and supply chain organizations and support functions, all of which report regularly to Amer Sports management on the main risks connected with their operations. The management of financial risks is centralized within the Company's Treasury function. Guidelines for risk management are set out in the Treasury Policy, which is approved by the Board of Directors and encompasses the principles and risk limits connected with the Company's balance sheet structure, relationships with financial institutions and other financing risks.

Amer Sports has three reportable operating segments: Outdoor, Ball Sports and Fitness. In overseeing the Company's operations, the President and CEO and other executives utilize weekly sales reports, monthly financial reports, and regular meetings with the management teams of operating segments/areas and regions.

Financial reporting is carried out in a harmonized manner in all Group companies. Amer Sports' accounting policies are based on the International Financial Reporting Standards (IFRS). In addition to IFRS, more specific group policies and guidance are provided in the Company's accounting policies manual (Corporate Manual). The Finance function is responsible for maintaining the Company's accounting policies and reporting systems, and also monitors to ensure that these reporting policies are followed. The Group's operating segments are responsible for providing their own financial statements. The Finance function provides consolidated financial statements.

Amer Sports has implemented a group-wide ERP (Enterprise Resource Planning) system in most of its entities. This includes a harmonized chart of accounts and structures enabling a more efficient control environment. The Finance

## AMER SPORTS INTERNAL CONTROL FRAMEWORK





function is responsible for monitoring the implementation of any further SAP rollouts. Amer Sports Risk Management framework includes internal controls over financial reporting that are aligned with the framework issued by the Committee of Sponsoring Organizations (COSO). There are five main components in this framework: Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring Activities.

### Control Environment

Amer Sports values and Code of Conduct support and guide the Company's operations around the world, providing a foundation for the control environment. The Board of Directors has overall responsibility for ensuring that an effective system of internal control and risk management is established. The Audit Committee oversees that risk management activities are in line with the Company's Risk Management Policy. The responsibility for maintaining the internal control and risk management system is delegated to the President and CEO and to the Executive Board.

### Risk Assessment

As part of Amer Sports risk management process, risks related to the business environment and operational and financial risks are identified, assessed and prioritized on an annual basis. Financial reporting priorities are defined by the Finance function to enable the identification and adequate management of risks.

### Control Activities

Amer Sports operating segments/areas, sales and supply chain organizations and support functions are responsible for aligning the Group's risk management priorities and strategies with Amer Sports management processes. Amer Sports support functions issue policies and guidelines for specific areas such as finance, accounting, purchasing, sales, IT, HR, and legal compliance. Operating segments/areas and sales and supply chain organizations and support functions are responsible for applying these policies and guidelines to achieve efficient and appropriate controls on the basis of their individual circumstances and operational contexts. Risk management and control activities are designed to mitigate identified risks while giving due consideration to the cost and potential effectiveness of control activities. Amer Sports Treasury function monitors the implementation of the

Company's Treasury Policy within operating segments/areas and subsidiaries.

Amer Sports Corporate Manual and Internal Control Policies set standards for financial procedures. Financial control activities are designed to prevent, detect, and correct errors and irregularities and include a range of activities such as reporting, authorizations, approvals, reconciliations, and the segregation of duties.

Amer Sports Internal Control Policies harmonize and clarify rules and procedures by setting and communicating the expected minimum requirements that fall within the remit of internal controls. Property, loss-of-profits and liability risks arising out of the operations of Amer Sports companies are covered by taking out appropriate insurance policies. In addition to worldwide insurance programs, local policies are used when special legislation-related needs exist.

### Information and Communication

The components of Amer Sports' risk management and internal control system are described in various manuals, instructions and policies. These are communicated throughout the Group and stored in the Amer Sports intranet, which is accessible to Amer Sports employees. Amer Sports Corporate Manual defines, among other items, the planning and control process, reporting and accounting policies, and the role of the Amer Sports Treasury function. Taxation issues are covered in a range of instruction documents and guidelines. Amer Sports Internal Control Policy provides further information and establishes the expected minimum requirements regarding, among others, the authorization matrix, capital expenditure, and credit control policy. Operating segments/areas, sales and supply chain organizations and subsidiaries regularly provide Amer Sports management with financial and management reports, including analyses of financial performance as well as potential risks and opportunities.

### Monitoring Activities

The performance of Amer Sports companies is reviewed regularly at different organizational levels. Representatives of Amer Sports Finance function regularly visit the Company's businesses to carry out operational reviews. The Group Internal Control function adheres to the Internal Control Charter, approved by the Audit Committee, which stipulates the mission and scope of work for this function. The Group

Internal Control function visits the Company's businesses to perform operational reviews and monitor compliance with internal control procedures, policies and guidelines according to an agreed plan.

Risk reporting is integrated into both the Operational Planning and Control Cycle and the Strategic Review Cycle management processes. Amer Sports operating segments/areas, sales and supply chain organizations and support functions report regularly on risk exposures and related mitigation efforts to the relevant management board.

The Board of Directors supervises significant risks connected with Amer Sports operations and evaluates the effectiveness of risk management activities.

The Risk Management Steering Team is responsible for overall development of the risk management process within Amer Sports, including the facilitation of Group level risk mapping.

### Internal Audit

In Amer Sports the internal audit activities are performed by the Group Internal Control function, consisting of two persons. Additionally external resources are used to support specific tasks depending on the focus area in question. The Group Internal Control function has direct access to the Audit Committee, attends the Audit Committee meetings and reports regularly on the work performed and on findings to the Committee. The purpose of the Group Internal Control function is to ensure a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, internal control system and governance processes. To support the current development with strong focus on harmonization and consolidation of Amer Sports' functions and processes, the Group Internal Control function also provides internal advisory services and shares best practices.

### 2018

Amer Sports Group Internal Control function analyzed the efficiency and adequacy of internal control in the Group's operations and evaluated the governance, internal control and risk management processes in the Company's businesses. There has been a continuous focus on the transition of activities to the financial shared service center opened in Poland in 2011. An additional focus area during the last years has been to develop automated control testing capabilities.





## External Audit

According to the Company's Articles of Association, Amer Sports has one auditor who shall be an audit firm.

The independent auditor engaged by Amer Sports is responsible for directing and coordinating audit work within all Amer Sports companies. The Audit Committee prepares a recommendation for the Annual General Meeting regarding the election of the auditor. The Annual General Meeting elects the auditor annually and for a period of one financial year.

The Company's auditor submits a written report on the audit to the Audit Committee and the Board of Directors once a year. The principal auditor presents a summary of the annual audit in person at the Board of Directors meeting at which the financial statements for the fiscal year are discussed. Auditors are invited to each of the Audit Committee's meetings and provide updates on how the Group audit is progressing and other findings.

## 2018

In 2018, the Annual General Meeting re-elected Authorized Public Accountant firm Ernst & Young Oy to act as auditor of the Company. The principally responsible auditor is Heikki Ilkka.

### Compensation of Auditors

EUR million	2018	2017
Statutory audit	2.5	2.1
Tax consulting	0.1	0.1
Other services	0.0	0.1
Total	2.6	2.3

## Insider guidelines

Amer Sports' Insider Policy is based on the Finnish Securities Markets Act, Regulation (EU) no 596/2014 of the European

Parliament and of the Council on market abuse ("MAR") and so called 2- and 3-tier EU-regulation which supplement MAR, the Finnish Financial Supervisory Authority's ("FSA") regulations and guidelines regarding insider issues and issuer's obligation to provide information, Nasdaq Helsinki Ltd's Guidelines for Insiders of Listed Companies and the Finnish Criminal Code. The Insider Policy includes regulations on insiders, the prohibition of the abuse and illegitimate disclosure of inside information, notification and publication of transactions of Company Executives and their closely associated persons, closed period concerning Company Executives and certain core persons, project-specific insider lists as well as securities trading by employees through trading plans.

Amer Sports prepares and maintains a list of all persons discharging managerial responsibilities in the Company ("Company Executives") and their closely associated persons, as set forth in MAR. The list is not open to public and share and/or other financial instrument ownership is not registered in it. Company Executives and their closely associated persons shall notify the Company and the FSA all the transactions they have conducted on their own account relating to the shares or debt instruments of Amer Sports Corporation or to derivatives or other financial instruments linked thereto. The Company shall publish the transactions of the Company Executives or their closely associated persons without delay once it has received the notification and at the latest within three business days since the transaction was concluded, and store the releases in the Central Storage Facility.

## Project-specific insiders

Persons to whom the Company discloses project-specific inside information shall be entered in a project-specific insider list. Persons in the project list may include, e.g.,

employees and Board members of the Company, advisors of the Company as well as shareholders and authorities to whom the Company discloses project-specific inside information.

Project-specific insiders are classified for the duration of a project. In general, persons entered in the list are prohibited from all trading in Amer Sports shares or other financial instruments or thereto related derivatives from the moment they were notified of the restriction until the project ends or is made public. Regardless of the time when the trading restriction comes into effect, a project-specific insider is always personally responsible for complying with insider provisions. A project-specific register of insiders is not public, but the FSA has the right to obtain and use information related to the Company's administration of project-specific inside information.

## Closed period

A Company Executive or a core person, such as a person preparing the interim or year-end reports, shall not trade or conduct any transactions relating to a financial instrument of the Company, on its own account or for the account of a third party, directly or indirectly, during the time between the end of a quarter or a financial year and the publication of corresponding interim report or year-end report. However, the trading is always prohibited for a period of 30 calendar days before the announcement of an interim report or a year-end report and also on the day of the publication of an interim report or a year-end report (closed period).

## Supervision

Amer Sports' General Counsel is responsible for appropriate communications regarding the Company's insider compliance and the maintenance of insider affairs.



# Board of Directors



## BRUNO SÄLZER

### CHAIRMAN OF THE BOARD OF DIRECTORS

- Independent of the company and significant shareholders
- BA, PhD in Logistics
- Born in 1957, German nationality

### PRIMARY WORK EXPERIENCE

- Chairman and Chief Executive Officer of Bench Ltd 2014–2018
- Chief Executive Officer, Escada SE 2008–2014
- Chairman and Chief Executive Officer, Hugo Boss AG 2002–2008
- Executive Vice Chairman, Hugo Boss AG 1998–2002
- Member of the Managing Board, Hugo Boss AG 1995–1998
- Managing Director, Hairdressing International of Hans Schwarzkopf GmbH 1991–1995
- Director of International Sales Coordination, Beiersdorf AG 1986–1991

### OTHER POSITIONS OF TRUST

- Member of the Supervisory Board, Deichmann SE, Lacoste Holding NG and Ludwig Beck AG



## ILKKA BROTHERUS

### VICE CHAIRMAN OF THE BOARD OF DIRECTORS

- Independent of the company and significant shareholders
- Owner and Chairman of the Board of Directors of Sinituote Oy
- MSc., Economics
- Born in 1951, Finnish nationality

### PRIMARY WORK EXPERIENCE

- Managing Director, Sinituote Oy 2001–2018
- Chairman of the Board of Directors, Sinituote Oy 1991–2001
- Member of the Board of Directors, Veho Group Oy Ab 2003–2013
- Member of the Board of Directors, YIT Corporation 2000–2006
- Deputy Managing Director, Hackman Group 1988–1989
- Managing Director, Hackman Housewares Oy 1987–1988
- Managing Director, Havi Oy 1981–1986
- Various marketing and management positions, Mestarikestannus Oy, 1977–1980

### OTHER POSITIONS OF TRUST

- Vice Chairman of the Supervisory Board, Elo Mutual Pension Insurance Company



## MANEL ADELL

### MEMBER OF THE BOARD OF DIRECTORS

- Independent of the company and significant shareholders
- MBA, IMD and BA, Business Administration
- Born in 1961, Spanish nationality

### PRIMARY WORK EXPERIENCE

- Chief Executive Officer, Desigual HQ 2002–2012
- Co-founder & Partner, StarLab 2000–2008
- Expansion Director, Bang & Olufsen, Denmark 1995–2001
- Marketing Director, Spain, Cadbury Schweppes 1989–1995
- Product Manager Citresa, Agrolimen, S.A. 1986–1989

### OTHER POSITIONS OF TRUST

- Member of the Board of Directors, Puig Fragrances and Flying Tiger Copenhagen
- Member of International Advisory Board, Mango and Perfumers 1870



## PETRI KOKKO

### MEMBER OF THE BOARD OF DIRECTORS

- Independent of the company and significant shareholders
- Country Director, Agency & Partners, Google Germany GmbH
- M.Sc. (Econ.), Information System Science, Swedish School of Economics and Business Administration, Helsinki, Finland
- Born in 1966, Finnish nationality

### PRIMARY WORK EXPERIENCE

- Sales Director, Google Germany GmbH 2011– present
- Global Director, Sales Learning & Development, Google, Inc. 2009–2011
- Country Manager, Finland and Sweden, Google Finland Oy 2006–2009
- Managing Director, Stream Helsinki Oy 2005–2006
- General Manager, Nike Finland Oy 2003–2005
- Head of Program, Suomen Urheilutelevisio Oy 2001–2003
- Professional athlete 1985–2000

### OTHER POSITIONS OF TRUST

- Member of the Board of Directors, German-Finnish Chamber of Commerce

**TAMARA MINICK-SCOKALO****MEMBER OF THE BOARD OF DIRECTORS**

- Independent of the company and significant shareholders
- B.Sc. Chemical Engineering
- Born in 1959, American nationality

**PRIMARY WORK EXPERIENCE**

- Chairman of the Board of Directors of Trax Technology Solutions Pte Ltd 2012–2017
- Regional President, Growth Markets, Pearson plc 2014–2016; President, Europe, Middle East, Africa, Interim CEO International, Pearson plc 2012–2014
- CEO, Trax Technology Solutions Pte Ltd 2011–2012
- President Chocolate Europe, Mondelez 2010–2011
- President, Cadbury Europe 2009–2010; President, Cadbury Global Commercial 2007–2008
- Senior Vice President, Europe, Elizabeth Arden Limited 2005–2006
- European General Manager / Vice President, E&J Gallo Winery, Inc. 2002–2005
- Marketing Director, Western European Tissue/ Towel GBU, Procter & Gamble 2000–2002; Marketing Director, North American Tissue/ Towel GBU, Procter & Gamble 1999–2000
- Vice President, Coffee Business Group, Japan, Coca-Cola Company 1998–1999
- Several management positions, Procter & Gamble 1982–1998

**OTHER POSITIONS OF TRUST**

- Member of the Board of Directors, PZ Cussons plc
- Member of the Advisory Board, Mustad Hoofcare

**HANNU RYÖPPÖNEN****MEMBER OF THE BOARD OF DIRECTORS**

- Independent of the company and significant shareholders
- Bachelor of Business Administration
- Born in 1952, Finnish nationality

**PRIMARY WORK EXPERIENCE**

- Non-Executive Director at several companies since 2009
- Deputy Chief Executive Officer, Stora Enso Oyj, Helsinki/London 2007–2009
- Chief Financial Officer, Stora Enso Oyj, Helsinki/London 2005–2008
- Chief Financial Officer, Koninklijke Ahold N.V., Amsterdam 2003–2005
- Chief Financial Officer, Industri Kapital Group, London 1999–2003
- Deputy Chief Executive Officer, Ikano Asset Management, Luxembourg 1998–1999
- Chief Financial Officer, IKEA Group, Copenhagen 1985–1998
- Executive in banking and corporates in UK, USA and Sweden, 1977–1985

**OTHER POSITIONS OF TRUST**

- Chairman of the Advisory Board, TRUE private equity funds
- Member of the Board of Directors, Value Creation Investments Limited and Samworth Brothers Ltd

**LISBETH VALTHER****MEMBER OF THE BOARD OF DIRECTORS**

- Independent of the company and significant shareholders
- CEO, Next Step Challenge
- Bachelor, Marketing and Economics
- Born in 1966, Danish nationality

**PRIMARY WORK EXPERIENCE**

- Executive Vice President, Community, Education & Direct, LEGO A/S, 2006–2012
- Vice President, Interactive Experiences, LEGO A/S 2004–2006
- Senior Director, Marketing, Global Innovation & Marketing, LEGO A/S 2002–2004
- Director, Product Management, Global Segment 4–8, LEGO A/S 2001–2002
- Director, New Business Development, LEGO System A/S 2000–2001
- Director, Concept Development, LEGO TIME, LEGO Lifestyle International Ltd 1999–2000
- Several manager positions, LEGO Group 1991–1999

**OTHER POSITIONS OF TRUST**

- Vice Chairman of the Board, Nordjyske Medier



# Executive Board



## HEIKKI TAKALA

### PRESIDENT AND CEO OF AMER SPORTS

- Born 1966, Finnish nationality
- Executive Board member since 2010

### CAREER

- Amer Sports, President and CEO since 2010
- Procter & Gamble, several leadership positions in brand management, marketing, sales and commercial strategy at country, region and global level, 1992–2010

### EDUCATION

- M.Sc. International Business, Helsinki School of Economics, Finland and ESADE (Barcelona), Spain)



## ROB BARKER

### PRESIDENT OF FITNESS

- Born 1966, British nationality
- Executive Board member since 2013

### CAREER

- Amer Sports, President, Fitness (Precor) since 2013
- Precor, Inc., Vice President, EMEA and Asia Pacific, 2008–2013
- Amer Sports, Regional Commercial Director, EMEA, Fitness, 2003–2008
- Precor Products Ltd, European Commercial Director, 2001–2003
- FitLinxx, European Commercial Director, 2001
- Precor Products Ltd, Sales and Marketing Manager, UK 1995–2000

### EDUCATION

- Diploma in marketing, Chartered Institute of Marketing, United Kingdom
- B.Sc. (Hons), sports science and business administration, Nottingham Trent University, United Kingdom



## MICHAEL DOWSE

### PRESIDENT OF BALL SPORTS

- Born 1966, American nationality
- Executive Board member since 2010

### CAREER

- Amer Sports, President, Ball Sports (Wilson Sporting Goods, DeMarini, ATEC, Louisville Slugger, EvoShield) since 2013
- Amer Sports, General Manager, Americas, 2010–2013
- Amer Sports, President & General Manager, Winter and Outdoor Americas, 2006–2010
- Suunto, Vice President, North America, 2004–2006
- Nike Inc, Director of Tennis Footwear, 2002–2004
- Wilson Sporting Goods, various positions in United States and Germany, 1989–2002

### EDUCATION

- BBA, Marketing and Management, University of Portland, USA



## JON HOERAUF

### PRESIDENT OF APPAREL

- Born 1975, American nationality
- Executive Board member since 2018

### CAREER

- Amer Sports, President, Apparel since 2018
- Arc'teryx Equipment Inc., President since 2016
- Arc'teryx Equipment Inc., VP, Global Commercial, 2012–2016
- The North Face, Global Product Director, Summit Series, 2011–2012
- The North Face, Sales Director, Canada, 2009–2011

### EDUCATION

- B.Sc., Human Physiology, Michigan State University, USA

**SEBASTIAN LUND****CHIEF HUMAN RESOURCES OFFICER**

- Born 1970, Finnish nationality
- Executive Board member since 2016

**CAREER**

- Amer Sports Chief Human Resources Officer since 2016
- Procter & Gamble, several HR leadership positions at global, regional and country level, with a career start in Marketing, 1996–2015
- Over 20 years of international experience based in the United States, Switzerland, Sweden and Finland

**EDUCATION**

- M.Sc. International Business, Swedish School of Economics and Business Administration, Helsinki, Finland

**HEIKKI NORTA****PRESIDENT, AMER SPORTS CONNECTED DEVICES AND DIGITAL SERVICES**

- Born 1967, Finnish nationality
- Executive Board member since 2015

**CAREER**

- Amer Sports, President, Amer Sports Connected Devices and Digital Services since 2016
- Amer Sports, Chief Digital Officer and President, Connected Devices and Digital Services, 2015–2016
- Microsoft, Partner and General Manager Surface, United States, 2014–2015
- Nokia, President & General Manager, Connected Devices unit, United States, 2011–2014
- Nokia Mobile Phones and Nokia, various leadership positions, 2000–2011
- Nokia Mobile Phones, various management positions, 1992–2000

**EDUCATION**

- M.Sc. Economics, Helsinki School of Economics and Business Administration, Finland

**JEAN-MARC PAM BET****PRESIDENT OF FOOTWEAR**

- Born 1959, French nationality
- Executive Board member since 2009

**CAREER**

- Amer Sports, President, Footwear and President of Salomon since 2010
- Amer Sports, President, Apparel and Footwear, 2007–2009
- Salomon, General Manager Apparel & Footwear, 2002–2007
- Salomon, General Manager EMEA, 1996–2001
- Salomon, Country Manager France, 1990–1995
- Salomon, various positions, 1985–1989
- Eurequip Paris, consulting, 1983–1985

**POSITIONS OF TRUST**

- European Outdoor Group (EOG), Vice President since 2016, Board member since 2009
- Outdoor Sports Valley, Vice President since 2011
- Board Member of MEDEF-Haute Savoie since 2015

**EDUCATION**

- Ecole HEC Paris, France

**MICHAEL SCHINEIS****PRESIDENT OF WINTER SPORTS EQUIPMENT**

- Born 1958, German nationality
- Executive Board member since 2002

**CAREER**

- Member of the "Beirat für Wissenschaft und Forschung des Landes Salzburg" and of the Advisory Board of Bulthaup GmbH & Co.KG
- Chairman of SRS (Ski Racing Supplier Association)
- Amer Sports Winter Sports Equipment, President since 2007
- Atomic Austria GmbH, President since 1996
- Salomon Germany GmbH, General Manager, 1993–1996
- Member of management team of CONTOP (advertising agency), 1989–1993

**EDUCATION**

- MBA, Ph.D (Dr.rer.pol.), Augsburg, Germany



**JUSSI SIITONEN****CHIEF FINANCIAL OFFICER**

- Born 1969, Finnish nationality
- Executive Board member since 2011

**CAREER**

- Amer Sports, CFO since 2011
- Amer Sports, Senior Vice President, Finance, 2009–2010
- Stora Enso Group, Senior Vice President and Group Controller, 2008–2009
- Stora Enso Group, Senior Vice President, Chief Accounting Officer, 2006–2008
- Stora Enso Group, several leadership positions in finance, controlling and project management, 1992–2006

**EDUCATION**

- M.Sc. Economics, Helsinki School of Economics and Business Administration, Finland

**MICHAEL WHITE****CHIEF COMMERCIAL OFFICER,  
GLOBAL GO TO MARKET**

- Born 1964, British nationality
- Executive Board member since 2010

**CAREER**

- Amer Sports, Chief Commercial Officer, Global Go to Market since 2016
- Amer Sports, Chief Commercial Officer and General Manager, EMEA and Americas, May–November 2016
- Amer Sports, Chief Sales Officer and General Manager, EMEA and Americas, 2013–2016
- Amer Sports, General Manager, EMEA 2010–2013; General Manager, Europe 2008–2009; General Manager, UK & Ireland 2005–2008
- Office Depot, General Manager, France, 2000–2004
- ICI Paints, General Manager, France, 1997–2000
- French Connection, General Manager, France, 1995–1997, Commercial Director, France, 1993–1995
- Coats Viyella, Sales & Marketing Manager, Ecuador, 1992–1993; Marketing Executive, Europe 1990–1991; Management Trainee, 1988–1990

**EDUCATION**

- MA (Hons), University of St Andrews, United Kingdom



# Remuneration

Amer Sports' strategy provides a clear direction for the company's rewarding principles. Rewarding is linked to business targets as well as financial and personal performance. The aim of total reward principles is to drive business success through programs that attract, motivate, reward and retain high performers. The below description of remuneration principles regarding Long Term Remuneration concerns year 2018 and earlier years.

## DECISION-MAKING PROCEDURE CONCERNING REMUNERATION

The remuneration of the members of the Board of Directors is decided by the Annual General Meeting based on the proposal prepared by the Board of Directors' Nomination Committee.

The Board of Directors resolves on the remuneration of the President and CEO based on the proposal by the Board of Directors' Compensation and Human Resources Committee. The Board of Directors also resolves on the remuneration of the members of the Executive Board. The President and CEO prepares a proposal to the Compensation and Human Resources Committee, which presents a proposal to the Board of Directors for resolution.

In all remuneration decisions, Amer Sports follows a two-level review and approval process, whereby the line manager's proposal is followed by the second-level manager's review and approval.

## MAIN PRINCIPLES OF REMUNERATION

### Members of the Board of Directors

The amount of compensation paid to Amer Sports' Board of Directors is determined by Amer Sports' shareholders at the Annual General Meeting. The Annual General Meeting held on March 8, 2018 resolved that the remuneration of the Board of Directors shall be as follows: Chairman of the Board of Directors will be paid an annual remuneration of EUR 120,000, the Vice Chairman EUR 70,000 and other members

of the Board of Directors EUR 60,000 each. According to the resolution of the Annual General Meeting, 40 percent of the annual remuneration of the members of the Board of Directors, including the Chairman and the Vice Chairman, was paid in Amer Sports shares.

### President and CEO and Executive Board members

Amer Sports' total reward principles are derived from the company's Pay for Performance philosophy and they are closely linked to the company's business success as well as financial and personal performance. The total reward principles and Pay for Performance philosophy apply to all Amer Sports employees. Pay for Performance is linked to Amer Sports' performance management process Coaching for Success. Annual targets are derived from the Group strategy and long-term financial targets. These targets are cascaded to the Business Areas as well as team and individual level through the Coaching for Success process. Individual performance is evaluated during an annual performance discussion. The performance of the President and CEO is evaluated by the Board of Directors.

Key compensation elements of President and CEO and other Executive Board members are presented in the table below.

**Base pay** forms the basic element of compensation and takes into account particularly the content and demands of the role

and individual abilities and performance, which is evaluated in the Coaching for Success process. Salary reviews are conducted in the annual Merit Review process.

**Benefits** are also an important part of Amer Sports' total rewards. Benefits follow local legislation and market practices. Examples of common benefits are health care and mobile phone.

### Pensions

Executives located in Finland participate in the standard statutory Finnish pension system TyEL. According to this statutory pension system, base pay, taxable benefits and annual incentives represent pensionable earnings. Executives located outside of Finland participate in the local pension systems of the countries where they are employed.

### Incentives

Amer Sports' key principles for incentive programs:

- Prioritize and reward for long-term Group-level target achievement
- Ensure performance targets are in line with agreed financial targets and the differences in business areas is considered in target setting
- Pay for Performance: emphasis on sustainable fundamentals and improvement
- Reward for long-term business achievements

Element	Payable in	Payable on the basis of	Time of payment /earning
Base pay	Cash	Executive contract	Monthly
Benefits	Health care and mobile phone, among others	Executive contract, local legislation	Monthly
Annual Incentives	Cash	Executive Annual Incentive Plan	Annually
Long-Term Incentives	Shares and cash	Performance Share Plane	Annually, following the earning period



**Annual Incentives**

Amer Sports' cash-based annual incentive programs drive the company's strategy, financial targets and short-term development programs. Annual incentive programs are based on the Group and Business Area strategy. Annual incentives reward employees for achieving business success through the company's financial targets and key performance indicators as well as reaching personal targets. Participation in an annual incentive program is role-dependent and covers the majority of Amer Sports employees.

**Maximum Annual Incentive**

President and CEO	130% of annual Base pay
Executive Board members	60–75% of annual Base pay

**Long-term incentives**

The purpose of Amer Sports' long-term incentive programs is to drive the execution of the Group strategy and reaching the long-term financial targets. Long-term incentives have a strategic focus at the Group-level, and the earnings opportunity has been linked to the Group's financial performance and share price development. A limited number of executives and key employees participate in long-term incentive programs. The participants are nominated by the President and CEO, reviewed and proposed to the Board of Directors by the Compensation and HR Committee and approved by the Board of Directors. Long-term incentive programs are governed by the Board of Directors.

**Performance Share Plan 2016**

The aim of the Performance Share Plan (PSP) is to combine the objectives of shareholders and key personnel in order to increase the value of the company, to commit key personnel to the company, and to offer them competitive reward plans based on holding company shares.

The Board of Directors decides on the earnings criteria, targets and participants at the beginning of each earning period. The shares earned from Performance Share Plan may not be transferred during the restriction periods. Key personnel must acquire company shares as a prerequisite for participating in the plan, and key personnel are entitled to receive shares as a reward for fulfilling this prerequisite. The Board of Directors approved on 17 December 2015 the Performance Share Plan 2016, which included six (6) earning periods; calendar years 2016, 2017 and 2018 and calendar years 2016–2018, 2017–2019 and 2018–2020.

On 28 August 2017, Amer Sports' Board of Directors decided on adjustments to the Performance Share Plan 2016 for the Company's key personnel. The Plan comprises of a three-year performance period covering the period of 2018–2020, and the performance targets are net sales growth and EBIT margin. The potential share reward payable based on the plan will be paid in the spring 2021, provided that the performance targets for the plan are achieved. The potential reward will be paid in shares of Amer Sports Corporation, and in addition a cash portion is paid to cover the taxes and tax-like items payable by the participant on the reward.

The amount of net rewards to be paid on the basis of the Performance Share Plan will be a maximum total of 733,333 Amer Sports Corporation shares for earning years 2016 and 2017 and 650,000 shares for earning period 2018–2020. The Performance Share Plan is directed to approximately 350 key employees, including the members of the Executive Board.

**Restricted Stock Plan 2016**

The aim of the Restricted Stock Plan is to combine the objectives of the shareholders and the key personnel in order to increase the value of the company, to commit the key personnel to the company, and to offer them competitive reward plans based on holding the company shares.

The Restricted Stock Plan includes three (3) earning periods; calendar years 2016, 2017 and 2018. The potential reward is based on the continuation of employment. The Board of Directors decides on the participants at the beginning of each earning period. Potential rewards from the earning periods are paid partly in company shares and partly in cash. The cash payment equaled taxes and tax-related costs arising from the rewards to key personnel. The shares may not be transferred during the restriction periods.

The Restricted Stock Plan is directed to approximately 60 key employees, including the members of the Group Executive Board. The amount of net rewards to be paid on the basis of the Restricted Stock Plan will be a maximum total of 200,000 Amer Sports Corporation shares.



## AMER SPORTS 2018

## REMUNERATION

PERFORMANCE SHARE PLANS	PSP 2016	PSP 2017	PSP 2018
Number of participants	228	268	303
Actual achievements	0%	24.13%	
Max. number of shares to be delivered:			
to the President & CEO	0	2,895	65,000
to other members of EXB	0	12,806	113,900
to other key individuals	0	41,131	411,870
Total max. number of shares to be delivered	0	56,832	590,770
Share delivery (year)	2017	2018	2021
End of restriction period (from beginning of the year)	2019	2020	2021
Earning criteria (weighting)	EBIT (50%) and Net Sales (50%)	EBIT (50%) and Net Sales (50%)	EBIT (70%) and Net Sales growth (30%)

TOTAL SHAREHOLDER RETURN PLANS	TSR 2015–2017	TSR 2016–2018	TSR 2017–2019
Number of participants	170	228	268
Actual achievements	100%	-	-
Max. number of shares to be delivered:			
to the President & CEO	4,500	3,000	3,000
to other members of EXB	12,700	12,520	13,270
to other key individuals	48,680	35,570	42,610
Total max. number of shares to be delivered	65,880	51,090	58,880
Share delivery (year)	2018	2019	2020
End of restriction period	2018	2019	2020
Earning criteria (weighting)	Total Shareholder Return (100%)	Total Shareholder Return (100%)	Total Shareholder Return (100%)

RESTRICTED STOCK PLANS	RS 2016	RS 2017	RS 2018
Number of participants	52	75	79
Actual achievements	-	-	-
Max. number of shares to be delivered:			
to the President & CEO	5,600	5,600	5,600
to other members of EXB	20,300	24,100	25,000
to other key individuals	22,800	29,600	32,000
Total max. number of shares to be delivered	48,700	59,300	62,600
Share delivery (year)	2017	2018	2019
End of restriction period (from beginning of the year)	2019	2020	2021



## REMUNERATION REPORT

### Board of Directors

On June 15, 2018, the members of the Board of Directors received annual remuneration totaling EUR 490,000, of which EUR 195,957 was paid in shares. The members of the Board of Directors received the following compensation:

Board member	Euros	Number of shares	Total, euros
Bruno Sälzer	72,012	1,918	120,000
Ilkka Brotherus	42,003	1,119	70,000
Manel Adell	36,006	959	60,000
Petri Kokko	36,006	959	60,000
Tamara Minick- Scokalo	36,006	959	60,000
Hannu Ryöppönen	36,006	959	60,000
Lisbeth Valthér	36,006	959	60,000
Total	294,045	7,832	490,000

### President and CEO

Heikki Takala is the President and CEO of Amer Sports as of April 1, 2010. The terms and conditions of employment that apply to the company's President and CEO have been approved by the Board of Directors and are defined in a written executive agreement. Termination of the President and CEO's written executive agreement requires six (6) months' notice on both sides. Should the company terminate the President and CEO's appointment, a severance payment equaling twelve (12) months of total annual gross salary is payable. The President and CEO participates in the standard local statutory pension system and he is eligible for a voluntary contribution-based pension. The President and CEO can retire at the age of 65.

The Board of Directors determines the salary and other rewards of the President and CEO. He has been eligible to participate in Amer Sports Corporation's executive annual incentive plan and long-term incentive plans. The Board of Directors decides on the President and CEO's executive annual incentive plan target setting, reviews and approves his achievements, and decides on the President and CEO's long-term rewards.

Remuneration of President and CEO, Euros	2018	2017
Salaries	671,006	688,185
Other payments <sup>*)</sup>	160,631	397,473
Incentives	539,000	205,260
Long-Term Incentives	339,171	281,489
Total	1,709,808	1,572,407

<sup>\*)</sup> Cumulative expenses from year 2017

### Members of the Executive Board

The annual salaries and other remuneration elements paid to Executive Board members (excluding the President and CEO) in 2018 are presented in the table below.

The annual incentives paid to the Amer Sports' Executive Board members in 2018 were based on the results of the calendar year 2017. The annual incentive target elements for all Executive Board members were Group Earnings Before Interest and Taxes (EBIT), Net Sales and Cash Flow. In addition to the Group targets, the Business Area Presidents and the Regional General Managers were rewarded for their respective Business Areas' Earnings Before Interest and Taxes (EBIT), Net Sales and Gross Margin improvement, in line with the strategic role of their respective area of responsibility. The President and CEO and members of the Executive Board also had a part of their incentive targets based on personal objectives, which are directly derived from the Group's strategy.

#### Remuneration of Executive Board members (excluding President and CEO), Euros

	2018	2017
Salaries	2,890,236	2,722,723
Other payments	850,297	370,426
Annual Incentives	1,137,501	469,791
Long-Term Incentives	2,835,858	2,546,445
Total	7,713,892	6,019,385

### Shareholding at December 31, 2018

Shareholdings of the Board of Directors, President and CEO and other Executive Board members at the end of 2018 are presented in the table below:

	2018	2017
Board of Directors	2,814,880	2,807,352
President and CEO	215,920	202,925
Executive Board	419,916	368,644
Total	3,450,716	3,378,921



# Contact Information

## Amer Sports Corporate Headquarters

Amer Sports Corporation  
Konepajankuja 6 FI-00510 Helsinki  
P.O. Box 1000  
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Domicile: Helsinki  
Business ID: 0131505-5  
[www.amersports.com](http://www.amersports.com)

## Corporate Communications and IR

Samppa Seppälä  
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